COVER SHEET

C S 2 0 0 7 1 9 8 1 9

SEC Registration Number

P X P E N E R G Y C O R P O R A T I O N

(Company's Full Name)

2 F L A U N C H P A D R E L I A N C E C O R N E R

S H E R I D A N S T R E E T S

M A N D A L U Y O N G C I T Y 1 5 5 0

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

Mark H. Rilles

(Contact Person)

8631-1381 to 88

(Company Telephone Number)

1 2 **3 1**

Month *Day*

(Calendar Year)

SEC 17-A

(Form Type)

3rd Tuesday of May

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

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.

S.E.C. Number: CS200719819
File Number: ______

PXP ENERGY CORPORATION
(Company's Full Name)

2nd Floor Launchpad, Reliance Street corner Sheridan Street,
Mandaluyong City, Metro Manila 1550
(Company's Address)

8631-1381 to 88
(Telephone Numbers)

December 31
(Fiscal Year Ending) (month & day)

SEC FORM 17-A
Form Type

____
Amendment Delegation (If applicable)

December 31, 2021
Period Ended Date

____
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2021**

2. SEC Identification Number **CS200719819** 3. BIR Tax Identification No. **006-940-588-000**

4. Exact name of issuer as specified in its charter **PXP ENERGY CORPORATION**

5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **2/F LaunchPad, Reliance cor. Sheridan St., Mandaluyong City** — **1550**
   Address of principal office — Postal Code

8. **(632) 8631-1381**
   Issuer's telephone number, including area code

9. **N/A**

   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**1,960,000,000**

11. Are any or all of these securities listed on a Stock Exchange.
    Yes [**X**] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange — **Common Shares**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: ₱4.960 billion based on closing price of ₱6.15 per share at the Philippine Stock Exchange on December 31, 2021.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

CORPORATE PROFILE

PXP Energy Corporation (formerly Philex Petroleum Corporation) ("PXP" or "the Company"), is a Philippine corporation organized in December 2007 and is listed on the Philippine Stock Exchange ("PSE").

The Company has interests in various petroleum Service Contracts ("SCs") in the Philippines held directly and through its major subsidiary, Forum Energy Limited ("FEL").

The Company's direct interest in Philippine petroleum SCs includes: (1) a 50% operating interest in SC 75 (NW Palawan); (2) a 70% operating interest in SC 74 (Linapacan); and (3) a 5.56% interest in SC 6A (Octon); all located in the Northwest Palawan. PXP also has a 40% non-operating interest in the Department of Energy (DOE) Philippine Conventional Energy Contracting Program ("PCECP") Area 7 (Sulu Sea), which is currently under SC application, and a 100% operating interest in Block A North Recto Bank (Nominated Area No. 6) located in offshore West Palawan.

The Company holds a 79.13% controlling interest in FEL, with 72.33% held directly and 6.80% held indirectly through a 78.39%-owned subsidiary, FEC Resources, Inc. ("FEC"), a Canadian public company registered with the US Securities and Exchange Commission, the Alberta Securities Commission, and the British Columbia Securities Commission and quoted in North America. FEL, a UK-incorporated company with focus on the Philippines, has: (a) a 70% operating interest in SC 72 (Recto Bank) which covers the Sampaguita natural gas discovery in offshore West Palawan, held through Forum (GSEC 101) Limited ("FGL"), (b) a 100% operating interest in SC 40 (North Cebu) held through Forum Exploration, Inc. ("FEI"), and (c) minority interests in the SC 6 and SC 14 sub-blocks in offshore Northwest Palawan, including a 3.2103% interest in the producing Galoc Field, held through Forum Energy Philippines Corporation ("FEPC").

The Company also holds a 53.43% controlling interest in Pitkin Petroleum Limited ("Pitkin"), an upstream oil and gas company registered in the United Kingdom with operations in Peru.

The Company owns 100% of Brixton Energy & Mining Corporation ("BEMC").

As summary of the Company's principal subsidiaries and their nature of business are as follows:

Subsidiary	Nature of Business
FEL	Incorporated on April 1, 2005 in England and Wales primarily to engage in the business of oil and gas exploration and production, with focus on the Philippines.
FEPC	FEPC was incorporated in the Philippines on March 27, 1988 and is involved in oil and gas exploration in the Philippines, particularly a 3.2103% interest in SC 14 C-1 Galoc.
FEI	FEI was incorporated in the Philippines on September 11, 1997 and is involved in oil and gas exploration in the Philippines.
FGL	FGL was incorporated in Jersey on March 31, 2005 and is involved in oil and gas exploration in the Philippines, particularly a 70% interest in SC 72 Recto Bank.
Forum (GSEC 101) Limited - Philippine Branch (FGLP)	FGLP was established as a Philippine branch on October 17, 2005 and is involved in oil and gas exploration in the Philippines.
ForumPH SC72 Holdings, Inc. (SC72 Holdings)	SC72 Holdings was incorporated in the Philippines on January 8, 2020 to primarily act as a holding company.

(Forward)

Subsidiary	Nature of Business
ForumPhil SC72 ProjectCo, Inc. (ProjectCo)	ProjectCo was incorporated in the Philippines on January 23, 2020 and is involved in oil and gas exploration in the Philippines.
Pitkin	Pitkin was incorporated and registered in UK of Great Britain and Northern Ireland on April 6, 2005 and is engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products.
Pitkin Petroleum (Philippines) Plc (PPP)	PPP was registered as the Philippine Branch of Pitkin on March 19, 2008.
Pitkin Petroleum Peru Z-38 SRL (Z38)	Incorporated on October 5, 2006 and is engaged in exploration of oil and gas in Peru.
FEC	Incorporated on February 8, 1982 under the laws of Alberta, Canada. Primarily acts as an investment holding company.
BEMC	Incorporated in the Philippines on July 19, 2005 to engage in exploration development and utilization of energy-related resources.

Also included as part of the Parent Company's subsidiaries are those intermediary entities which are basically holding companies established for the operating entities mentioned above. The following are the intermediary entities of the Group: Pitkin Peru LLC (PPR) and Pitkin Vamex LLC (PVX).

The Parent Company or its subsidiaries does not have and has not have in the past, any bankruptcy, receivership or similar proceedings.

PRODUCT AND DISTRIBUTION

The Company's primary business is the exploration and production of crude oil and natural gas, through interests in petroleum SCs and holdings in resource development companies with interests in petroleum contracts. Crude oil and natural gas are fossil fuels that are derived from organic material deposited and buried in the earth's crust millions of years ago. Fossil fuels (oil, natural gas, and coal) accounted for 18.7% of the primary energy mix in the Philippines in 2020 according to the DOE. In the same year, natural gas contributed about 26.9% of the Luzon generation mix alongside other energy sources such as coal, geothermal, hydro, oil and other renewable energy sources like wind, solar & biomass. It is likely that fossil fuels will continue to be the major energy source over the next decades, even with the development of alternative sources of energy.

All of the Company's revenues are currently sourced from FEPC's share of revenues from crude oil production in SC 14 in offshore Northwest Palawan.

The rest of the petroleum licenses are still in the exploration, appraisal, or development stages and are not yet generating any revenues for the Company. One hundred percent (100%) of FEL's share of revenues from crude oil production in SC 14 in 2021 (2020: 100%, 2019: 95%) were from crude oil sales to East Asian markets.

Crude oil sales are transported via marine crude oil tankers which are arranged either by the customer or the SC operator depending on contract terms.

COMPETITION

Petroleum Industry Overview

The information presented in this section has been extracted from publicly available documents that have not been prepared nor independently verified by the Company, the Financial Adviser, or any of their respective affiliates or advisers.

Petroleum Exploration and Production

Crude oil and natural gas, collectively referred to as “petroleum”, are natural deposits of hydrocarbons derived from organic material deposited and buried in the earth’s crust millions of years ago. Crude oil can be refined to produce petroleum products such as transportation, domestic and industrial fuels, lubricants, asphalt, and petrochemicals. Natural gas can be used for power generation, industrial, domestic and transportation fuel, and petrochemical feedstock.

Petroleum exploration in the Philippines dates back to 1896 with the drilling of Toledo-1 in Cebu Island by Smith Bell and Co. Exploration activities increased from the 1950s to 1970s, under Republic Act (“RA”) No. 387, known as the "Petroleum Act of 1949" which ushered in the era of the concession system.

The Service Contract system was introduced in 1973 with the enactment of Presidential Decree (“PD”) No. 87, known as the "Oil Exploration and Development Act of 1972". In accordance with PD 87, the service contractor is obligated, among others, to perform all petroleum operations in the contract area and provide all necessary services, technology, and financing for such operations. In consideration for the performance of its obligations as a service contractor, the contractor is entitled to a share in petroleum revenues in case of a commercial discovery and production.

Current petroleum production in the country is mainly from the Camago-Malampaya gas field and the Galoc oil field, which are both located offshore in the Northwest Palawan Basin. In 2020, total production from the Camago-Malampaya gas field, is approximately 141 billion standard cubic feet (“BCF”) of natural gas, and 3,469,000 barrels (“bbls”) of condensate. The gas produced from the Camago-Malampaya field is used to fuel five (5) natural gas-fired power stations with a total generating capacity of 3,200 megawatts to provide 40% of Luzon's power generation requirements in 2020. The Galoc oil field, which started production in October 2008, produced an average of approximately 1,727 bbls of oil per day in 2021.

As of August 2020, the DOE’s targeted reserves to be drilled from 2023 to 2040 from the sedimentary producing basins of the Philippines totaled to 114.4 million barrels (“MMBO”) of oil initially in place, 45.9 MMBO of condensate initially in place, and 4.04 TCF of gas initially in place.

These petroleum reserves calculations are only based on the sedimentary producing fields in the country which include, Visayan Basin, Southwest Palawan Basin and the prolific Northwest Palawan Basin. These basins extend on both offshore and onshore areas.

Under PD 87, the following incentives are provided for petroleum service contractors:

- Service fee of up to 40% of net production
- Cost reimbursement of up to 70% gross production with carry-forward of unrecovered costs
- Filipino Participation Incentive Allowance (“FPIA”) of up to 7.5% of the gross proceeds for service contracts with minimum Filipino company participation of 15%
- Exemption from all taxes except income tax
- Income tax obligation paid out of government's share
- Exemption from all taxes and duties for importation of materials and equipment for petroleum operations
- Easy repatriation of investments and profits
- Free market determination of crude oil prices, i.e., prices realized in a transaction between independent persons dealing at arms-length
- Special income tax of 8% of gross Philippine income for subcontractors
- Special income tax of 15% of Philippine income for foreign employees of service contractors and subcontractors

Industry Competition

Petroleum SCs are awarded by the DOE through an improved petroleum licensing system known as the PCECP, wherein there will be two modes of applying for petroleum SCs: (1) by competitive selection process where the DOE may publish a set of pre-determined areas for bidding, and (2) by nomination, where applicants may nominate and publish their respective areas of interest. Proposals are evaluated based on Department Circular ("DC") No. DC2017-12-0017. The indicative weighing factors published by the DOE for the PCECP launched in November 2018 are as follows:

Criteria	Key Elements	Weight in Percent
Work Program	Resource potential and exploration approach Work commitment Development concepts	40%
Financial Qualifications	Evidence of available funds Finance track record	40%
Technical Qualifications	Experience and track record	20%
Legal Qualifications	Completeness and validity of required legal documents	Pass or Fail

While there is competition in the acquisition of petroleum SCs, the significant financial commitments and technical risks also provide opportunities for partnership, especially between local and international companies. Under a service contract, a substantial financial incentive is given to consortia with at least 15% aggregate Filipino equity. Thus, many international companies invite local companies to join their venture to benefit from the said incentive.

Foreign and domestic petroleum exploration and production companies currently active in the Philippines include Shell Philippines Exploration B.V., UC38 LLC, Ratio Petroleum Limited, Polyard Petroleum International Group, Ltd., PNOC Exploration Corporation ("PNOC EC"), Monte Oro Resources and Energy Inc. ("MOREI"), NPG Pty Ltd, Nido Petroleum Philippines Pty. Ltd., The Philodrill Corporation ("Philodrill"), Oriental Petroleum & Minerals Corporation ("OPMC"), PetroEnergy Resources Corporation ("PERC"), and Palawan55 Exploration & Production Corp.

The success of the Company's petroleum business is highly dependent on the Company's, along with its consortium partners', ability to secure exclusive rights to explore and develop resources.

The Company is currently one of the more active players in the Philippines in terms of exploration activity and believes it can effectively compete in the industry on the basis of its strengths.

SOURCES AND AVAILABILITY OF SERVICES, RAW MATERIALS, AND SUPPLIES

The Company, its subsidiaries, and the operators of assets in which the Company has direct or indirect interest, have contracts with third party service providers and suppliers. The Company's business, however, is not dependent on any single supplier or a limited number of suppliers, and normally procures required third party services through a competitive bidding process.

CUSTOMERS

Crude oil liftings from the Galoc Field were sold to customers from East Asian markets. Note 23 of the Notes to the Consolidated Financial Statements as of December 31, 2021, attached hereto, on Segment Information, is incorporated by reference.

Crude oil sales are transported via marine crude oil tankers which are arranged either by the customer or the service contract operator depending on contract terms.

TRANSACTIONS AND DEPENDENCE ON RELATED PARTIES

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Companies within the Group in the regular conduct of business, enters into transactions with related parties which consists of advances, loans, reimbursement of expenses, regular banking transactions and management and administrative service agreements.

Intercompany transactions are eliminated in the consolidated financial statements.

The Group's significant related party transactions, which are under terms that are no less favorable than those arranged with third parties, are as follows (Amounts in thousands):

a. On November 24, 2010, Forum Philippine Holdings Limited ("FPHL") entered into a US$10,000 loan facility agreement with Philex Mining Corporation ("PMC"). The facility agreement will be available for a three-year period and funds can be borrowed at an annual interest rate of US London Interbank Offered Rate ("LIBOR") + 4.5% for the drawn portion and a commitment fee of 1% for the undrawn portion. The facility agreement will enable FPHL to fund its 70% share of a first SP work program over SC 72. Obligations arising from funds drawn under this facility agreement are not convertible into FEL's or FPHL's common shares.

   In June 2012, an amendment to the original loan agreement has been made to extend the loan facility to US$15,000.

   On November 21, 2013, PMC assigned its rights and obligations under the facility agreement to the Parent Company. On the same date, the loan facility was increased to US$18,000 and has been extended for an additional three years. The loans receivable from FPHL and loan payable to PMC recorded in the Parent Company amounted to ₱674,804 in 2013.

   In 2015, a transfer agreement has been entered into by FPHL (the "Original Borrower") and FGL (the "New Borrower"). This states that all the rights and obligations under the Finance Documents of the Original Borrower will be transferred by way of novation to the New Borrower and the Original Borrower will be released from its obligations and will cease to own any rights under the Facility Agreement.

   On March 23, 2017, PXP, FEL and FGL agreed to the conversion of US$11,805 loan to equity, by subscribing to 39,350,920 new common shares of FEL. The loan payable consisted of total drawdowns from the loan facility of US$15,500 and interest accrued of US$2,828. Of the remaining balance, US$1,000 was paid through cash received from subscription of Tidemark to 6,666,667 new common shares of FEL.

   On the same date, PXP and FGL entered into a new loan facility amounting to US$6,000 of which US$5,522 was drawn out to fully settle the remaining portion of the long-term loan.

   Interest expense incurred for the old loan facility amounted to ₱11,692 in 2017. During the same year, commitment fees incurred amounted to ₱281.

   On April 16, 2020, FGL made a partial repayment of the maturing loan principal amounting to US$431 together with the full payment of accrued interest from March 16, 2017 to April 15, 2020 amounting to US$958. In addition, a further extension of the then reduced outstanding loan principal of US$5,091, was made from April 16, 2020 to December 31, 2021 and quarterly payments of accrued interest is to be made from April 16, 2020 onwards.

On August 7, 2020, FEC has agreed to purchase 6.8% of the loan due by FGL to PXP amounting to US$346 plus accrued interest. This loan is unsecured, due on December 31, 2021 and bears interest at an annual rate of 3.5% plus LIBOR which is payable on a quarterly basis.

On October 28, 2021, the BOD approved to repurchase from FEC the 6.8% of the loan currently due by FGL to PXP amounting to US$346 plus accrued interest, with all other terms of the loan remaining unchanged.

Interest expense incurred for 2021, 2020 and 2019 amounted to ₱9,259, ₱11,056 and ₱16,018, respectively. The new loan facility does not include an agreement for commitment fee.

The interest expense and commitment fees were recorded under 'Interest expense and other charges' in the consolidated statements of income while these were eliminated upon consolidation for the year ended December 31, 2021, 2020 and 2019.

Loans receivable of PXP from FGL as at December 31, 2021 amounted to ₱259,646. Loans receivable of PXP and FEC from FGL as at December 31, 2020 amounted to ₱234,345. These were eliminated upon consolidation.

On February 23, 2022, the BOD approved the extension of maturity date of the loan from December 31, 2021 to March 31, 2022. All other terms of the loan remain unchanged.

b. On November 3, 2021, the BOD of FEL approved the request for funding contribution amounting to $3,300 from its major shareholders, pro-rata to their shareholdings in FEL. The fund was partially used for the pre-drilling activities of SC 72 Recto Bank, with the remaining amount to be used to deliver FEL's two commitment wells in the first half of 2022.

   PXP and FEC share's in the funding contribution in 2021 amounted to $2,417 and $224, respectively, which were eliminated upon consolidation.

c. PMC made cash advances to be used as additional working capital of the Parent Company and acquisition of investments.

   On August 11, 2015, the BOD has agreed that a pledge agreement with PMC (pledgee) be entered into by PXP (pledgor). In order to secure the balance of ₱2,200,000 as of pledge date, the Parent Company has pledged its shares in its subsidiaries, Pitkin and Forum to PMC. The contract was formally executed on August 17, 2015.

   In 2018, the Group paid PMC amounting to ₱781,334, while in 2019, PXP fully paid the cash advances from PMC. As a result, the related pledge was extinguished.

   As at December 31, 2021 and 2020, advances from PMC amounted to nil.

d. BEMC has significant transactions with related parties involving advances to provide funding for BEMC's exploration and development activities.

   On August 5, 2019, a deed of assignment was entered by BEMC and PXP transferring BEMC's advances from PMC to PXP amounting to ₱737,815. On December 19, 2019, PXP paid the advances from PMC amounting ₱737,815.

   In 2021, BEMC partially paid advances from PXP amounting to ₱1,500. As at December 31, 2021 and 2020, advances from PXP amounted to ₱736,315 and ₱737,815, respectively.

e. The compensation of key management personnel pertaining to short-term and other long-term employee benefits follows:

	2021	2020	2019
Short-term employee benefits	**₱8,436**	₱8,436	₱8,436
Other long-term employee benefits	**3,024**	2,376	2,808
	₱11,460	₱10,812	₱11,244

f. Material related party transactions ("RPT") refer to any related party transaction/s, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements.

   All individual material RPT shall be endorsed by the Corporate Governance and Related Party Transactions committee for approval by at least two-thirds vote of the BOD, with all independent directors voting to approve the material RPT. The material RPT may be further submitted to the stockholders and final approval when the BOD deems it necessary.

   Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require endorsement by the same committee for approval of the BOD.

   Note 18 of the Notes to the Consolidated Financial Statements as of December 31, 2021, attached hereto, on Related Party Transactions, is incorporated by reference.

The Company or its related parties have no material transaction with parties falling outside the definition of "related parties" under the Philippine Accounting Standards No. 24 that are not available for other, more clearly independent parties on an arm's length basis.

PATENTS, TRADEMARKS, AND LICENSES

The Company currently has no registered patents, copyrights, licenses, and franchises. SCs are discussed under the heading "**Interests in Petroleum Service Contracts**".

GOVERNMENT APPROVALS

Compliance with petroleum SCs is primarily monitored through the timely submission of the annual Work Program and Budget ("WP&B"), Annual Procurement Plans, Quarterly Accomplishment Reports, Upstream Petroleum Operations Safety, Health and Environment Rules and Regulations ("UPOSHERR"), and Technical Reports/Data of completed Geological and Geophysical ("G&G") activities to the DOE. The annual WP&B for a contract area must be submitted before the end of October of each year and must be approved by the DOE. The approved WP&B will then serve as the contractor's guide in the conduct of petroleum operations over the contract area.

Should petroleum be discovered in commercial quantities, the contractor must delineate the discovered reservoir, which shall serve as the production area. The contractor must submit to the DOE an Appraisal Work Program for its approval, providing in detail the appraisal work and timetable for such discovery. Upon approval, the contractor must carry out the operations and thereafter prepare a detailed report on the appraisal of the commerciality of the discovery. Should the contractor and the DOE decide that the oil field may contain petroleum in commercial quantity, the contractor must submit an Overall Development Program to the DOE for its approval.

Field operations must be done in accordance with accepted good oil field practices using modern and scientific methods to enable maximum economic production of petroleum. Moreover, the contractor is required to: (a) promptly furnish the DOE with geological data, reports and other information relative to the petroleum operations, (b) maintain detailed technical records and accounts of the petroleum operations, (c) ensure that all meters and measuring equipment are in good order, (d) allow access to the exploration and/ or production sites to inspectors authorized by the DOE, (e) allow examiners of the Bureau of Internal Revenue ("BIR") and other representatives authorized by the DOE to full access to accounts, books, and records relating to petroleum operations, and (f) post a bond or other security in favor of the Philippine government conditioned upon the contractor's faithful performance of its obligations under the SC.

EXISTING AND PROBABLE GOVERNMENTAL REGULATIONS

Existing Governmental Regulations

Various laws and regulations in the Philippines regulate different aspects of the Company's business. Below is a discussion of some of the principal laws that affect the Company's business.

In the case of probable government regulations, the effect or impact of such probable governmental regulations on the Company's operations could only be determined upon their passage and implementation. The Company continues to monitor any new law and/or regulations that may be passed or implemented that may have an impact on the Company.

OIL AND GAS EXPLORATION

PD 87 (Amending PD 8 otherwise known as the Oil Exploration and Development Act of 1972)

PD 87, as amended, aims to promote the discovery and production of indigenous petroleum through the use of government or private resources. Pursuant to this law, the government may, on its own, undertake the exploration and development of petroleum, or it may undertake the same through SCs entered into with contractors (whether acting alone or in consortium with others) who must be technically competent and financially capable as determined by the Petroleum Board (now the DOE). SCs are executed after public bidding or concluded through negotiations.

Under the law, the government will oversee the management of the operations contemplated in the SC. The contractor, on the other hand, will be required to, among other duties and responsibilities: (i) provide all necessary services and technology; (ii) provide the requisite financing; (iii) perform the exploration work obligations and program prescribed in the service contract; (iv) once petroleum in commercial quantity is discovered, operate the field on behalf of the government in accordance with accepted good oil field practices using modern and scientific methods to enable maximum economic production of petroleum; and (v) assume all exploration risks such that if no petroleum in commercial quantity is discovered and produced, it will not be entitled to reimbursement. The contractor may market petroleum either domestically or for export, subject to supplying the domestic requirements of the Philippine government on a *pro rata* basis, as required by law.

Pursuant to the law, the contractor is entitled to a service fee which will not exceed 40% of the balance of the gross income after subtracting the Filipino participation incentive (if any) and operating expenses recovered pursuant to the provisions of the law. The FPIA is the government subsidy granted by the DOE to contractors where Philippine citizens or corporations have a minimum participating interest of 15%. The amount of the subsidy depends upon the scope of Filipino participation. The FPIA and certain operating expenses (including amortization and depreciation) may be deducted by the contractor from its gross income.

In addition to the above, the contractor enjoys benefits, which include: (i) exemption from all taxes except for income tax; (ii) exemption from tariff duties for all machinery, equipment, and spare parts necessary for petroleum operations, subject to certain conditions; and (iii) entry of foreign technical and specialized personnel to be employed by the contractor, provided approval of the DOE is obtained.

The exploration period for each service contract is seven (7) years, extendible for three (3) years and for another year if petroleum is discovered by the end of the 10th year for the purpose of determining whether it is in commercial quantity. If petroleum in commercial quantity has been discovered, the contractor may retain after the exploration period and during the effectivity of the contract 12.5% of the initial area in addition to the delineated production area, subject to payment of rentals by the contractor. If petroleum in commercial quantity is discovered during the exploration period in any area covered by the contract, the contract with respect to said area will remain in force for the remainder of the 10-year exploration period and for an additional period of 25 years, renewable for a period not exceeding 15 years.

It is mandated that the SC provide for the compulsory relinquishment of at least 25% of the initial area after five years from the effective date of the contract, but in the event that the contract is extended from 7 to 10 years, there must be an additional relinquishment of at least 25% of the initial area after seven years. This requirement shall not include, however, the area dedicated to production. During production period, the Service Contractor may retain at least 12.5% of the initial SC for further exploration and development, in addition to the delineated production area.

MINING OPERATIONS

PXP does not have any other interest in any ongoing mining project.

RENEWABLE ENERGY

Renewable Energy Act of 2008

RA No. 9513 establishes the Philippine framework for the accelerated development and advancement of Renewable Energy ("RE") resources, and the development of a strategic program to increase its utilization. It was enacted to, among others, increase the utilization of RE by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions. "RE Resources" are energy resources that include, among others, biomass, solar, wind, geothermal, ocean energy, and hydropower.

To encourage the development of renewable energy facilities, renewable energy developers are entitled to incentives including, but not limited to: (i) income tax holiday for the first seven years of commercial operations; (ii) duty-free importation of RE machinery, equipment and materials; (iii) special realty tax rates on equipment and machinery; (iv) corporate tax rate of 10% on its net taxable income after the lapse of the income tax holiday period; (v) zero-rated value added tax on the sale of fuel or power generated from renewable sources of energy; (vi) tax exemption from the sale of carbon emission credits; and (vii) tax credit on domestic capital equipment and services.

Moreover, government financial institutions have been tasked to provide preferential financial packages for the development, utilization, and commercialization of renewable energy projects.

Pursuant to this law, the government is entitled to a share on RE development projects equal to 1% of the gross income of renewable energy resource developers resulting from the sale of RE produced and such other income incidental to and arising from the RE generation, transmission, and sale of electric power. For indigenous geothermal energy, the government share is 1.5% of the gross income.

The DOE is the lead agency mandated to implement the provisions of the RE Act, which it does through the Renewable Energy Management Bureau. The RE Act also created the National Renewable Energy Board which is tasked to, among others, recommend specific actions to facilitate the implementation of the National Renewable Energy Program ("NREP") to be executed by the DOE and other appropriate agencies of government, monitor and review the implementation of the NREP, and monitor the utilization of the Renewable Energy Trust Fund ("RETF"). The RETF was established to enhance the development and greater utilization of RE and will be exclusively used to: (i) finance the research, development, demonstration, and promotion of the widespread and productive use of RE systems for power and non-power applications; (ii) provide funding to qualified research and development institutions engaged in RE studies; (iii) support the development and operation of new RE resources to improve their competitiveness in the market; (iv) conduct nationwide resource and market assessment studies for the power and non-power applications of RE systems; (v) propagate RE knowledge by accrediting, tapping, training, and providing benefits to institutions, entities, and organizations which can extend the promotion and dissemination of RE benefits to the national and local levels; and (vi) fund such other activities necessary or incidental to the attainment of the objectives of the RE Act.

ENVIRONMENTAL LAWS

Philippine environmental laws are primarily implemented by the Department of Environment and Natural Resources ("DENR"), which is responsible for carrying out the state's constitutional mandate to control and supervise the exploration, development, utilization, and conservation of the country's natural resources.

Philippine environmental law compliance would include compliance with: (1) the terms and conditions of the Environmental Compliance Certificate ("ECC") issued by the DENR certifying that based on the proponent's representations and the DENR's review, the proposed project or undertaking will not cause a significant negative environmental impact and that the proponent has complied with all the requirements of the Environmental Impact Statement ("EIS") System; (2) the terms and conditions of a permit to discharge, which allows the discharge of regulated effluents (i.e., discharges from known sources, such as manufacturing plants, industrial plants, including domestic, commercial, and recreational facilities which traverse to the bodies of waters), pursuant to the Philippine Clean Water Act of 2004 and the Revised Effluent Regulations of 1990; (3) the guidelines imposed by the Marine Pollution Decree of 1976, which prohibits, among others, the discharging or dumping of oil, noxious gaseous and liquid substances, and other harmful substances from or out of any ship, vessel, barge or any other floating craft, or other man-made structures at sea, by any method, means or manner into or upon the territorial and inland navigable water of the Philippines; (4) the Water Code of the Philippines, which allows the dumping of tailings from mining operations into rivers and waterways upon prior approval by the National Water Resources Board; and (5) the Philippine Clear Air Act of 1999, which seeks to prevent air pollution by controlling emission, greenhouse gases that could stimulate global warming, and, through the DENR, imposing emission fees from industrial dischargers through its emission permitting system.

RESEARCH AND DEVELOPMENT

The Company spent minimal amounts for research and development activities during the last three fiscal years, equivalent to an insignificant percentage of revenues.

COMPLIANCE WITH ENVIRONMENTAL LAWS

The DENR issues a Certificate of Non-Coverage ("CNC") if the proposed project is considered outside the purview of the EIS System. All pre-development activities such as exploration/appraisal well drillings and seismic surveys only require a CNC, which is issued by the Environmental Management Bureau ("EMB") of the DENR.

A CNC was issued by the EMB to FGL on December 22, 2010 for the 2D and 3D seismic surveys conducted in the Recto Bank area from January to March 2011.

Another CNC was issued by the EMB on May 23, 2012 to cover all exploration activities in SC 72, including the drilling of exploration wells.

An ECC was issued by the EMB to FEI on February 19, 2010 for the extraction of natural gas from the SC 40 contract area and for up to two MW natural gas-fired power plant project in Barangay Libertad, Bogo City, Cebu.

CNCs were issued by the EMB to FEI on November 18, 2009 and April 13, 2012 to cover land gravity surveys in SC 40.

A CNC was issued by the EMB to the Company on February 28, 2014 to cover all exploration activities in SC 75.

Another CNC was issued by the EMB to the Company on March 22, 2016 to cover all exploration activities in SC 74.

In June 2018, a permit to transport rock samples acquired from the SC 74 fieldwork in the Calamian Islands was requested from the MGB-MIMAROPA, in accordance with the DENR Administrative Order 2010-21, the IRR of the RA 7942 known as the Philippine Mining Act of 1995.

Compliance by the Group with environmental laws helps assure the management that the Group's business can be operated in a sustainable manner. As far as the Company is aware, the Group has complied with all environmental regulations with regard to the SCs.

EMPLOYEES

The Company is managed by its directors and executive officers with legal and technical support provided by specialist consultants. The day-to-day operations and administration of assets operated by PXP are handled by the employees of the Company, in accordance with established policies and agreed objectives. As of December 31, 2021, the Company has two (2) management level regular employees, six (6) supervisor level regular employees and one (1) rank and file employee. For 2022, the Company may hire additional employees depending on the outcome of its business development and asset portfolio management activities. The Company has no collective bargaining agreement with its employees, and has not experienced any strikes from its employees. There are no supplemental benefits or incentive arrangements with employees.

No director or senior management employee of the Company is a former employee or partner of the current external auditor.

KEY RISKS RELATING TO THE COMPANY'S BUSINESS

There are risks and uncertainties inherent in the business of petroleum exploration and development. To mitigate these risks, the Group has its own Board Risk and Resource Oversight Committee ("BRROC") that conducts a review of the effectiveness of PXP Energy Group's (including its subsidiaries, major associated companies, and joint ventures) Enterprise Risk Management ("ERM") systems. The bi-annual review covers all material strategic, financial, operational, and compliance risks and the corresponding mitigation measures to address these risks.

The most recent evaluation of PXP's ERM process, review of the periodic ERM report, and the discussion with the Chief Risk Officer as well as the external auditor, have assured the BRROC that material risks have been identified, evaluated, managed, and reported appropriately.

The following are the Group's material strategic, financial, operational, and compliance risks and the corresponding mitigation measures to address these risks:

- **Failure to discover oil and gas resources that can be developed for commercial production**

  The Company's ability to sustain itself depends on the discovery of oil and gas resources that can be developed for commercial production. There is no assurance that exploration activities of the Company and the corporations in which it has invested (collectively with the Company, "the **Group**") will result in the discovery of oil or gas deposits because of the uncertainties in locating and estimating the size of subsurface deposits of oil or gas despite advances in exploration technology. Even if a substantial oil or gas deposit is discovered, there are other factors that may prevent or delay its commercial development, such as drilling and production hazards; political, social and/or environmental issues; and insufficient market demand and/or infrastructure, particularly for a natural gas development. If exploration and development activities of the Group are not successful, the Company's ability to generate future cash flow and obtain additional financing to continue operations may be adversely affected.

  The Company mitigates exploration and development risks mainly by investing in a portfolio of exploration assets, working with partners and contractors with proven track records, and undertaking phased exploration with exit options.

- **International maritime issues over the West Philippine Sea**

  The Company operates SC 72 in the Recto Bank (Reed Bank) Area, offshore west of Palawan, which is subject to international maritime issues pertaining to certain areas of the West Philippine Sea ("WPS") and was placed by the DOE under Force Majeure ("FM" or "Moratorium") starting December 2014. Another block affected by the dispute is SC 75 in offshore Northwest Palawan, which was also directed to be under Moratorium since December 2015. The Permanent Court of Arbitration in The Hague released a ruling on July 12, 2016 on the maritime case filed by the Republic of the Philippines against the People's Republic of China. In particular, the Tribunal ruled that Recto Bank, where SC 72 lies, is within the Philippines' Exclusive Economic Zone ("EEZ") as defined under the 1982 United Nations Convention on the Law of the Sea ("UNCLOS").

  On November 20, 2018, a Memorandum of Understanding ("MOU") on oil and gas development between the Philippines and China was signed by the Department of Foreign Affairs ("DFA") Secretary Teodoro Locsin, Jr. and Chinese Foreign Minister Wang Yi. This will pave the way for the creation of an inter-governmental Steering Committee that will work out a program of cooperation that could lead to joint exploration, and the creation of one or more Inter-Entrepreneurial Working Groups. The Steering Committee will be co-chaired by the DFA Secretary and the Chinese Foreign Minister, and co-vice chaired by the vice ministries with the participation of relevant agencies of the two governments (the DOE in the case of the Philippines). The Working Groups would consist of representatives authorized by China and Philippines for the inter-entrepreneurial, technical, and commercial aspects of cooperation on certain areas in the WPS.

In October 2019, the DFA announced that the Philippines and China had officially convened a Steering Committee that will supervise projects under the two countries' joint oil and gas exploration in the WPS. The DFA further announced that the Steering Committee held its first meeting in Beijing on October 28, 2019. China has appointed China National Offshore Oil Corporation ("CNOOC") as representative to the Working Group(s). FGL will be the representative to the Working Group that will be created for SC 72.

On October 14, 2020, FGL received notice from the Philippine DOE that the FM imposed on SC 72 in December 2014 was lifted with immediate effect and that FGL was to resume exploration activities on SC 72. FGL now has 20 months from the date of lifting of the FM to drill two (2) commitment wells. The total cost of drilling these wells depends on a number of factors, the Company's management estimates the total work to be between US$70 million and US$100 million. It is important to note that, to date, there has been no announcement of any agreement between FGL and CNOOC in relation to SC 72.

Similar with SC 72, a letter from the DOE dated October 14, 2020 stated that the FM over SC 75 has been lifted effective immediately and that exploration activities were to resume over the block.

However, on April 6, 2022, (i) the Company, as operator under Service Contract No. 75 and (ii) FGL, as operator under Service Contract No. 72, received a directive from the Department of Energy ("DOE") to "put on hold any exploration activities for Service Contract Nos. 72 and 75 until such time that the [Security, Justice, and Peace Coordinating Cluster ("SJPCC")] has issued the necessary clearance to proceed."

On April 8, 2022, the Company and FGL advised the DOE that in compliance with the DOE directive, they "have suspended (or caused the suspension of) all activities in the West Philippine Sea beginning April 6, 2022, in the process, incurring substantial stand-by and other costs." In the same letter, the Company and Forum advised the DOE further that they were prepared to resume operations immediately provided they receive written confirmation from DOE by April 10, 2022 that they can resume their exploration activities.

On April 11, 2022, the Company and FGL advised the DOE that as they did not receive advice from the DOE that they can resume their exploration activities, they (a) have stopped all their exploration activities, (b) were constrained to terminate their agreements with suppliers and incurred substantial liabilities for termination costs and penalties, and (c) affirmed their declaration of Force Majeure under SC 72 and SC 75 effective April 6, 2022 arising from what appeared as an indefinite suspension by the DOE of the exploration activities under SC 72 and SC 75.

The uncertainty of how these issues will be resolved may be a source of continuing risk to the operations in offshore Palawan. The Company will take guidance from the Philippine Government in respect of any future activity in SC 72 and SC 75.

- **Failure to fund expenditures and investments for exploration and development activities**

  The exploration and development of oil and gas resources are capital intensive. The Company's ability to fund such expenditures and investments depends on numerous factors, including the ability to generate cash flow from the Group's production, availability and terms of external financing, and the extent to which work commitments can be adjusted under the relevant SCs and similar agreements. If the Group is unable to obtain the required funding, the Group will have to adjust its business plans and strategies, which may adversely affect the Company's future prospects, market value, and results of operations.

  The Company mitigates the foregoing risks by sharing the costs and risks of exploration and development with suitable joint venture ("JV") partners and undertaking phased exploration with exit options. Where funding is still insufficient, the Company may adjust its business plans and strategies which may include raising capital depending on the importance of the asset.

- **Price fluctuations and substantial or extended decline in prices**

  Prices for oil and gas have demonstrated significant volatility in the past. Historically, prices of oil and gas are influenced by a number of factors, including global and regional supply and demand, geopolitical uncertainty, domestic and foreign governmental regulations and actions, global and regional economic conditions, weather conditions, and natural disasters. It is not possible to accurately forecast future oil and gas price movements and trends. Declines in crude oil and gas prices will adversely affect the Company's business, prospects, and results of operations.

  The Company mitigates price risks by evaluating the economic sensitivity of investment opportunities to low product prices and taking this into consideration when making investment decisions.

- **Laws, regulations, and contingencies adding to the cost and effort of doing business**

  The petroleum industry is highly regulated. In addition to complying with the laws and regulations for doing business in the Philippines and in the other jurisdictions where the Group operates, the nature of the Group's business also subjects the Group to laws and regulations regulating the industry, as well as those on environment, occupational health and safety standards. Despite efforts to comply with all such laws and regulations, the Group's business may be exposed to significant liabilities and restrictions due to accidents and unforeseen circumstances. Furthermore, such laws and regulations are subject to changes which may result in delays or restrictions on exploration, development, or production activities as well as increased cost of compliance. There is no assurance that these costs will not have a material adverse effect on the Company's business and results of operations.

  The foregoing risk is mitigated by the Group's respective policies, which are geared towards compliance with laws and regulations, as well as with good industry practice relating to health, safety, and environment. Some of the risks and some of the potential losses and liabilities arising therefrom may not be covered by insurance. The Company assesses the acceptability of residual risks not covered by insurance policies, and if the Company deems that such risks are not within the levels that the Company is willing to accept, the Company may decide to avoid the risk by either terminating or forgoing the activity, project, or investment.

- **Estimates used in the business may be unreliable or incorrect**

  This report includes estimates made by the Company and third parties of oil and gas reserves and resources. Estimates of reserves and resources should be regarded only as estimates that may change as additional technical and commercial information becomes available. Not only are such estimates based on information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information. The quantities that might actually be recovered should these be discovered and developed may differ significantly from the estimates presented herein.

  As of the date of this report, the Company has not independently verified the estimates provided by third parties. As estimates of reserves and resources change over time, the Company will have to adjust its business plans and strategies. Any significant downward revision in the estimates of reserves and resources may adversely affect the Company's financial condition, future prospects, and market value.

- **Compliance with laws, regulations, and contracts, failing of which the Company may lose its contracts, licenses, and approvals from both the Philippines and Peru governments or otherwise be penalized**

  Substantially all of the Company's revenues are or will be derived from SCs, which give the Group and their respective partners exclusive rights to conduct exploration and development operations over certain blocks in the jurisdictions in which they have invested. The Group and their joint venture partners are also expected to secure business licenses and permits in relation to their operations. The Group and their joint venture partners' operations may be restricted, suspended, or terminated if the Group, their joint venture partners or any of their respective contractors and assignees fail to satisfy their respective obligations under the contracts, and the laws, rules and regulations governing such contracts, or to secure and maintain required licenses and permits. This may prevent the Group and their joint venture partners from conducting further exploration and development activity within the relevant consortium areas, which in turn could materially and adversely affect the Company's business, financial condition, results of operations, and prospects.

The foregoing risk is mitigated by the Group's respective policies, which include close coordination with the relevant government agencies, compliance with laws, regulations, and contracts, and exerting all reasonable efforts to secure and maintain licenses and permits required for its business and undertakings. The Group also adopts provisions in their agreements with their joint venture partners to address defaults and non-compliance with laws, regulations, and contracts.

- **Operating risks and natural disasters resulting in losses**

  Exploration and production of oil and gas are subject to various operating risks such as fires, explosion, oil spills, gas leaks, collisions, mechanical failures, and natural disasters that may result in injuries, loss of lives, suspension of operations, and damage to property and the environment. As a result, losses and liabilities arising from the occurrence of any of these risks may have a material adverse effect on the Company's business and results of operations.

  The foregoing risk is mitigated by insurance. However, please note that insurance coverage applies against some, but not all, potential losses and liabilities. The Company will assess the acceptability of residual risks not covered by insurance policies, and if the Company deems that such risks are not within the levels that the Company is willing to accept, the Company may decide to avoid the risk by either terminating or forgoing the activity, project, or investment.

- **Competition in securing exclusive rights may hamper the company's growth and expansion**

  The Government has been taking steps to attract investments in the exploration and development of oil and gas in the Philippines, particularly with respect to the application and award of petroleum SCs, which is done either through competitive public bidding or by area nomination. The Company's competitors, particularly international oil and gas companies, may have greater financial, technical, and organizational capabilities than the Company.. Significant competitive pressure could result in the failure or increased costs to acquire additional exploration and production assets, thereby causing a material adverse effect on the Company's business and results of operations.

  The Company mitigates the foregoing risks by partnering with experienced joint venture partners and hiring experienced consultants that will provide the best value proposition to the government in terms of technical, financial, and legal feasibility during the bidding/nomination process for new service contracts.

PETROLEUM SCs

The Company has interests in various petroleum service contracts in the Philippines, held directly and through subsidiaries FEL and Pitkin.

An independent estimate of reserves and resources of the petroleum assets held by the Company and its subsidiaries are as follows[1]:

Asset	Gross 100%	Net attributable to Company	Classification (Standard)	Independent Consultant/ Report Date
Oil Reserves – Galoc Oil Field	2.06 MMBO Developed Producing	0.06 MMBO	Proved plus Probable Developed Reserves (PRMS)[2]	ERCE Independent Energy Experts March 2022

[1] Independent resource estimates were submitted to the DOE

[2] Petroleum Resources Management System ("PRMS") approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers

Oil & Liquids Contingent Resources - SC 72	65 MMBO OIIP[3]	35 MMBO OIIP	Best Estimate Contingent Resources (PRMS)	Weatherford Petroleum Consultants 2012
Gas Contingent Resources - SC 72	2603 BCF GIIP[4]	1383 BCF GIIP	Best Estimate Contingent Resources (PRMS)	Weatherford Petroleum Consultants 2012
Oil & Liquids Prospective Resources – SC 72	220 MMBO OIIP	117 MMBO OIIP	Best Estimate Prospective Resources (PRMS)	Weatherford Petroleum Consultants 2012
Gas Prospective Resources – SC 72	8799 BCF GIIP	4676 BCF GIIP	Best Estimate Prospective Resources (PRMS)	Weatherford Petroleum Consultants 2012

Interests in Petroleum Service Contracts

A summary of the Group's interests in petroleum SCs and license are as follows:

Contract	Location	Area, square kms.	Interest Held	Operator	Status	Award & Expiry Dates
SC 6A Octon	Offshore Northwest Palawan	1,080	PXP 5.56% FEPC 5.56%	Philodrill	Surrendered on March 31, 2021 pending DOE approval	September 1, 1973 February 28, 2024 JV plans to reapply for the block with PXP and FEPC share of 6.722% each
SC 6B Bonita (including Cadlao)	Offshore Northwest Palawan	567	FEPC 2.4546%	Manta	Production	September 1, 1973 February 28, 2024
SC 14C-1 Galoc	Offshore Northwest Palawan	163	FEPC 3.2103%	NPG Pty Ltd	Production	December 17, 1975 December 17, 2025
SC 14C-2 West Linapacan	Offshore Northwest Palawan	176.5	FEPC 9.103%	Philodrill	Appraisal & Redevelop ment	December 17, 1975 December 17, 2025
SC 14A Nido	Offshore Northwest Palawan	23.8	FEPC 8.468%	Philodrill	Plugged and abandoned	December 17, 1975 Surrendered on February 16, 2021 (awaiting DOE approval)
SC 14B Matinloc	Offshore Northwest Palawan	15	FEPC 12.406%	Philodrill		

[3] OIIP – Oil Initially in Place

[4] GIIP – Gas Initially In Place

Contract	Location	Area, square kms.	Interest Held	Operator	Status	Award & Expiry Dates
SC 14B-1 North Matinloc	Offshore Northwest Palawan	8.0	FEPC 19.463%	Philodrill		
SC 14 Tara	Offshore Northwest Palawan	10.28	FEPC 10.000%	ACEX		
SC 14D	Offshore Northwest Palawan	185	FEPC 8.168%	Philodrill	Exploration	
SC 40 North Cebu	Northern Cebu	3,400	FEI 100%[5]	FEI	Production	February 9, 1995 November 24, 2030
SC 72 Recto Bank	Offshore West Palawan	8,880	FGL 70%	FGL	Exploration	February 15, 2010 December 14, 2025
SC 74 Linapacan	Offshore Northwest Palawan	4,268	PXP 70%	PXP	Exploration	August 13, 2013 May 13, 2022
SC 75 Northwest Palawan	Offshore Northwest Palawan	6,160	PXP 50%	PXP	Exploration	December 27, 2013 October 14, 2025

The following describes the Company's interest in various petroleum contracts. Additional information can also be obtained in Note 11: Deferred Oil and Gas Exploration Costs - net of the Company's Audited Financial Statements.

<u>SC 72 (Recto Bank)</u>
SC 72 was awarded on February 15, 2010. It covers an area of 8,800 square kilometers and contains the Sampaguita Gas Discovery which has a potential to contain In-Place Contingent Resources of 2.6 trillion cubic feet and In-Place Prospective Resources of 5.4 trillion cubic feet as reported by Weatherford Petroleum Consultants ("Weatherford") in 2012.

The results of the study were used to define the location of two wells, to be named Sampaguita-4 and Sampaguita-5, which if successfully drilled, would be expected to increase the amount of potentially recoverable resources. The drilling of two wells is part of the work programme of FGL for the SP 2 of SC 72 which was supposed to be accomplished by August 2013. However, FGL was unable to commence the drilling programme because of maritime disputes between the Philippine and Chinese governments.

In February 2015, FGL received a letter from the DOE confirming the suspension of offshore exploration activities in SC 72 while a maritime dispute between Philippines and China remains in parts of the WPS. The suspension became effective from December 15, 2014 until the date when the DOE notifies FGL to resume operations.

In 2015, the United Nations Arbitral Tribunal ("UNAT") unanimously decided that it has jurisdiction over the maritime dispute between China and the Philippines over the WPS, and it was the proper body to decide on the case filed by the Philippines in January 2013. It also ruled that China's decision not to participate in these proceedings does not deprive the Tribunal of jurisdiction and that the Philippines' decision to commence arbitration unilaterally was not an abuse of the UNCLOS dispute settlement procedures. On July 12, 2016, the UNAT ruled that Recto Bank (Reed Bank) where SC 72 lies, is within the Philippines' EEZ as defined under the UNCLOS.

[5] FEL holds a 66.67% interest in FEI

On November 20, 2018, a MOU on Cooperation on Oil and Gas Development ("COGD") between the Philippines and Chinese governments was signed by Philippines' DFA and the Chinese Foreign Minister. The MOU paves the way for the creation of an inter-governmental Steering Committee that will work out a program of cooperation that could lead to joint exploration, as well as the creation of one or more Inter-Entrepreneurial Working Groups.

In early December 2018, the DOE directed FGL to request for the lifting of the FM over SC 72. Such request was made through a letter sent by FGL to DOE on December 21, 2018. As a service contractor in SC 72, FGL is bound by DOE's directive over the lifting of the FM and the resumption of activities in SC 72.

In October 2019, the Steering Committee was established with the Philippine contingent to be comprised of officials from the DFA and the DOE while the Chinese contingent will be comprised of officials of their Ministry of Foreign Affairs, the National Energy Administration, the Office of Foreign Affairs Commission and the Communist Party of China Central Committee.

Under the MOU, the Steering Committee will create one or more inter-Entrepreneurial Working Groups that will agree on entrepreneurial, technical, and commercial aspects of cooperation on certain areas in the West Philippine Sea. China has appointed CNOOC as representative to the Working Groups. FGL will be the representative to the SC 72 Working Group.

Complementary with the MOU and in preparation for a possible lifting of FM over SC 72 at that time, FGL commissioned an Australia-based geophysical contractor to reprocess the 2011-acquired 3D dataset (565 sq. km) over the Sampaguita Field, using Broadband Prestack Depth Migration.

The reprocessing commenced in October 2018 and was completed in June 2019. This was followed by an interpretation of the newly reprocessed seismic data and the preparation of an appraisal plan for the Sampaguita Field.

A letter from the DOE dated October 14, 2020, which was received on October 16, 2020, stated that the FM over SC 72 has been lifted effective immediately and that exploration activities were to resume over the block. FGL has 20 months (equivalent to the remaining SP 2 period from the effective date of the FM) to complete the SP 2 work commitment comprising the drilling of two wells.

A Technical Services Agreement ("TSA") with AWT International ("AWT"), a third-party upstream petroleum consultancy company, was signed effective July 1, 2021. AWT provides drilling management and manpower support services to deliver FGL's two commitment wells.

As at December 31, 2021, drilling preparations are progressing accordingly. The WP&B and Annual Procurement Plan ("APP") for 2022 were submitted to the DOE on December 31, 2021.

<u>Peru Block Z-38</u>

In April 2007, Block Z-38 was awarded to Pitkin. Farm-out agreement has been made by Pitkin in which it resulted to Karoon obtaining operating interest of 75%. The block covers an area of 4,875 square kilometers and is located in the Tumbes Basin offshore NW Peru.

In 2014, the Peruvian oil and gas regulator, Perupetro S.A., approved the application to place Peru Block Z-38 into FM. The application for FM was requested on the basis of the Operator, Karoon, being unable to secure a suitable drilling unit within the required timeframe on the Pacific side of the Americas. The application of FM was granted effective September 1, 2013. As a result, the term of the current third exploration period will have approximately 22 months remaining once the FM is lifted.

On January 10, 2018, Karoon announced that it has executed a farm-in agreement with Tullow Peru Limited, a wholly owned subsidiary Tullow, wherein Tullow will acquire a 35% interest in the block on the following terms: a.) fund 43.75% of the cost of the first exploration well, Marina-1X, capped at US$27.5 million (at 100%), beyond which Tullow will pay its 35% share; and b.) pay US$2 million upon completion with a further US$7 million payable upon declaration of commercial discovery and submission of a development plan to Perupetro.

Following the farm-in of Tullow, Karoon's interest decreased to 40% while Pitkin's interest remained at 25%.

Effective September 12, 2018, Perupetro approved the lifting of FM in Block Z-38 upon Karoon's request. In view of this, the third exploration period, will now expire on July 1, 2020.

The Marina-1X well was spudded on January 26, 2020 in 362m water depth. It reached a total depth of 3,021 meters MD (2,889 meters TVD) on February 15, 2020. Mudlogging and Logging While Drilling ("LWD") results from the primary targets in the Tumbes Formation indicated that the well encountered thin water-bearing sands with no oil and only minor gas shows.

Following the completion of the Marina-1X exploration well drilling campaign during the first quarter of 2020, the evaluation of the technical data continued during the year. Due to delays in the drilling of the well in the current exploration phase, a six-month extension was requested and granted by Perupetro, extending the end of the current third period to December 31, 2020.

Due to the temporary closure of Karoon's Peru office due to the COVID-19 lockdown and quarantine requirements declared by the Peruvian Government, the Operator applied for FM on Block Z-38, which was granted by the authorities on July 14, 2020. The FM applies from March 16, 2020 until such time as relevant lockdown requirements are removed.

On November 17, 2020, Tullow has issued a Notice of Withdrawal from the contract and joint operating agreement effective December 31, 2020. As a result, Karoon will be reacquiring Tullow's 35% interest and Pitkin maintaining its 25% interest in Peru Z-38.

On November 27, 2020, Perupetro lifted the FM and advised Karoon that the last day of the third exploration period will be on July 27, 2021.

In April 2021, Karoon notified Pitkin that it does not wish to enter the fourth exploration period and will withdraw from the contract and the joint operating agreement. In view of this, Pitkin sent a Notice of Dispute to Karoon on May 25, 2021 and issued a claim against Karoon for breach of its farm-in agreement obligations that include fully funding all exploration activities until the second well is drilled. On July 27, 2021, the license contract for Block Z-38 expired due to Karoon's failure to enter the fourth exploration period and to carry Pitkin to one well under the farm-in agreement.

On September 17, 2021, Pitkin and Karoon, through their respective entities, entered into a Deed of Settlement and Release to settle all disputes in connection with Block Z-38. Under the deed, Karoon will pay Pitkin US$9.6 million in cash in full and final settlement of all claims by Pitkin in the block. The deed became effective upon the receipt of the cash settlement by Pitkin on October 4, 2021. Gain on settlement of deed recognized in 2021 amounted to ₱442,188, net of related consultancy and legal expenses.

<u>SC 6A (Octon Block)</u>
The SC covers an area of 1,080 square kilometers. On July 11, 2011, Pitkin acquired 70% interest and operatorship of the block.

In 2014, Pitkin elected not to enter Phase 2 of the Farm-in Agreement and returned its 70% participating interest to the farm-out partners. As a result of Pitkin's exit, Philodrill re-assumed the block's operatorship beginning January 1, 2015 while PXP and FEL's participating interests in the block returned to their pre-farm out interests of 5.56% each. The DOE approved the Deed of Assignment ("DOA") on May 14, 2015.

The 2019 work program included the completion of seismic attribute analysis of the northern part of SC 6A to characterize the target reservoirs and determine their distribution in terms of porosity, thickness, and lithology.

For 2020, the DOE approved a work program which consists of G&G studies in support of establishing a final well location and well design to test the hydrocarbon potential of the Malajon-Salvacion-Saddle Rock anticlinorium, and a continuation of G&G work to identify additional resources at the Octon South structure and other opportunities immediately around the Octon Field to support its development.

In June 2020, LMKR, a private petroleum technology company based in Dubai, completed a pilot study on the Malajon area using 3D seismic and well data. The study shows the Malajon structure having a good potential and thus requires further detailed analysis. LMKR is also able to identify four sand packages within the Galoc Clastic Unit ("GCU") after generating several elastic properties.

A Quantitative Inversion ("QI")/Reservoir Characterization study was approved by the Consortium aimed at generating pay probability maps and identifying prospective zones that could be targets for any future well. It also includes detailed attribute analysis as several channelized sands within the GCU have been identified during the pilot study. The study was completed in December 2020.

The current term of SC 6A is set to expire on February 28, 2024, which gives the Consortium limited time to drill an exploratory well and to develop a field in case of a discovery. In view of this, the Consortium decided to surrender the contract effective March 31, 2021. The surrender of the SC is still awaiting DOE's approval.

The JV is now preparing the documents for the application for a new SC wherein PXP and Forum will each have 6.722% interest, up from 5.56% each under SC 6A, after accepting their respective pro rata share of the interests of two companies that decided not to participate in the new SC.

SC 6 and 6B (Cadlao and Bonita Block)

An in-house evaluation completed by Philodrill in early 2016 shows the East Cadlao Prospect has marginal resources which cannot be developed on a "stand-alone" basis. However, it remains prospective being near the Cadlao Field, which lies in another contract area. In view of this, the Consortium has requested for the reconfiguration of SC 6B to append the Cadlao Field for possible joint development in the future. On March 14, 2018, the DOE approved the annexation of SC 6 to SC 6B.

On October 17, 2019, the farm-in agreement ("FIA"), DOA and transfer of operatorship from Philodrill to Manta Oil Company Ltd. ("Manta") were approved conditionally by the DOE, requiring Manta to submit additional financial documents. Manta has also been tasked to submit a Plan of Development ("POD") for Cadlao before the end of 2021. Under the FIA, Manta will carry the consortium up to first oil to earn 70% interest. As a result, Forum's interest in SC 6B decreased to 2.4546% from 8.182% following DOE's approval of the farm-in.

On December 6, 2021, Manta has withdrawn as Operator and Contractor in SC 6B as it was unable to fulfill its farm-in commitment to submit a POD for Cadlao Field before the end of 2021. Following Manta's withdrawal, its 70% interest was reassigned to the Consortium partners and the operatorship reverted to Philodrill. The SC 6B Consortium then agreed to appoint Nido Petroleum Philippines Pty Ltd ("NPP") as the Technical Operator to carry out the technical work, which includes the redevelopment of the Cadlao Field.

Nido subsequently submitted a farm-in proposal to the Joint Venture to increase its participating interest in the from 9.09% to 72.727% and take over the operatorship of SC 6B. Under the farm-in, Nido will fund 100% of the drilling, extended well test, and subsequent development of the Cadlao Field in return for the additional 63.637% Participating Interest. A farm-in agreement was later executed on February 11, 2022 with FEPC's interest being reduced to 2.4546% from 8.182% in exchange for the said carry in Cadlao's development costs.

SC 14 Block C-2 (West Linapacan)

West Linapacan is located in 300 to 350 meters of water, approximately 60 kilometers offshore from Palawan Island in SC 14 Block C-2 in the NW Palawan Basin, Philippines. It comprises two (2) main oil-bearing structures - West Linapacan A and B - and several seismic leads. The SC was entered into on December 17, 1975 between the Petroleum Board and the original second parties to the contract. Pitkin had a 58.30% interest in this SC pursuant to a farm-in agreement approved by the DOE on September 11, 2008. However, on February 7, 2011, Pitkin concluded a farm-out agreement ("FOA") whereby it transferred 29.15% participating interest to RMA (HK) Limited in exchange for being carried through the drilling and testing of the West Linapacan A appraisal/development well. The FOA was approved by the DOE on July 4, 2011.

On March 12, 2015, the farm-in agreement with RMA was terminated and Pitkin returned all of its participating interest to the original second parties to the contract. FEL's interest in the block increased to 9.10%.

In 2019, expressions of interest were received from foreign firms on the possible re-development of the West Linapacan A Field. The process of finalizing the documents, including the DOA arising out of the Sale and Purchase Agreement ("SPA") and FOA, was severely delayed by the COVID-19 situation. An interested party was previously given until March 31, 2021 to finalize the agreements but it has requested an extension until June 30, 2021. The interested party eventually decided not to pursue its farm-in plans for the block. As a result of the interested party's exit, Philodrill re-assumed the block's operatorship and FEL's participating interest in the block returned to its pre farm-in interest of 9.10%.

The Consortium continues with evaluating the viability of redeveloping the West Linapacan A Field, which was discovered in 1990 and produced over 8 million barrels of oil from 1992 before being shut-in in 1996. An interpretation of the 3D seismic data was carried out in 2017.

The SC 14C-2 and SC 74 consortia conducted a joint Rock Physics and QI studies over the West Linapacan and Linapacan areas using existing 3D seismic and well data. The initial phase of the study was carried out and completed by Ikon in October 2019. The SC 14C-2 consortium decided not to proceed with the second phase of the QI Study.

The Consortium commenced a technical study on the West Linapacan B Field by ERC Equipoise Limited ("ERCE") that focuses on a review of available geologic and well data, digitization of well logs, reservoir modeling, and fracture analysis, to be followed by resource estimation. The Phase 1 of the study was completed in November 2021 with preliminary results indicating a stand-alone development for the West Linapacan B Field would not be economically viable. ERCE continued with the Phase 2 of the study which comprises the formulation of an appraisal/conceptual development and scoping economics involving the West Linapacan A and B Fields.

SC 40 (North Cebu Block)
In 2015, the management has finalized its assets review of SC 40 based on a more detailed Resource Estimation Report prepared by Petroleum Geo-Services ("PGS") in 2013. The updated report indicated a significant increase in resources which triggered the reassessment and reversal of the impairment recognized in 2012. The results of the assets review and the competent person report were presented to the Risk and Resource Committee of the Board in 2015. The Committee has approved and adopted the report.

On November 21, 2019, FEL submitted the WP&B for 2020, which includes the continuation of the Gravity Interpretation, radioactive waste management, and the conduct of a Land Gravity Survey. This was approved by the DOE on December 2, 2019. The radioactive sources that were part of FEL's wireline logging tools were safely transported from Daanbantayan, Cebu and turned over to the Philippine Nuclear Institute in February 2020. Thereafter, FEL applied for the termination of its Radioactive Materials License. However, one of the conditions for the termination of license is the certification that the facilities are not contaminated. This will require measurement of radioactivity in the site post removal of the radioactive materials, which will have to wait until travel restrictions have been eased and/or the safety of the personnel from COVID-19 can be guaranteed.

The land gravity survey comprised the acquisition of gravity data along profiles in parts of the Municipality of Daanbantayan and Bogo City that aims to further delineate the carbonate bodies detected in the said areas by the initial 3D gravity modelling exercise in 2019. The survey began on February 18, 2020 and was completed on March 14, 2020. A total of 84 stations, 300m to 500m apart were acquired during the survey.

After completing the correction of meter readings, coordinates, and elevations of gravity stations acquired during the survey, FEI forwarded the data to Cosine for data reduction, processing, and interpretation.

The report for the first phase of gravity interpretation was received from Cosine in early December 2020 and submitted to the DOE in February 2021. The data acquired will be incorporated with the results of the previous gravity surveys and will be used to update the current depth model for northern Cebu. The second phase of the study involved depth modeling and identification of gravity prospects and leads. The model was reviewed by Cosine and an initial feedback was received by FEI in Q4 2021. FEI will reevaluate the model based on Cosine's advice.

The WP&B for CY 2022 was submitted to the DOE on December 14, 2021. It includes the continuation of the Gravity Modelling Stage 2 and the preparation of drilling programs for two (2) wells.

<u>SC 74 (Linapacan)</u>
In September 2013, Pitkin, with its Consortium partner, Philodrill, acquired acreage on SC 74 in a competitive bid under the Philippine Energy Contracting Round 4, with operating interest of 70% and participating interest of 30%, respectively. It covers an area of 4,240 square kilometers and is located in shallow waters of the NW Palawan area. In June 2015, Philodrill and Philippine National Oil Company Exploration Corporation ("PNOC EC") entered into a DOA whereby Philodrill transferred a 5% participating interest to PNOC EC.

On April 25, 2016, the DOE approved the PSA and DOA dated February 24, 2016 transferring the 70% interest and operatorship of Pitkin to PXP.

During the second quarter of 2016, CGG, under an agreement with the DOE, conducted a multi-client broadband 2D seismic survey over a large portion of SC 74. The SC 74 Consortium obtained a group license with CGG and was provided with a copy of the seismic data upon completion of seismic processing in December 2016. A total of 1,614.30 line-km of 2D seismic data was acquired in the survey, along with 1,718 km of marine gravity data and 1,623 km of marine magnetic data.

On March 27, 2018, the DOE approved the Joint Venture's ("JV's") entry to Sub-Phase ("SP") 3 with modified Work Commitments beginning December 13, 2017. The Consortium has fulfilled most of the remaining SP 3 exploration work.

The Phase 1 well feasibility and rock physics analysis and Phase 1A test inversion under the joint QI study of SC 74 and SC 14C-2 by Ikon Science ("Ikon") were completed in October 2019. This pilot study was conducted over a 30 sq. km 3D area that included six wells in the Linapacan and West Linapacan areas. From the test, it was concluded that fluid type is more difficult to identify on seismic than rock lithology due to the limestone reservoir's overlapping elastic properties.

In December 2019, the SC 74 consortium decided to proceed to Phase 2 of the project, which is an inversion study over a wider, 400 sq. km 3D data. Phase 2 commenced in February 2020 and was completed in June 2020. The QI study was able to predict the different lithological facies at the well. However, the study failed to differentiate the type and distribution of fluids in the limestone reservoirs due to the nature of the rock properties and poor to fair seismic data quality. Further seismic reprocessing has been recommended to preserve the true amplitudes for Amplitude Versus Offset inversion, and to improve seismic imaging especially in dipping structures. It was also suggested that shear sonic data be acquired in future wells for better correlation of well and seismic data. All project deliverables received from Ikon were loaded to PXP workstation and were utilized as guide during the 3D seismic interpretation.

Preliminary paleodating of samples acquired from the Calamian Islands fieldwork was unsuccessful due to the absence of calcareous nannofossils in the collected samples. This led to the decision to engage the services of Core Laboratories ("CoreLab") Malaysia to conduct biostratigraphic and geochemical analyses. An initial 12 samples were sent to Selangor, Malaysia on October 31, 2019, and the results were submitted to the Parent Company in December 2019. Additional samples were sent in July 2020 for further testing as recommended by CoreLab. Analysis of the second batch of samples was completed in October 2020 and the final report was submitted to the DOE in March 2021.

The identification of the radiolarian fossils present in some of the chert samples lead to its age restriction from Late Permian to Middle Jurassic. Total Organic Carbon analysis of mudstone and shale samples resulted to an organic richness ranging from poor to excellent. Samples with good amount of organic matter may characterize them as possible source horizon, however, further geochemical tests suggest that these rocks have low hydrocarbon generative potential.

In March 2020, the DOE approved PXP's request for a one-year extension of SP 3 from December 13, 2019 to December 13, 2020 to allow the completion of G&G studies prior to entering the next SP. The 2020 WP&B, as approved by the DOE on December 20, 2019, focuses on the continuation of the current G&G studies that include the conduct of the Phase 2 of the QI study and the completion of the 'Biostratigraphic Age Dating Program and Geochemical Analyses' of samples collected from the Calamian Islands.

On July 14, 2020, the DOE approved PXP's application for FM over SC 74 Block for nine months starting from March 13, 2020 to December 13, 2020. This was due to delays in the implementation of some G&G activities following the imposition of business, health, and travel restrictions in the country due to the COVID-19 pandemic. In view of the moratorium, the end of the third SP was adjusted to September 13, 2021.

As part of the SC 74 work commitment under SP 3, an in-house seismic interpretation of the 3D data was conducted starting July 2020 which incorporated the results of Ikon's QI study. The technical evaluation was done in two parts: (1) mapping of time structural horizons, mapping of porous zones, and time to depth conversion; and (2) resource calculation. The interpretation work was completed in April 2021, while the resource calculation was finalized in August 2021. PXP's study indicates the Linapacan "A" and "B" Fields contain 43.16 and 27.43 million barrels of contingent oil resources (P50), respectively. Additionally, PXP was able to identify two leads namely South Linapacan and Edapacan, located on the SW and NE part of the Linapacan Field, respectively.

On May 4, 2021, PXP requested a twelve-month FM starting from April 2021 due to delays in the implementation of certain G&G activities following continuing COVID-19 restrictions. This was approved by the DOE on October 29, 2021. The expiration of SP 3 will now be on September 13, 2022.

The WP&B for CY 2022 submitted to the DOE includes the conduct of an Independent Technical Evaluation and Resource Assessment of the Linapacan "A" and "B" Fields using ERCE, a UK-based company also doing an evaluation study in the SC 14C-2 West Linapacan Block. The said study will commence in Q1 2022.

<u>SC 75 (Northwest Palawan)</u>
On January 3, 2014, the duly executed copy of Petroleum SC 75 was granted to the bid group comprising PXP, PNOC EC, and PetroEnergy Resources Corporation ("PERC") with operating interest of 50%, participating interests of 35% and 15%, respectively. It covers an area of 6,160 square kilometers in the NW Palawan Basin.

The work commitment for SP 1 had been fulfilled in 2015 following the completion of the acquisition of 2,235 line-kilometers of 2D seismic data over SC 75 and simultaneous acquisition of marine magnetic and gravity data, broadband processing of the 2D seismic data, processing and interpretation of gravity and magnetic data, and G&G studies, including 2D seismic interpretation.

In September 2015, the DOE advised the SC 75 Consortium of its decision to place the area under FM effective from the end of SP 1 on December 27, 2015. In view of this, all exploration activities in the block have been suspended until such time that the DOE informs the consortium of the lifting of the FM. All activities in SC 75, except for administration, remained suspended throughout 2019.

Similar with SC 72, a letter from the DOE dated October 14, 2020 which was received on October 16, 2020 stated that the FM over SC 72 has been lifted effective immediately and that exploration activities were to resume over the block.

During the second quarter of 2021, PXP sent out invitations to seismic acquisition companies to submit proposals for a 1,100 sq. km 3D survey to be conducted in late March 2022. The seismic survey is estimated to take 30 days to complete, including vessel mobilization and demobilization periods.

In September 2021, a Letter of Award was issued to Shearwater GeoServices Limited (Shearwater) for the M/V Duchess vessel or its equivalent. Thereafter, Shearwater conducted a Survey Evaluation and Design ("SED") Study which aimed at finalizing the acquisition parameters to be used in the survey. The SED was completed in November 2021 and the results were incorporated in the seismic data acquisition contract. Finalization of the contract continued by end December 2021 and will be signed in early January 2022.

Item 2. Properties

Please see "Petroleum Service Contracts" which constitutes the principal properties of the Company.

OTHER PROPERTIES

Oil and Gas and other Properties consist mainly of the Company's share in the wells, platform and facilities in various operating service contracts as well as Machinery and Equipment for its oil exploration activities, transportation equipment, and surface structures and facilities and office equipment amounting to ₱1.9 million as of December 31, 2021 compared to ₱2.1 million as of December 31, 2020 and ₱18.7 million as of December 31, 2019.

There are no mortgages, liens and/or encumbrances over the foregoing property, plant, and equipment which are under the full use and control of the Company.

The Company has a lease contract for a parcel of land in used in its operations. Term of lease is 27 years. The Group also has certain leases of office space and machinery and equipment with lease terms of 12 months or less and leases of machinery and equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

There is no intention to acquire additional property, plant, and equipment other than those that may be required for the continued activities.

Item 3. Legal Proceedings

There are currently no legal proceedings involving the Company during the past three years.

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

There were no matters covered under this item submitted in the fourth quarter of 2021 to the security holders for a vote.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

<u>MARKET INFORMATION</u>

On September 12, 2011, the PSE listed by way of introduction the Company's shares at the initial listing price of ₱1.20 per share with the Company symbol PXP.

On August 8, 2016, the Philippine Securities and Exchange Commission ("SEC") approved the change in the Company's corporate name from "Philex Petroleum Corporation" to "PXP Energy Corporation".

The Company's public float as of December 31, 2021 is 30.60%.

The average stock prices for the Company's common shares within the last two years and for the first 4 months of 2022 were as follows:

	High	Low
1Q 2020	10.70	3.50
2Q 2020	7.50	3.80
3Q 2020	7.10	5.00
4Q 2020	14.40	4.83
1Q 2021	12.90	8.13
2Q 2021	8.92	6.00
3Q 2021	8.32	6.02
4Q 2021	7.37	5.84
1Q 2022	7.09	5.00

The Company's stock was traded at ₱6.15 per share as of December 31, 2021.

HOLDERS

Prior to the distribution of the Company's shares as property dividend in 2011, the Company had ten stockholders, nine (9) of whom were individuals with one share each. Subsequently, the number of shareholders totaled to 38,599. The top 20 stockholders as of December 31, 2021 are as follows:

STOCKHOLDERS' NAME	NUMBER OF SHARES	% OF OWNERSHIP
1) PHILEX MINING CORPORATION (Direct and held through PCD Nominee)	595,864,728	30.40%
2) PCD NOMINEE CORPORATION (exclusive of Philex Mining and SSS shares held through PCD Nominee)	392,929,441	20.05%
3) ASIA LINK B.V.	284,470,725	14.51%
4) SOCIAL SECURITY SYSTEM (Direct and through PCD Nominee)	206,691,505	10.55%
5) TWO RIVERS PACIFIC HOLDINGS CORP.	131,224,794	6.70%
6) KIRTMAN LIMITED	65,221,981	3.33%
7) MAXELLA LIMITED	64,539,833	3.29%
8) PCD NOMINEE CORPORATION (Non-Filipino)	58,319,476	2.98%
9) ARTINO LIMITED	10,193,136	0.52%
10) MAKATI SUPERMARKET CORP.	2,464,201	0.13%
11) PHILIPPINE REMNANTS CO., INC.	2,111,648	0.11%
12) THE FIRST NATIONAL INVESTMENT COMPANY INC.	2,073,157	0.11%
13) BERCK Y. CHENG OR ALVIN Y. CHENG OR DIANA Y. CHENG OR CHERYL Y. CHENG	1,707,225	0.09%
14) MANUEL V. PANGILINAN	1,603,466	0.08%
15) THE FIRST NATIONAL INVESTMENT COMPANY,	1,524,380	0.08%
16) FRANK PAO	1,011,714	0.05%
17) PAULINO DE UGARTE &/OR ELENA E. DE UGARTE	852,943	0.04%
18) CAROL JOAN REIF	826,795	0.04%
19) RELIGIOUS OF THE VIRGIN MARY-B	789,846	0.04%
20) V & O CO., INC.	741,418	0.04%
TOTAL	**1,825,162,412**	**93.12%**

DIVIDENDS

The Company has not declared any cash or other dividends from the time of its incorporation.

Apart from legal restrictions governing the declaration of dividends, the Company declares dividends, consistent with its dividend policy as stated in the Company By-Laws, and pays in an equitable and timely manner. The Company's dividend policy is to distribute up to 25% of core net income and to pay cash dividends within thirty (30) calendar days to shareholders of record from date of declaration.

The Company has had no recent sales of unregistered or exempt securities, including issuances of securities constituting an exempt transaction.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES (INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION)

The Company has had no recent sales of unregistered or exempt securities, including issuances of securities constituting an exempt transaction.

No securities were sold by the Company within the past three years which were not registered under the Code.

DESCRIPTION OF THE SECURITIES OF THE COMPANY

The Company's authorized capital consists of 6,800,000,000 common shares, of which 1,960,000,000 shares are issued and outstanding. The Company's shares have the following features:

Dividend Rights

The Company declares dividends, consistent with its dividend policy as stated in the Company By-Laws, and pays in an equitable and timely manner. The Company's dividend policy is to distribute up to 25% of core net income and to pay cash dividends within thirty (30) calendar days to shareholders of record from date of declaration. The Company's By-laws provide that dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them, as often and at such times as the Board may determine and in accordance with law and applicable rules and regulations. No fractional shares shall be issued from any declaration of stock dividends.

Voting Rights

Each holder of share has full voting rights. At each meeting of the stockholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his or her name in the books of the Company at the time of closing of the transfer books for such meeting.

Pre-Emptive Rights

The Company's Articles of Incorporation provide that there shall be no pre-emptive rights with respect to shares of stock to be issued, sold or otherwise disposed of by the Company for any corporate purpose, including shares of stock to be issued pursuant to a duly approved stock option, stock purchase, stock subscription or similar plans.

Change in Control

There is no provision in the Company's Articles of Incorporation and By-laws which may delay, deter, or prevent a change in control in the Company.

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

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

Information on the Group's results of operations and financial position presented in the 2021 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements are incorporated hereto by reference.

Consolidated operating revenues amounted to ₱64.2 million (2020: ₱30.3 million; 2019: ₱72.5 million) consisting solely of revenues from petroleum.

The revenues were contributed by Forum Energy Limited ("Forum" or "FEL"), a 79% directly and indirectly owned subsidiary of the Company, from its participating interests in the oil fields of Galoc, Nido, Matinloc, and North Matinloc.

Oil production during the year were as follows:

	2021	2020	2019
Oil Revenues (in millions ₱)	**₱64.2**	₱30.3	₱72.5
Barrels (net to FEL)	**18,739**	14,682	24,251

During the year, the higher petroleum revenue resulted from three (3) oil liftings for both periods equivalent to a gross volume of 631,948 bbls of oil during the current period (2020: 750,506 bbls) and 82% increase in average crude oil prices at $70 per bbl (2020: $38 per bbl). The increase in crude oil prices was a result of the recovery in worldwide demand following the COVID-19 pandemic. The revenues were contributed by Forum Energy Philippines Corporation ("FEPC"), a 100% subsidiary of Forum, from its 3.21% participating interest in SC 14C-1 Galoc oil field.

In 2020, lower petroleum revenue was a result of the decline in volume of oil lifted at 750,506 bbls (2019: 993,761 bbls) and a 40% drop in average crude oil prices of $38 per bbl (2019: $63 per bbl) due to substantially lower global demand amidst the COVID-19 pandemic.

In 2019, the decline in revenues was due to (1) the 15% drop in average crude oil prices at $63 per bbl (2018: $74 per bbl) and; (2) the decline in the oil production of SC 14 C-1 Galoc, which yielded a gross volume of 993,761 bbls (2018: 1.1 MMBO). In addition, the P&A of SC 14 Nido and Matinloc wells further contributed to the decline in output in year 2019.

Costs and expenses reached ₱102.7 million (2020: ₱98.7 million) with production costs amounting to ₱40.6 million (2020: ₱34.1 million) resulting from the increase in production costs from the Galoc field, while general and administrative expenses went slightly down to ₱62.1 million (2020: ₱64.5 million).

During 2020, Costs and expenses reached ₱98.7 million (2019: ₱190.6 million) with production costs amounting to ₱34.1 million (2019: ₱85.5 million), resulting from the decrease in production costs and depletion related to the lower volume lifted in Galoc. Meanwhile, general and administrative expenses went down to ₱64.5 million (2019: ₱105.1 million) resulting from lower P&A costs and the continuous cost control by management.

In 2019, costs and expenses was lower at ₱190.6 million (2018: ₱221.4 million) as petroleum production costs went down to ₱85.5 million (2018: ₱131.0 million), resulting from a 27% decline in oil production cost, and 43% lower depletion. General and administrative expenses stood at ₱105.1 million (2018: ₱ 90.4 million), resulting from the additional decommissioning costs in SC 14 Nido and Matinloc wells at ₱38.4 million. Total recurring overhead, however, was flat owing to management's continuing cost control and sharing of costs between subsidiaries.

A net other charges of ₱4.071 billion was incurred during the year in review (2020: ₱16.6 million) due to impairment of deferred oil and gas exploration costs in Peru Block Z-38 amounting to ₱3.421 billion as the license contract for Block Z-38 expired in July 27, 2021, due to its operator, Karoon Gas Australia Ltd.'s ("Karoon") failure to enter into the fourth exploration period. In addition, Goodwill written-off related to the exit in the said block amounted to ₱980.0 million. Meanwhile, Gain on settlement of deed, net of related consultancy and legal expenses, amounted to ₱442.2 million as Pitkin and Karoon entered into a Deed of Settlement and Release to settle all disputes in connection with Block Z-38. Under the deed, Karoon paid Pitkin US$9.6 million in cash in full and final settlement of all claims by Pitkin in the block. The deed became effective upon the receipt of the cash settlement by Pitkin on October 4, 2021.

In addition to above, Provision for plug and abandonment costs due to change in estimates amounted to ₱122.9 million. This represents estimates for Forum's share in plug and abandonment cost related to SC14C Galoc and W. Linapacan blocks. Foreign exchange gain, representing the weakening of the Philippine peso vis-à-vis the US Dollar amounted to ₱11.3 million, while interest expense and interest income amounted to ₱504 thousand and ₱113 thousand respectively, which represents interest charges related to Leases and interest earnings from bank deposits.

In 2020, net other charges of ₱16.6 million was incurred due to the impairment in property and equipment related SC 14C-1 Galoc, amounting to ₱5.9 million, due to the lower-than-expected future returns in SC 14C-1 Galoc as a result of the recent crash in global crude oil prices and the ongoing evaluation of the continuous production of the field due to the COVID-19 pandemic.

In 2019, a net Other charge of ₱180.3 million was incurred. This includes Provision for impairment of assets amounting to ₱194.6 million due to the write-down of Galoc wells and platforms due to lower-than-expected future returns on the asset. Gain on termination of subscription agreement amounting to ₱40.3 million was recorded following the forfeiture of the down payment made by a third party in relation to subscription of PXP shares. Foreign exchange loss stood at ₱12.4 million resulting from foreign currency exchange differences from the conversion of the Group's dollar denominated currency to peso and vice versa. Provision for P&A costs due to change in estimates amounted to ₱10.7 million, representing additional P&A costs in SC 14 Nido and Matinloc. Loss on write-off of goodwill and other noncurrent assets totaled ₱4.5 million of which ₱4.2 relates to the impairment of goodwill in SC 14C-1.

Interest income stood at ₱2.6 million (2018: ₱2.8 million) while interest expense increased to ₱1.0 million from ₱76 thousand due to the effect of the adoption of PFRS 16 - Leases.

	Years Ended December 31		
(in Millions)	**2021**	2020	2019
Provision for impairment of:			
Deferred oil and gas exploration costs	**(₱3,421.4)**	₱–	₱–
Property and equipment	**–**	(5.9)	(194.6)
Loss on write-off of:			
Other current assets	**–**	(0.3)	–
Goodwill	**(980.0)**	–	(4.2)
Other noncurrent assets	**–**	–	(0.3)
Gain on settlement of deed	**442.2**	–	–
Provision for plug and abandonment costs due to change in estimates	**(122.9)**	–	(10.7)
Foreign exchange gains (losses) - net	**11.3**	(10.0)	(12.4)
Interest expense	**(0.5)**	(1.1)	(1.0)
Interest income	**0.1**	0.7	2.6
Gain on termination of subscription agreement	**–**	–	40.3
Others	**(0.1)**	–	–
	(₱4,071.3)	(₱16.6)	(₱180.3)

A consolidated net loss of ₱3.143 billion (2020: ₱76.3 million) was incurred due to due to impairment of deferred exploration costs and goodwill, offset by Settlement gain from Karoon and derecognition of Deferred tax liabilities all related to Peru Z-38 and increased profit from Galoc operations. As such, net loss attributable to equity holders of the Parent amounted to ₱1.714 billion (2020: ₱56.1 million), with basic/diluted loss per share amounting to ₱0.875 (2020: ₱0.029). Core net loss substantially lower at ₱ 32.5 million (2020: ₱45.9 million).

In 2020, consolidated net loss of ₱76.3 million (2019: ₱297.2 million) was recorded due to reduction in cost and expenses, lower impairment loss incurred in SC 14C-1 Galoc; offset by the decrease in oil revenues. As such, net loss attributable to equity holders of the Parent amounted to ₱56.1 million (2019: ₱272.1 million), with basic/diluted loss per share amounting to ₱0.029 (2019: ₱0.139). Core net loss substantially lower at ₱45.9 million (2019: ₱79.8 million).

In 2019, consolidated net loss stood at ₱297.2 million (2018: ₱96.4 million) primarily resulting from the Provision for impairment assets and P&A costs. As such, net loss attributable to equity holders of the Company was higher at ₱272.1 million (2018: ₱77.0 million), core net loss at ₱79.8 million (2018: ₱ 98.6 million), and basic and diluted loss per share amounting to ₱0.139 (2018: ₱0.045).

As at December 31, 2021, the Company's total assets stood at ₱3.094 billion from ₱6.756 billion at end December 31, 2020. Total current assets increased to ₱585.4 million from ₱195.3 million as cash and cash equivalents increased by ₱386.5 million. This was mainly due to cash inflows from the Settlement proceeds from the operator of Peru Block Z-38, KEI (Peru Z-38) Pty Ltd. Noncurrent assets reached ₱ 2.509 billion from ₱6.560 billion, primarily arising from the decrease in Deferred exploration costs in Peru Block Z-38 amounting to ₱3.421 billion following the impairment in the said Block during the year. This was offset by exploration costs spent in SC72. Meanwhile, Goodwill decreased to ₱254.4 million from ₱1.234 billion following the impairment of Block Z-38.

As at December 31, 2020, the Company's total assets stood at ₱6.756 billion from ₱6.865 billion at end December 31, 2019. Total current assets decreased to ₱195.3 million from ₱302.6 million as cash and cash equivalents decreased by ₱102.9 million due to cash outlays for exploration expenses and overhead, offset by partial collection of unpaid subscription from PMC. Noncurrent assets reached ₱ 6.560 billion from ₱6.563 billion, primarily arising from the decrease in Property, Plant and Equipment to ₱2.1 million from ₱18.7 million, following impairment charges in SC 14C-1 Galoc. Meanwhile deferred exploration costs went up to ₱5.316 billion as a result of exploration expenditures incurred in SC 72 and SC 74.

As at December 31, 2019, the Company's total assets stood at ₱6.865 billion as against ₱7.247 billion as at December 31, 2018. Total current assets dropped to ₱302.6 million from ₱428.9 million as Cash and cash equivalents decreased from ₱342.4 million to ₱246.0 million. Trade and other receivables stood at ₱33.5 million from ₱40.7 million as there was no oil lifting during the last quarter of 2019. Meanwhile, inventories amounted to ₱7.3 million from ₱32.4 million as a result of reduced output from SC 14C-1. Total Noncurrent assets amounted to ₱6.563 billion vs ₱6.818 billion in the previous year. Deferred oil and gas exploration costs decreased to ₱5.301 billion from ₱5.310 billion primarily due to foreign currency exchange translation adjustments. Property and equipment declined to ₱18.7 million from ₱230.8 million mostly from the write-down of SC 14C-1 and depletion. Deferred tax assets amounted to nil from ₱35.0 million in 2018 after its reclassification to deferred tax liabilities.

Current liabilities at year end amounted to ₱55.1 million from ₱24.9 million as at December 31, 2020, mainly a result of the increase in Trade and other payables to ₱45.8 million from ₱24.3 million due to cash collections from the share of the consortium partners in SC72 explorations costs, offset by the payment of trade payables with suppliers. Income tax payable increased to ₱8.7 million from ₱14 thousand at the end of the previous year due to higher income taxes during the year. Total noncurrent liabilities amounted to ₱422.5 million from ₱1.262 billion due to derecognition of deferred tax liabilities from ₱1.069 billion to ₱94.1 million related to the write-down of Peru Block Z-38 and the effect of changes in tax rate due to CREATE Act. This was offset by the increase in Other noncurrent liabilities to ₱324.0 million from ₱187.7 million resulting from the provision for P&A costs related to SC 14 Galoc and W. Linapacan amounting to ₱122.9 million. Total liabilities decreased to ₱477.6 million compared to the end of the prior year at ₱1.287 billion, resulting from the increase in current liabilities by ₱30.2 million and decrease in noncurrent liabilities by ₱839.3 million.

Current liabilities at December 31, 2020 amounted to ₱24.9 million from ₱74.6 million as at December 31, 2019, mainly a result of the decrease in Accounts payable and accrued liabilities to ₱24.3 million from ₱63.1 million, resulting from payments of trade payables with suppliers. In addition, provision for P&A costs amounted to nil as SC 14 Nido and Matinloc were permanently shut-in following end of field life. Total noncurrent liabilities amounted to ₱1.262 billion from ₱1.069 billion due to changes in deferred tax liabilities from ₱1.077 billion to ₱1.069 billion. Total liabilities decreased to ₱1.287 billion compared to the end of the prior year at ₱1.349 billion, resulting from the decreases in current liabilities by ₱49.8 million and noncurrent liabilities by ₱12.3 million.

Current liabilities as at December 31, 2019 declined to ₱74.6 million from ₱2.160 billion as at the end of the previous year. This was primarily due to the reduction in Advances from related parties from ₱ 2.125 billion to nil, following the Company's full payment of debt to PMC. This was partially offset by the growth in Trade and other payables from ₱34.0 million to ₱63.1 million arising from cash calls advanced by SC 74 consortium partners and; provision for P&A cost in SC 14 Nido and Matinloc amounting to ₱ 10.4 million. Noncurrent Liabilities stood at ₱1.274 billion from ₱1.305 billion. Deferred tax liabilities decreased to ₱1.077 billion from ₱1.113 billion resulting from the reclassification of deferred tax asset amounting to ₱35.0 million. Total liabilities were lower at ₱1.349 billion from ₱3.465 billion at the end of the prior year, following the reduction in current liabilities by ₱2.085 billion and non-current liabilities by ₱31.3 million.

Total equity reached ₱2.617 billion from ₱5.469 billion as at the end of last year. Subscription receivable decreased by ₱121.1 million following full collection of remaining unpaid subsciprtion from PMC. Deficit increased to ₱3.414 billion from ₱1.700 billion accounting for the net loss incurred during the year. Cumulative translation adjustment on foreign subsidiaries was higher at ₱183.3 million compared to ₱ 58.0 million in 2020 due to the depreciation of the Philippine Peso vs the U.S. Dollar. Non-controlling interests decreased to ₱931.7 million from ₱2.316 billion resulting from the minorities' share in the losses and cumulative translation adjustments.

As of December 31, 2020, Total equity reached ₱5.469 billion from ₱5.517 billion as at the end of 2019. Subscription receivable decreased to ₱121.1 million from ₱184.3 million following partial collection of unpaid subscription from PMC. Equity reserves increased to ₱139.3 million from ₱122.3 million due to equity transaction with owners which includes: (1) Subscription of minority in the fund raising activity made by FEL and; (2) Share buyback transaction done by Pitkin. Deficit increased to ₱1.700 million from ₱1.644 billion accounting for the net loss incurred during the year. Cumulative translation adjustment on foreign subsidiaries was lower at ₱58.0 million compared to ₱87.7 million in 2019 due to the appreciation of the Philippine Peso vs the U.S. Dollar. Non-controlling interests decreased to ₱2.316 billion from ₱2.358 billion.

As of December 31, 2019, total equity reached ₱5.517 billion as against ₱3.782 billion at the end of 2018. Subscription Receivable decreased from ₱2.311 billion to ₱184.3 million following the partial payment of PMC. In addition, deficit increased to ₱1.644 billion from ₱1.372 billion subsequent to the net loss incurred during the year; while Cumulative translation adjustment on foreign subsidiaries decreased to ₱87.7 million from ₱153.9 million resulting from the higher dollar-to-peso exchange rate.

Net Cash used in Operating Activities for the year stood at ₱2.0 million (2020: ₱106.0 million) resulting primarily from the proceeds of crude oil sales in Galoc offset by payments of accounts payable and accrued liabilities, provision for P&A, and operating expenses.

During 2020, Net Cash used in Operating Activities for the year stood at ₱106.0 million (2019: ₱3.4 million) resulting primarily from the payment of accounts payable and accrued liabilities, provision for P&A, and operating expenses.

During 2019, Net Cash used in Operating Activities amounted to ₱3.4 million (2018: net outflow ₱22.7 million) which primarily resulted from the (1) Cash received from SC 14C-1 from oil sales net of cash production expenses during the year amounting to ₱36.3 million; (2) Overhead expenses at ₱69.0 million; offset by (3) Cash received from the forfeited down payment made by a third party for the subscription of PXP shares amounting to ₱40.3 million.
Net Cash Used in Investing Activities resulted in a net inflow of ₱239.0 million (2020: net outflow of ₱55.7 million) mainly for the cash proceeds from settlement of deed, net of expenses amounting to ₱442.2 million. This was offset by the cash spent in exploration activities in SC 72 and other service contracts totalling ₱202.0 million.

During 2020, Net Cash Used in Investing Activities resulted in a net outflow of ₱55.7 million (2019: ₱83.0 million) mainly for the cash spent in exploration activities in SC 74 and SC 72 amounting to ₱54.0 million.

During 2019, Net Cash Used Investing Activities amounted to a net outflow of ₱83.0 million (2018: ₱86.5 million) mainly due to additions in exploration activities in SC 74 and SC 72 amounting to ₱66.9 million. Additions pertaining to property and equipment amounting to ₱16.1 million relates to the cash spent for the partial installation of a condensate facility in SC 14C-1.

Finally, net cash provided by Financing Activities amounted to ₱120.3 million (2020: ₱69.3 million) mainly from the Cash received from PMC's partial payment of its outstanding subscription of PXP shares amounting to ₱121.1 million.

During 2020, net cash provided by Financing Activities amounted to ₱69.3 million (2019: net outflow of ₱4.0 million) due to: (1) Cash received from PMC's partial payment of its outstanding subscription in PXP shares amounting to ₱63.2 million and; (2) Proceeds from the issuance of subsidiary's new shares during the fund raising activity in FEL amounting to ₱25.4 million. These were offset by the net cash outlay made by Pitkin during a share buyback activity.

In 2019, Net Cash used in Financing Activities stood at ₱4.0 million (2018: ₱6.3 million) coming from the cash received by PXP from PMC amounting to ₱2.126 billion, representing partial repayment of PMC's subscription to 260 million new PXP shares at ₱11.85 per share; offset by cash paid by PXP to PMC amounting to ₱2.125 billion representing full payment of outstanding advances from the latter.

Net effect of exchange rate changes from the conversion of cash and cash equivalents from Philippine Peso vis-à-vis the United States dollar amounted to a net inflow of ₱29.2 million (2020: net outflow of ₱10.5 million; 2019: net outflow of ₱6.0 million) which represents the effect of exchange rate changes in cash and cash equivalents due to fluctuations in foreign currency exchange rates in each of the last three years. The exchange rates of the Peso to US dollar were ₱50.99, ₱48.02, and ₱50.74 to US$1 in the years ended December 31, 2021, 2020 and 2019, respectively.

Whilst PXP had a deficit as at year end, the Group has sufficient cash to operate and may not need to raise funds in the next 12 months. PXP does not expect to purchase or sell any significant equipment and did not have any significant change in the number of its employees.

TOP FIVE (5) KEY PERFORMANCE INDICATORS

1) Enhance Value of Assets

Maturing assets from the exploration to the development and production phases enhances the value of the Company's assets.

The key activities for 2021, which were aimed at enhancing asset value, include:

In SC 72 (Recto Bank), the conduct of broadband Pre-Stack Depth Migration ("PSDM") reprocessing of 565 sq. km of 3D seismic data with DownUnder GeoSolutions ("DUG") was completed in June 2019. This was followed by an interpretation of the newly-reprocessed seismic data and the formulation of an appraisal program for the Sampaguita gas field. On October 16, 2020, Forum (GSEC 101) Limited ("FGL"), a 100% subsidiary of Forum that operates SC 72, received a letter from the DOE dated October 14, 2020 that the Force Majeure ("FM") over SC 72 has been lifted effective immediately and that exploration activities were to resume over the block. FGL has 20 months from receipt of the notice to drill the two (2) commitment wells under the current Sub-Phase ("SP") 2.

Since then, the 2021 and 2022 Work Program and Budget for SC 72 was approved by the DOE. Preparations for drilling activities, including the purchase of long lead items, requisitions for other materials, and signing up of technical services, have been undertaken for the conduct of geophysical and geotechnical surveys, and the drilling of wells Sampaguita 4 and Sampaguita 5.

In SC 74 (Linapacan), the gravity modeling exercise with Cosine Global Limited ("Cosine") and seismic interpretation of MC2D data was completed by PXP, with the final report submitted to the DOE in July 2020. The biostratigraphic and geochemistry analyses of rock samples collected in the Calamian Islands were completed in 2020. Initial 12 samples were sent to Core Laboratories ("Core Lab"), Malaysia in October 2019, and the results were submitted to PXP in December 2019. Additional samples were sent to Malaysia in late July 2020 for further testing. Analysis of the second batch of samples was completed in October 2020 and the final report was received in March 2021.

The Phase 1 Well Feasibility with Rock Physics and Phase 1A Test Inversion under the joint Quantitative Interpretation ("QI") study of SC 74 and SC 14C-2 (West Linapacan) were completed in October 2019. The said initial phase involved a pilot study covering 30 sq. km of PSDM 3D seismic and data from six (6) vintage wells. From the test, it was concluded that lithology is easier to identify on seismic than fluid type due to the limestone reservoir's overlapping elastic properties. In December 2019, the SC 74 Joint Venture ("JV") decided to proceed to Phase 2 of the project which is an inversion study over a wider, 400 sq. km 3D data. Phase 2 commenced in February 2020 and was completed in June 2020. The QI study was able to predict the different lithological facies at the well, i.e. those with good property such as high porosity versus those that have low porosity and high shale/silt content. However, the study was unable to differentiate the type and distribution of fluids in the limestone reservoirs due to the nature of the rock properties and poor to fair seismic data quality. Further seismic reprocessing has been recommended to preserve the true amplitudes for AVO inversion, and to improve seismic imaging especially in dipping structures. It was also suggested that shear sonic data be acquired in future wells for better correlation of well and seismic data.

An in-house seismic interpretation of the 3D data was conducted starting July 2020, which incorporates the results of Ikon's QI study. The technical evaluation was done in two parts: (1) the mapping of time structural horizons and porous zones, and time to depth conversion; and (2) resource calculation. The interpretation work was completed in April 2021, while the resource calculation was finalized in August 2021. Additionally, the study was able to identify two leads, South Linapacan and Edapacan, located SW and NE of the Linapacan Fields, respectively. PXP estimates the Linapacan A and B Fields to contain 43.16 and 27.43 million barrels of contingent oil resources (P50), respectively.

In SC 75 (Northwest Palawan), PXP received a letter from the DOE dated October 14, 2020 which stated that the FM over SC 75 has been lifted effective immediately and that exploration activities were to resume over the block. On March 3, 2021, the DOE approved the Work Program and Budget ("WP&B") for 2021 with the acquisition of a minimum of 1,000 sq. km of 3D seismic data as a firm commitment, subject only to occurrence of force majeure that could delay, curtail, or prevent the peaceful undertaking and completion of the work program. The 3D survey will include three (3) identified leads in order to mature them into prospect status.

In late July 2021, PXP sent out invitations to seismic acquisition companies to submit proposals for the survey to be conducted in April 2022. In September 2021, a Letter of Award was issued to a geophysical company for one of their seismic vessels. Thereafter, Shearwater conducted a Survey Evaluation and Design ("SED") Study which aimed at finalizing the acquisition parameters to be used in the survey. The SED was completed in November 2021 and the results were incorporated in the seismic data acquisition contract. Finalization of the contract continued by end December 2021 and will be signed in early January 2022.

In SC 14C-1 (Galoc), Galoc Production Company ("GPC") informed the DOE on May 7, 2020 of the cessation of operation for Galoc Field starting September 24, 2020 following GPC's receipt of a Notice of Termination from Rubicon Offshore International ("ROI"), the owner of the floating production storage and offloading ("FPSO") vessel, Rubicon Intrepid. GPC also requested approval of the initial drawdown from the fund setup under the DOE-approved Galoc Decommissioning Plan and Budget for the implementation of the field suspension plan. However, in September 2020, the Galoc JV was able to negotiate with ROI for the sale of the Rubicon Intrepid that allowed the Galoc Field to remain in production beyond the original cessation schedule of September 24, 2020. Tamarind Resources, which owns GPC, formed a new subsidiary, Philippines Upstream Infrastructure ("PUI"), to acquire the FPSO from ROI. GPC and ROI then entered into a Transition Operations and Maintenance ("O&M") contract to allow the current ROI crew to continue managing FPSO operations during a transition period that will last for about six months. Finally, GPC signed a 24-month O&M contract with Three60 Energy, an energy services provider, that will take over FPSO operations after the transition period.

On December 23, 2020, GPC resigned as the SC 14C-1 operator effective on that date. On the same day, the JV elected NPG Pty Limited, GPC's affiliate, to become the replacement operator. On February 1, 2021, Three60 Energy formally assumed operational control of the Intrepid FPSO following a transition period with ROI that lasted for 4-1/2 months from September 2020 to January 2021.

In SC 40 (North Cebu), which Forum operates through its 66.67% subsidiary, Forum Exploration, Inc. ("FEI"), conducted a land gravity survey over the Libertad and Dalingding areas in Bogo City and Daanbantayan Municipality, respectively. The gravity survey aimed to further delineate the carbonate bodies detected in the said areas by the initial 3D gravity modelling exercise. The survey began on February 18, 2020 and was completed on March 14, 2020 with a total of 84 stations acquired at intervals of between 300m and 500m. After completing the correction of meter readings, coordinates, and elevations of gravity stations acquired during the survey, FEI forwarded the data to Cosine for data reduction, processing, and interpretation. The report for the first phase of gravity interpretation was received from Cosine in early December 2020 and submitted to the DOE in February 2021. The second phase of the study, which is ongoing, involves depth modeling and identification of gravity prospects and leads. The model was reviewed by Cosine and an initial feedback was received by FEI in Q4 2021. FEI will reevaluate the model based on Cosine's advice.

In SC 6A (Octon), the approved work program for 2020 focused on further Geological and Geophysical ("G&G") studies in the North Block in support of establishing a final well location over one of the identified prospects in the area. In June 2020, LMKR, a private petroleum technology company, completed a pilot QI study on the Malajon area using 3D seismic and well data. The study shows the Malajon structure having a good potential and thus requires further detailed analysis. LMKR is also able to identify four (4) sand packages within the GCU after generating several elastic properties (P-impedance, Vp/Vs, etc.). A full QI/Reservoir Characterization study was approved by the JV aimed at generating pay probability maps and identifying prospective zones that could be targets for any future well. It includes detailed attribute analysis as several channelized sands within the GCU have been identified during the pilot study. The report for the QI Study was received by the Operator Philodrill in May 2021 and was subsequently submitted to the DOE in July 2021.

On March 31, 2021, a Notice to Surrender of the SC 6A was submitted to the DOE. This was made following the JV decision to drop and apply for a new SC under the DOE's Philippine Conventional Energy Contracting Program ("PCECP") on Nomination of Areas. To date, the DOE continues to assess the JV's compliance with the SC's provision before a decision is made on the notice to surrender.

Immediately following the submission of the Notice to Surrender, the JV commenced with the preparation of the necessary technical, financial, and legal documents to be submitted to the DOE as part of the SC application package. PXP and Forum will participate in the new SC application with

6.722% interest each after accepting their respective pro rata share of the interests of two companies that decided not to participate In the new SC.

In SC 6B (Bonita), the FIA, DOA, and transfer of operatorship from Philodrill to Manta Oil Company Linted ("MOC") were approved conditionally by the DOE on October 17, 2019, requiring MOC to submit additional financial documents. Under the FIA, MOC will carry the JV up to First Oil to earn 70% interest. FEPC's interest will be reduced to 2.4546% from 8.182% upon completion of the farm-in. On December 6, 2021, Manta withdrew as Operator and Contractor in SC 6B as it was unable to fulfill its farm-in commitment to submit a plan of development (POD) for Cadlao Field before the end of 2021. Following Manta's withdrawal, its 70% interest was reassigned to the JV partners and the operatorship reverted to Philodrill. The SC 6B JV later agreed to appoint Nido Petroleum Philippines Pty Ltd ("Nido") as the Technical Operator to carry out the technical work, which includes the redevelopment of the Cadlao Field.

In August 2019, the DOE accepted the sole bid of Philodrill and PXP on Area 7 located in the Sulu Sea. It was one of the fourteen (14) predetermined areas ("PDAs") offered by the DOE in 2018 under the PCECP. The area is covered by both 2D and 3D seismic data and around six (6) exploratory wells have been drilled by previous contractors from 1989 to 2008. Area 7 is adjacent to SC 56 where ExxonMobil drilled four (4) wells in 2009-2010, three (3) of which were declared as discovery wells.

The DOE's final decision on the acceptance of the JV's bid has been delayed due to ongoing discussions between the DOE and the Bangsamoro Autonomous Region in Muslim Mindanao ("BARMM"). The Consortium's immediate plan once a Service Contract is granted is to reprocess some 1,600 sq. km of 3D data using new technology of Broadband PSDM and to conduct a QI study.

On March 16, 2020, PXP submitted to the DOE all technical, legal, and financial documents in support of its nomination of a block located in offshore West Palawan and adjacent to SC 72 (Nominated Area No. 6 of the DOE). On September 14, 2020, DOE opened the bid submitted by PXP and found the SC application documents complete and is thus qualified to undergo further legal, technical, and financial evaluation. The proposed work program for the first sub-phase is the acquisition of at least 2,200 line-km of 2D seismic data as well as marine gravity and magnetic data.

2) Portfolio Management

Selective acquisitions and divestments help mitigate the risks inherent in petroleum exploration, and ensure alignment of resources with the Company's objectives and strategies.

PXP and Forum will participate in the application for a new SC over the former SC 6A with a new 7-year exploration program that will continue the work conducted under the previous SC. The term of SC 6A was set to expire on February 28, 2024, which would have given the JV limited time to drill an exploratory well and to develop a field in case of a discovery.

The Company participated in the PCECP of the DOE, which was launched in November 2018 and ended in August 2019. The Company and its partner, Philodrill, submitted a joint bid for Area 7, a prospective block located in the Sulu Sea. The consortium's bid remains under evaluation with the DOE.

Additionally, the Company nominated a frontier block close to SC 72 under PCECP guidelines which was accepted by the DOE in September 2020. The application for a new Service Contract is undergoing further processing.

3) Control of Costs and Expenses

The Company's optimization of costs and expenses and its subsidiaries would consequently result in improved net income and better financial stability for the Company.

Total overhead was maintained year-on-year at ₱62.1 million (2020: ₱64.5 million). Management continuously monitors its overhead and looks for opportunities to rationalize and share the resources within the Company and its subsidiaries.

4) Financial Management

Prudent and well-implemented financial management will prolong the Company's ability to finance its activities and thus its corporate life.

The Company addresses its funding requirements through regular review of its cash position and forecast. During the year the Company was able to collect the full payment of its outstanding subscription receivable from PMC. The Company, through its subsidiary, has also collected about ₱ 486.7 million from a third-party in October 2021.

5) Health, Safety and Environment

A commitment to undertake activities without endangering the environment and the health and safety of people is key to maintaining the Company's license to operate.

In compliance with the SEC's Notice dated March 12, 2020, below is the report on the risk and impact of the COVID-19 on business operations and the mitigation measures.

The Company is taking the necessary measures to mitigate potential impact on its business operations, in accordance with government guidelines.

Risk: Exposure to and contraction of COVID-19

Mitigation: Communicate and enforce preventive measures within the work area against COVID-19 such as:

- Remote working or work from home scheme with departmental skeletal force, if needed.
- Teleconference or online messaging for internal communication and for communication with JV partners and third party contractors.
- Implementation of a No Visitors Policy (including relatives and friends).
- Wearing of face masks at all times while inside the office.
- Maintaining at least two (2) meters distance and no physical contact (e.g. no shaking of hands).
- Maintaining sanitary essentials like alcohol / hand sanitizers at entry points (e.g. lobby, comfort rooms, etc.).
- Thermal scanning of all employees at the entrances of the office. Personnel with temperature above 37.8 degrees Celsius will not be allowed to enter the office and should seek medical attention, if possible.
- Submission of health declaration form using QR code upon arrival in the office.
- Self-quarantine of employees with travel history to identified places with confirmed/suspected COVID-19 cases.
- Encouraging employees to do initial self-assessment on symptoms and advise management when symptoms are present.

The Company also purchased a number of air purifier units to help reduce airborne contaminants in the workplace.

Lastly, all corporate employees and their eligible dependents are now fully vaccinated.

No lost-time injuries, fatalities, COVID-19 cases, or environmental-related incidents were recorded by the Company and its subsidiaries during the period. A quarterly accident statistics report in compliance with the Upstream Petroleum Operations Safety, Health and Environment Rules and Regulations ("UPOSHERR") of the DOE is being regularly submitted by the Company.

KNOWN TRENDS, EVENTS, OR UNCERTAINTIES

On April 6, 2022, (i) the Company as operator under Service Contract No. 75 and (ii) FGL, as operator under Service Contract No. 72, received a directive from the DOE to "put on hold any exploration activities for Service Contract Nos. 72 and 75 until such time that the [Security, Justice, and Peace Coordinating Cluster ("SJPCC")] has issued the necessary clearance to proceed."

On April 8, 2022, the Company and FGL advised the DOE that in compliance with the DOE directive, they “have suspended (or caused the suspension of) all activities in the West Philippine Sea beginning April 6, 2022, in the process, incurring substantial stand-by and other costs.” In the same letter, the Company and FGL advised the DOE further that they were prepared to resume operations immediately provided they receive written confirmation from DOE by April 10, 2022 that they can resume their exploration activities.

On April 11, 2022, the Company and FGL advised the DOE that as they did not receive advice from the DOE that they can resume their exploration activities, they (a) have stopped all their exploration activities, (b) were constrained to terminate their agreements with suppliers and incurred substantial liabilities for termination costs and penalties, and (c) affirmed their declaration of Force Majeure under SC 72 and SC 75 effective April 6, 2022 arising from what appeared as an indefinite suspension by the DOE of the exploration activities under SC 72 and SC 75.

There is no other known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that has not been booked, although the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business of which no material claims have been identified.

Other than what have been discussed above, there are no known significant trends, demands, commitments, or uncertainties that will result in or that are reasonably likely to result in the Company’s liquidity increasing or decreasing in a material way. There are no material commitments for capital expenditures not reflected in the Company’s financial statements. There is likewise no significant seasonality or cyclicality in its business operation that would have material effect on the Company’s financial condition or results of operation. There are no other significant elements of income or loss that did not arise from the Company’s continuing operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period. There are no line items in the Company’s financial statements not already explained for causes either above or in the Notes to the Consolidated Financial Statements other than due to the usual period-to-period fluctuations in amounts natural in every business operations.

The Company has not, in the past year, revised its financial statements for reasons other than changes in accounting policies.

Item 7. Financial Statements

The audited financial statements are presented in Part IV, Exhibits and Schedules.

Item 8. Information on Independent Public Auditor and other Related Matters

The appointment, approval, or ratification of the Company’s independent public auditor will be submitted to the shareholders for approval at the Annual Stockholders’ Meeting on June 22, 2022.

The Audit Committee has recommended, and the Board of Directors has approved, the reappointment of the accounting firm of SyCip Gorres Velayo & Co (“SGV & Co”). SGV & Co has been the Company’s independent auditor since its incorporation in December 2007. The Audit Committee has recommended their reappointment for the current year. The recommended audit engagement partner for the ensuing year is Mr. Alexis Benjamin C. Zaragoza III.

The Company’s Audited Financial Statements for 2021 was certified by Mr. Alexis Benjamin C. Zaragoza III of SGV & Co, the audit engagement partner for the 2021 audit, and is attached to this Information Statement as an Exhibit to the Annual Report. The Company has been advised that the SGV & Co auditors assigned to render audit-related services have no shareholdings in the Company, or a right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, consistent with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

Representatives of SGV & Co will be present at the scheduled stockholders meeting. They will have the opportunity to make a statement should they desire to do so and will be available to respond to appropriate questions.

EXTERNAL AUDIT FEES AND SERVICES

Audit and Audit-Related Fees

For 2021, 2020, and 2019, independent auditors were engaged to express an opinion on the consolidated and stand-alone financial statements of the Company and its Subsidiaries ("the Group"), and to review of income tax calculation in the income tax returns of the Group. A regular audit was carried out based on Philippine Standards on Auditing.

The audit fees for the Parent Company were for ₱1.2 million for 2021, ₱1.1 million for 2020 and ₱1.1 million for 2019.

There were no non-regular audit conducted during the years 2021, 2020, and 2019.

Tax Fees

There were no tax-related services rendered by the independent accountants other than the assistance provided in the preparation of the income tax returns which formed part of the regular audit engagement.

All Other Fees

There were no other professional services rendered by the independent accountants.

Audit Committee's Approval of Policies and Procedures

Prior to the commencement of audit work, the independent accountants make a presentation of their audit program and schedule to the Company's Audit Committee, which includes a discussion of anticipated issues. The Group's audited consolidated financial statements for the year are presented by the external auditors to the Audit Committee for their endorsement to the Board and the Board's final approval. Prior to endorsement by the Audit Committee, the independent auditors present a comprehensive report discussing the work carried out, areas of interest and their key findings and observations.

The independent accountants also provide limited review to the Group's quarterly financial reports. This, together with the financial reports, is then presented to the Audit Committee for their endorsement to the Board of Directors for final approval and subsequent filing with the SEC.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no change in the Company's independent auditors since the Company's incorporation in 2007, except for a change in audit engagement partners: Mr. Aldrin M. Cerrado (2007 to 2011 audit), Mr. Jose Pepito E. Zabat III (2012 to 2016 audit), and Mr. Alexis Benjamin C. Zaragoza III (2017 to present audit). There have been no unresolved disagreements with the independent auditors.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

The overall management and supervision of the Company is undertaken by the Board. There are nine members of the Board. The regular and independent directors were elected during the annual meeting of the stockholders held on July 15, 2020, to serve for a term of one year and until their successors are elected and qualified.

Directors

The names of the incumbent directors of the Company, their respective ages, citizenship, period of service, directorships in other companies and positions are as follows:

1) **MANUEL V. PANGILINAN** – 75, Filipino citizen; first elected Director of the Company on December 08, 2009; Chairman of the Board since December 08, 2009; last re-elected on June 25, 2021.

Academic background
Mr. Pangilinan graduated cum laude from the Ateneo de Manila University with a Bachelor of Arts degree in Economics. He received his Master of Business Administration degree from Wharton School of the University of Pennsylvania in 1968.

Business and Professional Background/Experience
Mr. Pangilinan founded First Pacific Company Limited, a corporation listed on the Hong Kong Stock Exchange, in May 1981. He served as Managing Director of First Pacific Company Limited since its founding in 1981 until 1999. He was appointed Executive Chairman until June 2003, after which he was named Managing Director and Chief Executive Officer. In May 2006, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula, rank of Komandante, in recognition of his contributions to the country. He was named Management Man of the Year 2005 by the Management Association of the Philippines. Mr. Pangilinan was awarded Honorary Doctorates in Science by Far Eastern University in 2010; in Humanities by Holy Angel University in 2008; by Xavier University in 2007; and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School. He is a member of the ASEAN Business Advisory Council.

Mr. Pangilinan has also been a Director of Philex Mining Corporation and Philex Gold Philippines, Inc. since November 2008. He is also Chairman of the PLDT Inc. (PLDT) since 2004, after serving as its President and Chief Executive Officer (CEO) since 1998. He reassumed the position of President and CEO of PLDT from December 2015 until June,2021. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation, Landco Pacific Corporation, Medical Doctors Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Asian Hospital, Inc., Davao Doctors, Inc., Riverside Medical Center Inc., Our Lady of Lourdes Hospital, Central Luzon Doctor's Hospital, Inc., Maynilad Water Services Corporation, Mediaquest, Inc., Associated Broadcasting Corporation (TV5) and Manila North Tollways Corporation. Mr. Pangilinan is also Chairman of the Manila Electric Company (MERALCO), after serving as its President and Chief Executive Officer from July 2010 to May 2012. Mr. Pangilinan is also Vice Chairman of Roxas Holdings, Incorporated, the largest sugar producer in the Philippines. He is also a Director of Silangan Mindanao Mining Co., Inc.

Listed companies in the Philippines of which Mr. Pangilinan is presently a director:

1. PXP Energy Corporation
2. Philex Mining Corporation
3. PLDT Incorporated
4. Metro Pacific Investments Corporation
5. Roxas Holdings, Incorporated
6. Manila Electric Company

2) **DANIEL STEPHEN P. CARLOS** – 58, Filipino citizen; first elected Director on August 16, 2015; last re-elected on June 25, 2021.

Academic Background
Mr. Carlos obtained his Bachelor of Science degree in Geology from the University of the Philippines (1984) and holds a Master of Science degree in Petroleum Geoscience

from the Norwegian University of Science and Technology or NTNU (2002). He also has a Diploma in Petroleum Exploration and Reservoir Evaluation from the University of Trondheim, now NTNU (1988). He is a licensed Geologist and placed 3rd in the 1985 Geologist Licensure Examination.

Business and Professional Background/Experience
He was with the Department of Energy (1985–1991), Basic Energy Corporation, PNOC Exploration Corporation, Forum Pacific, Inc., and CGG Multiwave. In February 2007, he joined Forum Energy Philippines Corporation as Vice President for Exploration and was appointed President in July 2013. He is currently the Resident Agent in the Philippines of Forum (GSEC 101) Limited, which operates Service Contract 72 or Recto Bank. He is also the President of Forum Energy Philippines Corporation and Forum Exploration, Inc.

Listed company in the Philippines of which Mr. Carlos is presently a director:

PXP Energy Corporation

3) **EULALIO B. AUSTIN, JR.** – 60, Filipino citizen; first elected May 18, 2010; last re-elected June 25, 2021.

Academic background
Mr. Austin graduated from the St. Louis University in Baguio City, with a Bachelor of Science degree in Mining Engineering, and placed eighth in the 1982 Licensure Examination for Mining Engineers. He took his Management Development Program at the Asian Institute of Management in 2005 and his Advanced Management Program at the Harvard Business School in 2013.

Business and Professional Background/Experience
Mr. Austin is also a Director of Philex Mining Corporation and Philex Gold Philippines, Inc. since June 29, 2011. He became President and Chief Operating Officer of Philex Mining on January 01, 2012, and President and Chief Executive Officer on April 03, 2013.

He previously served Philex Mining as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President and Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998. Mr. Austin concurrently serves as Chairman and Director of Silangan Mindanao Mining Co., Inc.

Outside of Philex Mining, he is a member of the Chamber of Mines of the Philippines' Board of Trustees. Mr. Austin also sits as a member of the Executive Committee of the Board of Trustees and serves as the Chairman of the Membership Committee as well as the Towards Sustainable Mining Initiative Committee. He is a Competent Person (CP) for Copper and Gold Deposit by the Philippine Society of Mining Engineers under the PMRC guidelines. He was awarded 2021 Outstanding Professional of the Year in the Field of Mining Engineering by the Professional Regulation Commission of the Philippines. Also in 2016, he was awarded Most Outstanding Engineer of the Philippine Society of Mining Engineers (PSEM), aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last 14 December 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

Listed companies in the Philippines of which Mr. Austin is presently a director:

1. PXP Energy Corporation
2. Philex Mining Corporation

4) **BENJAMIN S. AUSTRIA – Independent Director;** 76, Filipino citizen; first elected Independent Director on 04 August 2011; last re-elected on 25 June 2021.

Academic background
Dr. Austria received his Bachelor of Science degree in Geology from the University of the Philippines in 1965. He earned his Master and Doctorate degrees in Geology from Harvard University in 1968 and 1975, respectively. Dr. Austria retired in 2011 from the University of the Philippines (UP) as Professor of Geology after 45 years of service, teaching courses in Economic Geology, Geochemistry and Crystallography. The UP National Institute of Geological Sciences building was completed and inaugurated while he was Director of the Institute from 1987 to 1993.

Business and Professional Background/Experience
Dr. Austria is a registered Geologist and was recognized as the Outstanding Professional in the Field of Geology for 2001 by the Professional Regulation Commission of the Philippines. He has been a Member of the Board of Geology of the Professional Regulation Commission since 2016. He was Officer-in-Charge of the Board of Geology from November 2020 to March 2022. He is a Director and Chairman of the Earth Sciences & Geography Division of the Philippine Association for the Advancement of Science & Technology, a non-stock, non-profit corporation.

Listed company in the Philippines of which Mr. Austin is presently a director:

PXP Energy Corporation (Independent Director)

5) **EMERLINDA R. ROMAN – Independent Director; 72, Filipino citizen; first elected Independent Director August 04, 2011; last re-elected June 25, 2021.**

Academic Background
Dr. Roman received her Bachelor of Science degree in Agriculture at the University of the Philippines Los Baños in 1972. She earned her Master's Degree in Agribusiness Management in 1977 and her Doctor of Business Administration (DBA) degree in 1989 from the College of Business Administration of the University of the Philippines Diliman.

Business and Professional Background/Experience
Dr. Roman is the first woman president of the University of the Philippines where she is now Professor Emeritus at the Cesar E.A. Virata School of Business. She has held various administrative positions in UP – served as three-time Chancellor of the University's flagship campus – UP Diliman, Vice-President, Secretary of the Board of Regents and finally its President. Dr. Roman was President when the University celebrated its centennial at which time the university went on an aggressive fundraising campaign raising more than P6 Billion.

Dr. Roman also served as Chair of the Board of Trustees of the International Rice Research Institute, President of the UP Foundation, Chair of the Friends of UP in America Foundation, and Chair of the UP Provident Fund.

She sits on the boards of Smart Communications, Inc., Digital Telecommunications Philippines, Inc., Redondo Peninsula Energy, and One Meralco Foundation. She is also Chair of the Board of Advisers of Manila Tytana Colleges and a Member of the Board of Trustees of Akademya Filipino.

Listed company in the Philippines of which Dr. Roman is currently a director:

PXP Energy Corporation (Independent Director)

6) **MARILYN A. VICTORIO-AQUINO** - 66, Filipino citizen; first elected April 18, 2013; last re-elected on June 25, 2021.

Academic Background
Ms. Aquino was educated at the University of Santo Tomas (A.B.) and University of the Philippines (LL.B., cum laude). and admitted to the practice of law in the Philippines in 1981.

Business and Professional Background/Experience
Ms. Aquino joined Sycip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989. Ms. Aquino's practice focused on banking, finance and securities, construction and infrastructure, investments, mergers and acquisitions, and mining and natural resources. Ms. Aquino is a Director of Philex Mining Corporation, Philex Gold Philippines, Inc., Silangan Mindanao Mining Company, Inc., Lepanto Consolidated Mining Company and Maynilad Water Services, Inc. She was also appointed as Chief Legal Counsel of PLDT in December 2018.

Listed companies in the Philippines of which Ms. Aquino is currently a director:

1. PXP Energy Corporation
2. Philex Mining Corporation
3. Lepanto Consolidated Mining Company

7) **OSCAR S. REYES – 76, Filipino citizen;** first elected 02 August 2017; last re-elected on 25 June 2021

Academic Background

Mr. Reyes received his Bachelor of Arts degree in Economics from the Ateneo de Manila University and graduated Cum Laude. He holds a Diploma in Business Administration and a Certificate in Export Promotion from the Waterloo Lutheran University and a Masters in Business Administration Program (all units completed) at the Ateneo Graduate School of Business. He took the Business Management Consultancy and Trainers' Program at the Japan Productivity Center under the Asian Productivity Organization; the Program for Management Development at the Harvard Business School, and; the Commercial Management Program at the Shell International Petroleum Corporation, Lensbury Centre, London.

Business and Professional Background/Experience

Mr. Reyes was formerly the President and Chief Executive Officer of the Manila Electric Company. He is a member of the Advisory Board of PLDT, Basic Energy Corporation, and Pioneer Life Inc., and of the Advisory Council of the Bank of the Philippine Islands. He is the Chairman of Pepsi Cola Products Phils., Inc. and an Independent Director of Cosco Capital Inc., D.M. Wenceslao & Associates Inc., Sun Life Financial Phils., Inc., Sun Life Prosperity Funds, Philippine Dealing System Holdings Corp., Philippine Dealing and Exchange Corp., Philippine Depository and Trust Corp., Philippine Securities Settlement Corp., Pioneer Insurance & Surety Corporation, Pioneer Intercontinental Insurance Corporation, Team Energy Corporation, among other firms. He is a member of the Board of Trustees of Pilipinas Shell Foundation, Inc., and El Nido Foundation, Inc. Mr. Reyes served as Country Chairman of the Shell Companies in the Philippines, concurrently President of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B.V.

Listed companies in the Philippines of which Mr. Reyes is presently a director:

1. PXP Energy Corporation
2. Cosco Capital Inc.
3. D.M. Wenceslao & Associates Inc.

8) **DIANA V. PARDO-AGUILAR** – 58, Filipino citizen; first elected on May 19, 2015; last re-elected on June 25, 2021.

Academic Background
Ms. Pardo-Aguilar holds a Master's Degree in Business Administration major in International Business and Finance from Pepperdine University, California (1988) and a Bachelor of Science in Computer Studies from De La Salle University (1985).

Business and Professional Background/Experience
Ms. Pardo-Aguilar a Commissioner of the Social Security System since August 2010. She was also a director of Security Bank Corporation from November 2010 to April 2016, Senior Advisor to the Board from July 2016 to April 2017 and Chairperson of the Trust Committee. She also serves as Chairperson of SB Capital Investment Corporation since August 2016. Ms. Aguilar is an investment banker with extensive experience in capital markets transactions and an entrepreneur with businesses in the fields of information technology and electronic payments, retail trade, and property management. Ms. Aguilar holds concurrent directorships in the fields of investment and commercial banking, social protection, information technology & e-payments, retail and supply chain, education, and property management.. Ms. Aguilar's concurrent board positions are Chairperson of the Board of Trustees of La Salle Greenhills since September 2021; Member of La Salle East Asia Boards LEAD Economic Council and LEAD Investment Board since August 2020; Member of De La Salle Philippines Investment Committee since July 2018; Member of De La Salle-College of Saint Benilde, Inc. Executive Finance Committee of the Board since July 2020; Board of Trustees of De La Salle Medical and Health Science Institute since October 2020. She also sits as the Chairperson of the Audit Committee of Makati Medical Center since July 2018; Advisor to the Board of Philippine Seven Corporation since January 2015; Independent Director of Science Park of the Philippines, Inc., since June 2020; Governor and Vice President of Employers Confederation of the Philippines since January 2017. Her past board positions include Chairperson of Finance Committee and Treasurer of LaSalle Greenhills from September 2019 to 2021; Director of Philex Mining Corporation from 2019 to 2021; Director of Wenphil Corporation from 2012 to 2019; Director of Electronic Commerce Payments, Inc., from 2004 to 2019; Director of Ionics, Inc., from 2016 to 2019; Treasurer of De La Salle Santiago Zobel from 2004 to 2017; and Director of Phoenix Petroleum Philippines, Inc., (from 2010 to 2013).

Listed companies in the Philippines of which Ms. Pardo-Aguilar is currently a director:

1. PXP Energy Corporation
2. Security Bank Corporation

9) **JOSEPH H.P. NG –** 58, British Citizen; first elected May 21, 2019; last re-elected on June 25, 2021.

Academic Background
Mr. Ng received an MBA and a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, and the Institute of Chartered Accountants in England and Wales.

Business and Professional Background/ Experience:
Mr. Ng. joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. He was appointed as Associate Director in April 2019. Prior to that, he was Executive Vice President of Group Finance and served in several senior positions within First Pacific Group, including as the Head of Finance of its regional telecom division and a director of a number of its telecom joint ventures in India, Indonesia and China. Mr. Ng is also a Non-Executive Director of Philex Mining Corporation, and a Commissioner of PT Indofood Sukses Makmur Tbk.

Listed companies in the Philippines of which Mr. Ng is currently a director:

1. PXP Energy Corporation
2. Philex Mining Corporation

There is no director who has resigned or declined to stand for re-election to the board of directors since the June 23, 2021 Annual General Stockholders' Meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices. No director has furnished the Company with a letter describing such disagreement and requesting that the matter be disclosed.

Executive Officers

The following persons are the present executive officers of the Company:

MANUEL V. PANGILINAN – 75, Filipino citizen. Mr. Pangilinan graduated cum laude from the Ateneo de Manila University with a Bachelor of Arts degree in Economics. He received his Master of Business Administration degree from Wharton School of the University of Pennsylvania in 1968.

Mr. Pangilinan is the Chairman of the Board of Directors of the Company. He has also been a Director of Philex Mining Corporation and Philex Gold Philippines, Inc. since November 2008. He is also Chairman of the PLDT Inc. (PLDT) since 2004, after serving as its President and Chief Executive Officer (CEO) since 1998. He reassumed the position of President and CEO of PLDT from December 2015 until June,2021. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation, Landco Pacific Corporation, Medical Doctors Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Asian Hospital, Inc., Davao Doctors, Inc., Riverside Medical Center Inc., Our Lady of Lourdes Hospital, Central Luzon Doctor's Hospital, Inc., Maynilad Water Services Corporation, Mediaquest, Inc., Associated Broadcasting Corporation (TV5) and Manila North Tollways Corporation. Mr. Pangilinan is also Chairman of the Manila Electric Company (MERALCO), after serving as its President and Chief Executive Officer from July 2010 to May 2012. Mr. Pangilinan is also Vice Chairman of Roxas Holdings, Incorporated, the largest sugar producer in the Philippines. He is also a Director of Silangan Mindanao Mining Co., Inc.

DANIEL STEPHEN P. CARLOS – 58, Filipino citizen. Mr. Carlos obtained his Bachelor of Science degree in Geology from the University of the Philippines (1984) and holds a Master of Science degree in Petroleum Geoscience from the Norwegian University of Science and Technology or NTNU (2002). He also has a Diploma in Petroleum Exploration and Reservoir Evaluation from the University of Trondheim, now NTNU (1988). He is a licensed Geologist and placed 3rd in the 1985 Geologist Licensure Examination.

Mr. Carlos is the Company's President. He was with the Department of Energy (1985–1991), Basic Energy Corporation, PNOC Exploration Corporation, Forum Pacific, Inc., and CGG Multiwave. In February 2007, he joined Forum Energy Philippines Corporation as Vice President for Exploration and was appointed President in July 2013. He is also the Resident Agent in the Philippines of FGSECL, which operates Service Contract 72 or Recto Bank. He is also the President of Forum Energy Philippines Corporation and Forum Exploration, Inc.

PARALUMAN M. NAVARRO – 53, Filipino citizen. Ms. Navarro is the Company's Treasurer. She is also Assistant Vice President for Corporate Finance of Philex Mining Corporation and Controller of Silangan Mindanao Mining Co., Inc. She has been with Philex Mining Corporation since 1990. Ms. Navarro, a CPA, received her Bachelor of Science in Commerce degree, major in Accounting from Saint Louis University, Baguio City and graduated cum laude.

BARBARA ANNE C. MIGALLOS – 67, Filipino citizen. Atty. Migallos received her Bachelor of Arts degree in Political Science from the University of the Philippines and graduated cum laude. She obtained her Bachelor of Laws from the University of the Philippine College of Law, graduating cum laude and Class Salutatorian, and ranked 3rd in the 1979 Bar Examinations.

Atty. Migallos is the Company's Corporate Secretary. Atty. Migallos has been a Director of Philex Mining Corporation since June 26, 2013. She is also a Director of Mabuhay Vinyl Corporation since 2000, Philippine Resins Industries, Inc. since 2001, and Forum Energy Philippines Corporation since 2013. She is the Corporate Secretary of Philex Mining since July 1998, Philex Gold Philippines, Inc., Silangan Mindanao Mining Co., Inc., Eastern Telecommunications Philippines Inc. since 2005, Nickel Asia Corporation since 2010, Emerging Power Inc. since 2015, Cordillera Exploration Co., Inc., Forum Energy Philippines Corporation since 2013, and Alliance Select Foods International, Inc. since 2015. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006. She is the Managing Partner of the Migallos & Luna Law Offices. She is a professional lecturer at the DLSU College of Law and chairs its Mercantile Law department.

Significant Employees

No single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

Family Relationships

There are no family relationships up to the fourth civil degree either of consanguinity or affinity among any of the directors, executive officers and persons nominated or chosen to become directors or executive officers.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as a director, executive officers or control persons of the Company have been involved in any legal proceeding, including without limitation being the subject of any:

a. bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;

b. conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

c. order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities commodities or banking activities; and

d. order or judgment of a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization finding him/her to have violated a securities or commodities law or regulation, for the past five (5) years up to the latest date, that is material to the evaluation of ability or integrity to hold the relevant positions in the Company.

Item 10. Executive Compensation

Independent directors and the SSS representative receive per diems of ₱30,000 per board meeting and ₱20,000 per committee meeting attended. While the Company's By-Laws provide that the directors shall, at the Board's discretion, receive as compensation a share in the Company's net income before tax, but not to exceed one and a half (1-½%) percent, the Company has not paid its directors any fees under this provision since its incorporation in 2007. There are no other arrangements as regards directors' compensation.

Officers of the Company receive such remuneration as the Board may determine upon recommendation of the Compensation Committee.

The following table shows the compensation of the directors and officers for the past three completed fiscal years and estimated to be paid for the ensuing fiscal year.

SUMMARY OF COMPENSATION TABLE
(In Millions)

DIRECTORS

Year	Directors' Fee
2022 (Estimated)	₱ 1.28
2021	1.77
2020	1.18
2019	1.12

OFFICERS

NAME	POSITION
Manuel V. Pangilinan	*Chairman*
Daniel Stephen P. Carlos	*President*
Paraluman M. Navarro	*Treasurer*
Barbara Anne C. Migallos	*Corporate Secretary*

Year	Total Officers' Salary
2022 (Estimated)	₱ 8.5
2021	8.4
2020	8.4
2019	8.4

ALL DIRECTORS & OFFICERS AS A GROUP

Year	Total Amount
2022 (Estimated)	₱9.78
2021	10.17
2020	9.58
2019	9.52

Compensation of Directors

There are no other arrangements under which the Company's directors and officers were compensated, or are to be compensated, directly or indirectly, since the Company's incorporation in December 2007, except as described above.

Employment Contracts

There are no special employment contracts between the Company and its named executive officers.

Warrants and Options Outstanding

None of the Company's directors and executive officers hold any warrants or options in the Company.

Other Arrangements

Except as described above, there are no other arrangements pursuant to which any of the Company's directors and officers was compensated, or is to be compensated, directly or indirectly since the Company's incorporation in December 2007.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following stockholders own more than five percent (5%) of the Company's stock as of December 31, 2021:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Total Outstanding Shares
Common	Philex Mining Corporation ("Philex Mining") 2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila (Stockholder) See note 2.	Philex Mining (Direct and through PCD Nominee) See Note 1.	Filipino	595,864,728	30.40%
Common	PCD Nominee Corporation ("PCD Nominee") (Stockholder) See Note 1.	See Note 1.	Filipino	132,929,441 (excludes shares of Philex Mining and SSS held through PCD Nominee)	20.05%
Common	Asia Link B.V. PrinsBernhardplein 200, 1097 JB Amsterdam, The Netherlands (Stockholder) See Note 3.	First Pacific Company, Ltd. See Note 3.	Non-Filipino	284,470,725	14.51%

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Total Outstanding Shares
Common	Social Security System c/o Loan and Investment Office, 7/F SSS Building, Diliman, Quezon City (Stockholder) See Note 4.	Social Security System (Direct and through PCD Nominee) See Note 4.	Filipino	206,691,505	10.55%
Common	Two Rivers Pacific Holdings Corp. 10/F MGO Building, Legaspi cor. Dela Rosa Sts., Legaspi Village, Makati City (Stockholder)	Two Rivers Pacific Holdings Corporation	Filipino	131,224,794	6.70%

(1) PCD Nominee Corporation ("PCD Nominee"), the nominee of the Philippine Depository & Trust Corp., is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owners of such shares are PCD Nominee's participants who hold the shares on their own behalf or in behalf of their clients. PCD Nominee is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines. The 132,929,441 shares shown above are exclusive of the 335,864,728 shares owned by Philex Mining and the 59,735,867 shares owned by SSS, held through PCD Nominee.

(2) Philex Mining is represented by Mr. Manuel V. Pangilinan, Mr. Eulalio B. Austin Jr., Mr. Daniel Stephen P. Carlos, and Mr. Oscar S. Reyes in the Company's Board of Directors.

(3) Asia Link B.V. is a wholly owned subsidiary of First Pacific Company, Ltd. ("First Pacific"). Kirtman Limited, part of the First Pacific Group, is the registered shareholder of 65,221,981, shares or 3.328% of the outstanding shares of the Company. Maxella Limited, also part of the First Pacific Group, is the registered shareholder of 64,539,833 shares or 3.293% of the outstanding shares of the Company. Artino Limited, also part of the First Pacific Group, is the registered owner of 10,193,136 shares or 0.520% of the outstanding shares of the Company. Asia Link B.V., as part of the First Pacific Group, is represented by Mr. Joseph H.P. Ng in the Company's Board of Directors.

(4) Of the 206,691,505 shares of the Social Security System ("SSS"), 59,735,867 shares are held through PCD Nominee. Ms. Diana V. Pardo-Aguilar has been nominated to the Board of Directors of the Company to represent the SSS.

Security Ownership of Management

The beneficial ownership of the Company's directors and executive officers as of December 31, 2021, is as follows:

Title of Class	Name of Beneficial Owner	Nature of Owner-ship	Amount Beneficial Ownership	Citizenship	% of Class
Common	Manuel V. Pangilinan	Direct and indirect	1,603,466	Filipino	0.0818%
Common	Daniel Stephen P. Carlos	Direct and indirect	766	Filipino	0.0000%
Common	Eulalio B. Austin, Jr.	Direct and indirect	208,224	Filipino	0.0106%
Common	Benjamin S. Austria	Direct	191	Filipino	0.0000%
Common	Emerlinda R. Roman	Direct	1	Filipino	0.0000%
Common	Marilyn A. Victorio-Aquino	Direct	76,529	Filipino	0.0039%
Common	Oscar S. Reyes	Indirect	1	Filipino	0.0000%
Common	Diana V. Pardo Aguilar	Direct	1	Filipino	0.0000%
Common	Barbara Anne C. Migallos	Direct	71,677	Filipino	0.0037%
Common	Paraluman M. Navarro	Direct	2,431	Filipino	0.0000%
Common	Joseph H.P. Ng	Direct	1	Filipino	0.0000%
Directors and Executive Officers as a Group			1,963,288		0.1002%

Voting Trust Holders/Changes in Control

There are no voting trust holders of 5% or more of the Company's stock. There are no arrangements that may result in a change of control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company was not involved in transactions or series of similar transactions in the last two years with a corporation (or any of its subsidiaries) in which any of the Company's directors, executive officers or stockholders owned 10% or more of the total outstanding shares, and members of their immediate family had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Conformance to Corporate Governance Standards & Best Practices

As a publicly-listed Philippine corporation, PXP strives to fully comply with the code of corporate governance and conforms to the corporate governance rules, requirements, and regulations of the SEC and the PSE.

PXP is likewise committed to the highest standards of corporate governance and continues to benchmark against recognized international best practices, and monitor developments in corporate governance in order to elevate the Company's corporate governance structures, processes, and practices to global standards to promote ethical corporate culture guided by core values of Integrity, Teamwork, Respect for Individuals, Work Excellence, Corporate Responsibility, Social & Environment Responsibility.

On February 20, 2014, the Company constituted a Corporate Governance Committee composed of two independent directors, Dr. Emerlinda R. Roman and Dr. Benjamin S. Austria, and one regular director, Atty. Marilyn A. Victorio-Aquino. The Corporate Secretary, Atty. Barbara Anne C. Migallos, was designated Corporate Governance Officer. The Committee has oversight responsibility in ensuring that the Company adopts and complies with leading corporate governance practices.

In January 2017, the Company submitted its 2016 Annual Corporate Governance Report ("ACGR") to the SEC. A copy of the ACGR from 2016 and earlier is available on the Company's website at http://www.pxpenergy.com.ph/corporate-governance/cg-manual. The Company continues to review its corporate governance policies and practices to further enhance adherence to principles and practices of good corporate governance.

On May 31, 2017, the Company's board of directors approved a Revised Corporate Governance Manual, Board and Committee Charters, and additional policies such as Board Diversity Policy, a revised Related Party Transaction Policy, among others. This can be found in the Company's website at http://www.pxpenergy.com.ph/corporate-governance/company-policies.

In February 2021, June 2019, and July 2018, the Company was awarded by the Institute of Corporate Directors as one of the top-performing publicly-listed company in the Philippines under the ASEAN Corporate Governance Scorecard ("ACGS") for the years 2019, 2018, and 2017, respectively.

The Audit and the Board Risk and Resources Oversight Committees on a bi-annual basis, conduct a review on the effectiveness of the Group's internal control systems. The review covers all material controls, including financial, operational and compliance controls, and risk management functions. The confirmation statements pertain to the determination of major control issues, identification of risk and corresponding mitigation, and adequacy and effectiveness of internal controls. These can be found in the Company's website at http://www.pxpenergy.com.ph/corporate-governance/enterprise-risk-management.

The Company's other Corporate Governance policies can be found at https://www.pxpenergy.com.ph/corporate-governance/company-policies/.

Lastly, the Company's list of Corporate Governance Officers can be found at https://www.pxpenergy.com.ph/corporate-governance/board-committees/.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits and Schedules

Statement of Management's Responsibility for Financial Statements
Report of Independent Auditors
Audited Consolidated Financial Statements and Notes for the year ended December 31, 2021
Schedule A - Financial Assets
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
Schedule D - Deferred Oil and Gas Exploration Costs and Other Noncurrent Assets
Schedule E - Long-Term Debt
Schedule F - Indebtedness to Related Parties
Schedule G - Capital Stock
Other Schedules:
1) Financial Soundness Indicators
2) Listing of Shares with PSE
3) Corporate Structure
4) Current Adoption of PFRS

(b) Reports on SEC Form 17-C

There were eighteen (18) reports filed by the Company on SEC Form 17-C beginning May 1, 2021 to May 4, 2022

Report Date	Item Reported
May 25, 2021	Material Information/Transactions: Notice of Dispute to Karoon Gas Australia Limited
June 1, 2021	Amended Notice of Annual Stockholders' Meeting (amended to include the Agenda)

June 28, 2021	Material Information/Transactions: Pitkin Petroleum Peru Z-38 SRL
June 28, 2021	Results of Annual Stockholders' Meeting
June 28, 2021	Results of Organizational Meeting of the Board of Directors
July 1, 2021	Amended Results of Annual Stockholders' Meeting (Amended to include the list of material resolutions, transactions and corporate actions approved by the stockholders)
July 28, 2021	Notice of Analysts'/Investors' Briefing
July 30, 2021	Press Release - Unaudited Financial and Operating Highlights for the 6-Month Period Ended June 30, 2021
September 17, 2021	Material Information/Transactions: Deed of Settlement and Release
October 29, 2021	Press Release – Unaudited Financial and Operating Highlights for the 9-Month Period Ended September 30, 2021
October 29, 2021	Notice of Analysts'/Investors' Briefing
January 28, 2022	Attendance of Company's Directors at board meetings for 2021
February 24, 2022	Notice of Annual Stockholders' Meeting
February 24, 2022	Press Release – Audited Financial and Operating Highlights for the Year Ended December 31, 2021
March 1, 2022	Material Information/Transactions: Release of 2021 Audited Consolidated Financial Statements
April 11, 2022	Material Information/Transactions: Force Majeure declarations for SC72 and SC75
April 28, 2022	Press Release – Unaudited Financial and Operating Highlights for the First Quarter ended March 31, 2022
May 4, 2022	Notice of Analysts'/Investors' Briefing

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong, Philippines on MAY 11 2022, 2022.

MANUEL V. PANGILINAN
Chairman

BARBARA ANNE C. MIGALLOS
Corporate Secretary

DANIEL STEPHEN P. CARLOS
President

PARALUMAN M. NAVARRO
Treasurer

MARK RAYMOND H. RILLES
Finance Controller

SUBSCRIBED AND SWORN TO before me this ___day of MAY 11 2022 2022 at Mandaluyong City. Affiants exhibiting to me their respective Competent Evidence of Identity indicated opposite their names:

Name	Passport No. /Driver's License	Issued On	Issued At
Manuel V. Pangilinan	P9969361A	18 Dec 2018	DFA NCR East
Daniel Stephen P. Carlos	P5757485A	25 Jan 2018	DFA NCR South
Paraluman M. Navarro	P1430237B	11 Apr 2019	DFA NCR East
Barbara Anne C. Migallos	P7148981A	11 May 2018	DFA NCR South
Mark Raymond H. Rilles	P0559840A	03 Feb 2022	DFA NCR Northeast

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Page No. 42
Book No. I
Series of 2 0 2 2

EUNICE CARMELA M. ARIATE
NOTARY PUBLIC FOR AND IN THE CITY OF MANDALUYONG
APPOINTMENT NO. 1587-21 (2021-2022)
COMMISSION EXPIRES ON DECEMBER 31, 2022
2nd Floor, LaunchPad, Reliance St. cor. Sheridan St.,
Mandaluyong City, 1550
PTR O.R. No. 4861812 / 01-03-22 / Mandaluyong City
IBP No. 198120; 1/10/22 Pasig City-PPLM Chapter
Roll of Attorneys No. 64542

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	7	1	9	8	1	9

COMPANY NAME

PXP ENERGY CORPORATION AND SUBSIDIARIES

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

2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
pxp_sec@pxpenergy.com.ph	(632) 8631-1381	0999-991-0731

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
38,599	06/22	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
Daniel Stephen P. Carlos	pxp_sec@pxpenergy.com.ph	(632) 8631-1381	0999-991-0731

CONTACT PERSON'S ADDRESS

2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City

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

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

SGV
Building a better working world

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

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
PXP Energy Corporation
2/F LaunchPad
Reliance corner Sheridan Streets
Mandaluyong City

Opinion

We have audited the consolidated financial statements of PXP Energy 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 income, 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.

Recoverability of Deferred Oil and Gas Exploration Costs, and Goodwill

As at December 31, 2021, the carrying value of the Group's deferred oil and gas exploration costs, and goodwill amounted to ₱2,244 million and ₱254 million, respectively. These deferred exploration costs pertain to the expenditures incurred in the exploration stage of the Group's oil and gas assets, while the Group's remaining goodwill is attributable to the acquisition of Service Contract 72 Recto Bank.
In 2021, the Group recognized an allowance for impairment of deferred exploration costs and wrote off goodwill attributable to Peru-Z38 service contract amounting to ₱3,421 million and ₱980 million, respectively.

Under *PFRS 6, Exploration for and Evaluation of Mineral Resources*, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceeds the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the (a) status of each oil and gas exploration project and plans on exploration and evaluation activities; (b) validity of the licenses, permits and correspondences related to each oil and gas exploration project; (c) plans to abandon existing oil and gas areas and plans to discontinue exploration activities; and (d) availability of information suggesting that the recovery of expenditure is unlikely. The Group is also required to annually test the amount of goodwill for impairment under *PAS 36, Impairment of Assets*.

The impairment test is significant to our audit because the balance of the deferred oil and gas exploration costs and goodwill is material to the consolidated financial statements, and determination of the recoverable amount of the cash generating unit (CGU) to which the deferred oil and exploration costs, and goodwill is attributed involves significant judgement and assumptions about future results of business, specifically forecasted oil and gas prices, estimated volume of resources, capital expenditures, production and operating costs and discount rate.

The Group's disclosures about goodwill and deferred exploration cost are included in Notes 4 and 11 to the consolidated financial statements, respectively.

Audit response

We obtained management's assessment on whether there is any indication that deferred oil and gas exploration costs and goodwill may be impaired. We reviewed the summary of status of each of the exploration projects as at December 31, 2021. We inspected the service contracts and relevant joint operations agreements of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly, and the Group has rights and obligations under the contracts through participating interests. We obtained and reviewed the work program and budget duly approved by the joint operation and the regulatory agency. We also obtained the latest management disclosures to the relevant regulatory agencies regarding the status of the Group's service contracts which support the assessment of management regarding their recoverability. We also inquired about the existing service contract areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

We involved our internal specialist in evaluating the methodologies and the discount rate used. We compared the key assumptions used including inflation rates, forecasted oil and gas prices, estimated volume of resources, capital expenditures, production and operating costs, against relevant external data. We tested the parameters used in the determination of the discount rate against market data. We compared the production quantities in the future cash flows model against the estimated oil and gas resources declared by the competent person's report. 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 on the determination of the recoverable amount of goodwill.

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.

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

- 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 Alexis Benjamin C. Zaragoza III.

SYCIP GORRES VELAYO & CO.

AZ Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
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. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854392, January 3, 2022, Makati City

February 23, 2022

PXP ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value per Share and Number of Equity Holders)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱529,472**	₱143,008
Trade and other receivables - net (Note 6)	**28,952**	32,838
Inventories - net (Note 7)	**4,240**	2,925
Other current assets (Note 8)	**22,752**	16,567
Total Current Assets	**585,416**	195,338
Noncurrent Assets		
Deferred oil and gas exploration costs - net (Note 11)	**2,243,914**	5,316,062
Goodwill (Note 4)	**254,397**	1,234,387
Property and equipment - net (Note 9)	**1,850**	2,125
Right-of-use (ROU) asset (Note 10)	**3,864**	4,044
Other noncurrent assets (Note 12)	**4,776**	3,631
Total Noncurrent Assets	**2,508,801**	6,560,249
TOTAL ASSETS	**₱3,094,217**	₱6,755,587
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**₱45,790**	₱24,287
Lease liability (Note 10)	**609**	553
Income tax payable	**8,730**	14
Total Current Liabilities	**55,129**	24,854
Noncurrent Liabilities		
Lease liability - net of current portion (Note 10)	**4,447**	4,654
Deferred tax liabilities - net (Note 17)	**94,080**	1,069,412
Other noncurrent liabilities (Notes 9 and 24)	**323,974**	187,716
Total Noncurrent Liabilities	**422,501**	1,261,782
Total Liabilities	**477,630**	1,286,636
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1 par value (Note 16)		
Authorized - 6,800,000,000 common shares		
Issued and subscribed - 1,960,000,000 common shares	**1,960,000**	1,960,000
Additional paid-in capital	**2,816,545**	2,816,545
Subscription receivable (Note 16)	**–**	(121,114)
Equity reserves	**139,319**	139,319
Deficit	**(3,414,263)**	(1,699,966)
Cumulative translation adjustment on foreign subsidiaries	**183,293**	57,954
	1,684,894	3,152,738
Non-controlling interests (Note 16)	**931,693**	2,316,213
Total Equity	**2,616,587**	5,468,951
TOTAL LIABILITIES AND EQUITY	**₱3,094,217**	₱6,755,587

See accompanying Notes to Consolidated Financial Statements.

PXP ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Loss per Share)

	Years Ended December 31		
	2021	2020	2019
PETROLEUM REVENUES (Note 23)	**₱64,198**	₱30,250	₱72,499
COSTS AND EXPENSES			
Petroleum production costs (Note 14)	**40,586**	34,134	85,517
General and administrative expenses (Note 14)	**62,082**	64,529	105,079
	102,668	98,663	190,596
OTHER INCOME (CHARGES)			
Provision for impairment of:			
Deferred oil and gas exploration costs (Note 11)	**(3,421,436)**	–	–
Property and equipment (Note 9)	**–**	(5,895)	(194,557)
Loss on write-off of:			
Other current assets (Note 8)	**–**	(335)	–
Goodwill (Note 4)	**(979,990)**	–	(4,196)
Other noncurrent assets (Note 12)	**–**	–	(324)
Gain on settlement of deed (Note 11)	**442,188**	–	–
Provision for plug and abandonment costs due to change in estimates (Note 9)	**(122,863)**	–	(10,659)
Foreign exchange gains (losses) - net	**11,277**	(9,979)	(12,396)
Interest expense (Notes 9 and 10)	**(504)**	(1,135)	(1,003)
Interest income (Note 5)	**113**	695	2,566
Gain on termination of subscription agreement (Note 1)	**–**	–	40,290
Others	**(58)**	–	–
	(4,071,273)	(16,649)	(180,279)
LOSS BEFORE INCOME TAX	**(4,109,743)**	(85,062)	(298,376)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)			
Current	**8,590**	582	783
Deferred	**(975,058)**	(9,374)	(1,939)
	(966,468)	(8,792)	(1,156)
NET LOSS	**(₱3,143,275)**	(₱76,270)	(₱297,220)
NET LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**(₱1,714,297)**	(₱56,102)	(₱272,144)
Non-controlling interests	**(1,428,978)**	(20,168)	(25,076)
	(₱3,143,275)	(₱76,270)	(₱297,220)
BASIC/DILUTED LOSS PER SHARE (Note 22)	**(₱0.875)**	(₱0.029)	(₱0.139)

See accompanying Notes to Consolidated Financial Statements.

PXP ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
NET LOSS	**(₱3,143,275)**	(₱76,270)	(₱297,220)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Gain (loss) on translation of foreign subsidiaries	**169,797**	(40,735)	(89,846)
TOTAL COMPREHENSIVE LOSS	**(₱2,973,478)**	(₱117,005)	(₱387,066)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO			
Equity holders of the Parent Company	**(₱1,588,958)**	(₱85,861)	(₱338,297)
Non-controlling interests	**(1,384,520)**	(31,144)	(48,769)
	(₱2,973,478)	(₱117,005)	(₱387,066)

See accompanying Notes to Consolidated Financial Statements.

PXP ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 16)	Additional paid-in capital	Subscription Receivable (Note 16)	Equity Reserves	Deficit	Cumulative Translation on Foreign Subsidiaries	Subtotal	Non-controlling Interests (Note 16)	Total
BALANCES AT JANUARY 1, 2019	**₱1,960,000**	**₱2,821,000**	**(₱2,310,750)**	**₱122,062**	**₱1,371,720**	**₱153,866**	**₱1,374,458**	**₱2,407,960**	**₱3,782,418**
Net loss for the year	–	–	–	–	(272,144)	–	(272,144)	(25,076)	(297,220)
Other comprehensive income:									
Items to be reclassified to profit or loss in subsequent periods:									
Loss on translation of foreign subsidiaries	–	–	–	–	–	(66,153)	(66,153)	(23,693)	(89,846)
Total comprehensive income (loss) for the year	–	–	–	–	(272,144)	(66,153)	(338,297)	(48,769)	(387,066)
Payment of subscription, net of transaction costs (Notes 1 and 16)	–	(4,455)	2,126,450	–	–	–	2,121,995	–	2,121,995
Effects of transactions with owners	–	–	–	188	–	–	188	(974)	(786)
BALANCES AT DECEMBER 31, 2019	**1,960,000**	**2,816,545**	**(184,300)**	**122,250**	**(1,643,864)**	**87,713**	**3,158,344**	**2,358,217**	**5,516,561**
Net loss for the year	–	–	–	–	(56,102)	–	(56,102)	(20,168)	(76,270)
Other comprehensive income:									
Items to be reclassified to profit or loss in subsequent periods:									
Loss on translation of foreign subsidiaries	–	–	–	–	–	(29,759)	(29,759)	(10,976)	(40,735)
Total comprehensive income (loss) for the year	–	–	–	–	(56,102)	(29,759)	(85,861)	(31,144)	(117,005)
Payment of subscription, net of transaction costs (Notes 1 and 16)	–	–	63,186	–	–	–	63,186	–	63,186
Effect of transactions with owners (Note 16)	–	–	–	17,069	–	–	17,069	(10,860)	6,209
BALANCES AT DECEMBER 31, 2020	**1,960,000**	**2,816,545**	**(121,114)**	**139,319**	**(1,699,966)**	**57,954**	**3,152,738**	**2,316,213**	**5,468,951**
Net loss for the year	–	–	–	–	(1,714,297)	–	(1,714,297)	(1,428,978)	(3,143,275)
Other comprehensive income:									
Items to be reclassified to profit or loss in subsequent periods:									
Gain on translation of foreign subsidiaries	–	–	–	–	–	125,339	125,339	44,458	169,797
Total comprehensive income (loss) for the year	–	–	–	–	(1,714,297)	125,339	(1,588,958)	(1,384,520)	(2,973,478)
Payment of subscription, net of transaction costs (Notes 1 and 16)	–	–	121,114	–	–	–	121,114	–	121,114
BALANCES AT DECEMBER 31, 2021	**₱1,960,000**	**₱2,816,545**	**₱–**	**₱139,319**	**(₱3,414,263)**	**₱183,293**	**₱1,684,894**	**₱931,693**	**₱2,616,587**

See accompanying Notes to Consolidated Financial Statements.

PXP ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱4,109,743)**	(₱85,062)	(₱298,376)
Adjustments for:			
Provision for impairment of:			
Deferred exploration cost (Note 11)	**3,421,436**	–	–
Property and equipment (Note 9)	–	5,895	194,557
Loss on write-off of:			
Other current assets (Note 8)	–	335	–
Goodwill (Note 4)	**979,990**	–	4,196
Other noncurrent assets (Note 12)	–	–	324
Gain on settlement of deed (Note 11)	**(442,188)**	–	–
Provision for plug and abandonment costs due to change in estimates (Note 9)	**122,863**	–	10,659
Unrealized foreign exchange losses (gains) - net	**(11,277)**	9,979	12,396
Depletion and depreciation (Note 14)	**1,009**	4,561	35,540
Interest expense and other charges (Notes 9 and 10)	**504**	1,135	1,003
Interest income (Note 5)	**(113)**	(695)	(2,566)
Operating loss before working capital changes	**(37,519)**	(63,852)	(42,267)
Decrease (increase) in:			
Trade and other receivables - net	**13,669**	690	6,954
Inventories - net	**(1,096)**	4,375	11,336
Other current assets	**(5,759)**	(720)	(2,667)
Increase (decrease) in:			
Trade and other payables	**29,189**	(34,279)	22,593
Provision for plug and abandonment costs	–	(11,354)	(1,021)
Net cash used in operations	**(1,516)**	(105,140)	(5,072)
Interest paid	**(405)**	(416)	(421)
Income taxes paid	**(164)**	(1,183)	(601)
Interest received	**113**	695	2,689
Net cash flows used in operating activities	**(1,972)**	(106,044)	(3,405)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from settlement of deed (Note 11)	**442,188**	–	–
Additions to:			
Deferred oil and gas exploration costs (Note 11)	**(202,023)**	(53,692)	(66,930)
Property and equipment (Note 9)	**(268)**	(2,036)	(16,105)
Increase in other noncurrent assets	**(889)**	–	–
Net cash flows provided by (used in) investing activities	**239,008**	(55,728)	(83,035)

(Forward)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from subscription agreement (Notes 1 and 16)	**₱121,114**	₱63,186	₱2,126,450
Payment for principal portion of lease liability	**(151)**	(87)	(36)
Decrease in other non-current liabilities	**(700)**	–	–
Proceeds from issuance of subsidiary's new shares (Note 16)	**–**	25,400	–
Acquisition by subsidiary of own shares (Note 16)	**–**	(19,191)	–
Acquisition of non-controlling interest (Note 16)	**–**	–	(786)
Payment of advances from related parties (Note 18)	**–**	–	(2,125,184)
Payment for stock issuance costs	**–**	–	(4,455)
Net cash flows provided by (used in) financing activities	**120,263**	69,308	(4,011)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**357,299**	(92,464)	(90,451)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**29,165**	(10,482)	(5,969)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**143,008**	245,954	342,374
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱529,472**	₱143,008	₱245,954

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information, Status of Business Operations, and Authorization for Issuance of the Consolidated Financial Statements

Corporate Information

PXP Energy Corporation (the Ultimate Parent Company or PXP) was incorporated in the Philippines on December 27, 2007 to carry on businesses related to any and all kinds of petroleum and petroleum products, mineral oils, and other sources of energy. PXP was subsequently listed on the Philippine Stock Exchange (PSE) on September 12, 2011.

On September 24, 2010, PXP acquired from Philex Mining Corporation (PMC) all of its investment in the shares of stock of FEC Resources, Inc. (FEC) consisting of 225,000,000 shares representing 51.24% ownership interest at a purchase price of ₱342,338. As a result of the acquisition of FEC, which at that time held 25.63% ownership interest in Forum Energy Limited (FEL), the number of shares owned and controlled by PXP in FEL thereafter totaled to 21,503,704 shares, which represented at that time 64.45% ownership interest in FEL. In 2012, certain directors and employees of FEL exercised their option over 2,185,000 common shares. As a result, the ownership interest of PXP and FEC in FEL was diluted to 36.44% and 24.05%, respectively.

On April 5, 2013, PXP increased its shareholding in Pitkin Petroleum Limited (Pitkin), a company incorporated and registered in the United Kingdom (UK) of Great Britain and Northern Ireland on April 6, 2005, from 18.46% to 50.28% through the subscription of 10,000,000 new common shares and purchase of 36,405,000 shares from existing shareholders at US$0.75 per share. This resulted to PXP obtaining control over Pitkin.

On July 2, 2014, PXP surrendered 2,000,000 of its shares held in Pitkin following the latter's tender offer to buy back 11,972,500 shares, equivalent to 8.55% of all shares outstanding as of that date, for a consideration of US$1.00 per share. Pitkin received a total of 11,099,000 shares surrendered from its existing shareholders. The share buyback transaction resulted to an increase in PXP's ownership in Pitkin from 50.28% to 53.07%.

In May 2015, Pitkin tendered an offer to buy back its outstanding shares for a consideration US$0.75 per share. The Parent Company and the non-controlling interests (NCI) owners surrendered 21,373,000 shares and 19,499,500 shares, respectively. Following this transaction, PXP's interest in Pitkin has increased from 53.07% to 53.43%.

In June 2015, PXP bought 2,383,777 shares from NCI owners of FEL for 20 British Pence per share for a total consideration of ₱33,890. Then in November of 2015, PXP further purchased 2,000,000 shares of FEL from FEC for 21 British Pence per share for a total consideration of ₱29,816. Following these transactions, PXP's interest in FEL increased from 36.44% to 48.77%.

In January 2016, FEC cancelled its 30,000,000 shares previously held under escrow. As a result, PXP's ownership interest in FEC increased from 51.24% to 54.99%.

In February 2016, its former ultimate parent PMC, a company incorporated in the Philippines and whose shares of stock are listed in the PSE, declared a portion of its shares in PXP as property dividends to all of PMC's stockholders. This resulted in PMC losing control over PXP. The dividends were distributed on July 15, 2016.

On March 9, 2016, PXP's Board of Directors (BOD), approved to change its corporate name from Philex Petroleum Corporation to PXP Energy Corporation.

On February 17, 2017, Pitkin tendered its offer to buy back 11,430,500 of its own shares for a consideration of US$0.35 per share. The Parent Company surrendered 6,107,000 shares for a consideration of ₱107,717, while the NCI owners surrendered its proportionate stake of 5,323,500 shares for a total payment of ₱92,788. The transaction did not change the ownership percentages for both PXP and NCI owners.

On March 23, 2017, PXP entered into an agreement with FEL and Forum (GSEC 101) Limited (FGL) to capitalize a part of the maturing long-term loan of FGL from PXP amounting to US$11,805 into 39,350,920 new common shares of FEL at US$.030 per share. On May 17, 2017, PXP bought an additional investment of 1,185,000 shares in FEL from Asia Link B.V. at US$0.30 per share, for a total consideration of ₱17,705. On November 23, 2017, PXP entered into an agreement to buy 1,000,000 FEL shares held by FEC at US$0.30 per share for a total consideration of ₱15,219. As a result of these transactions, PXP's economic interest in FEL increased from 58.90% to 75.92% (see Note 16).

On October 26, 2018, PXP, PMC and Dennison Holdings Corp. (DHC), signed a subscription agreement wherein the PMC and DHC will subscribe to 260 million and 340 million common shares of PXP, for a total consideration of ₱3,081,000 and ₱4,029,000, respectively.

On December 27, 2018, PMC paid the 25% downpayment of ₱770,250. As a result of the transaction, PMC's total ownership interest in PXP increased from 19.76% to 30.40% as at December 31, 2018.

PMC paid subscription payable to PXP amounting to ₱121,114, ₱63,186 and ₱2,126,450 in 2021, 2020 and 2019, respectively (see Note 16).

On January 7, 2019, DHC paid an initial downpayment of ₱40,290, with the remaining balance due on March 31, 2019. However, DHC failed to pay the remaining balance, thereby forfeiting its downpayment in favor of PXP.

On March 31, 2019, PXP and DHC mutually agreed to terminate the subscription agreement. All rights of DHC to subscribe to the aforesaid common shares of PXP, and any obligation of PXP to issue such shares to DHC, are terminated without any residual rights of any kind remaining with DHC. Accordingly, all other rights of PXP under the agreement are terminated, including the right to receive payment of the remaining balance of the subscription price. Consequently, the Parent Company recognized ₱40,290 as gain on termination of the subscription agreement.

On April 16, 2020, PXP increased its direct shareholding in FEL from 72.24% to 72.33%. The additional interest was acquired through subscription to 6,099,629 new ordinary shares of FEL. The new shares were issued at approximately US$0.30 per share for a total consideration of US$1,830 (see Note 16).

On August 5, 2020, PXP increased its direct shareholding in FEC from 54.99% to 78.39%. This increased PXP's total economic interest in Forum from 76.07% to 77.66%. The additional interest was acquired through a subscription to 449,999,986 new ordinary shares of FEC through a stock rights offering. The new shares issued at approximately US$0.00225 per share for a total consideration of US$1,012.

On October 2, 2020, Pitkin bought back 8.5 million of its total issued shares at a price of US$0.10 per share for a total consideration of US$850. PXP sold 4,541,464 of Pitkin shares for a total consideration of US$454 while the minority shareholders sold their pro-rata share of 3,958,536 shares for a total consideration of US$396. The transaction did not affect PXP's 53.43% stake in Pitkin.

The Parent Company's registered business address is 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City.

Business Operations

The Ultimate Parent Company, PXP, FEL and its subsidiaries, and Pitkin and its subsidiaries are collectively referred to as 'the Group' whose revenue is derived primarily from oil and gas assets in the Philippines.

PXP Parent Company

The Parent Company's principal asset is a 50% operating interest in Service Contract (SC) 75. It covers an area of 6,160 square kilometers in the Northwest (NW) Palawan Basin. However, due to a *force majeure* issued by the Department of Energy (DOE) on December 27, 2015, exploration activities in the area were temporarily suspended as at December 31, 2019.

On October 16, 2020, the Parent Company received a "Resume-to-Work" notice from the DOE dated October 14, 2020 lifting the *force majeure* over SC 75 effective immediately allowing exploration activities to resume over the block. PXP has 18 months to fulfill its work commitments, including the acquisition of 1,000 sq. km of 3D seismic data as the minimum work commitment under SP 2.

FEL and its subsidiaries

FEL's principal asset is a 70% interest in SC 72 which covers an area of 8,800 square kilometers in the West Philippine Sea. FEL is scheduled to accomplish its SP 2 of exploration activities from August 2011 to August 2013. However, due to maritime disputes between the Philippine and Chinese governments, the SC was placed under *force majeure* and exploration activities in the area were temporarily suspended as at December 31, 2014.

On October 16, 2020, FEL received a letter from the DOE dated October 14, 2020 lifting the *force majeure* over SC 72 effective immediately allowing exploration activities to resume over the block. FEL has 20 months to drill the two commitment wells under SP 2.

A Technical Services Agreement (TSA) with AWT International (AWT), a third-party upstream petroleum consultancy company, was signed effective July 1, 2021. AWT provides drilling management and manpower support services to deliver FEL's two commitment wells to commence during the first half of 2022.

The Libertad Field, an area within its 100% interest in SC 40 located in Bogo City, Cebu had been shut-in since August 2015. It was deemed that FEL would not be able to resume operations due to pressure-related problems in the L95-1 production well. Thus, FEL decided to decommission the field and to plug and abandon (P&A) the L95-1 well permanently. The P&A program was approved by the DOE on August 1, 2017. On November 11, 2017, FEL's contractor Desco Inc. was able to successfully plug and abandon the L95-1 well. Exploration activities in other areas within SC 40 will continue.

Pitkin and its subsidiaries

Pitkin is an international upstream oil and gas group, engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products with operations in Peru. Pitkin's principal asset is 25% interest in Peru Block Z-38. The Block's operator, Karoon Gas Australia Inc. (Karoon), holds 40% interest.

The Marina-1X well was spudded in Peru Block Z-38 at a water depth of 362 meters on January 26, 2020. ‘Mudlogging and Logging while Drilling’ results from the primary targets in the Tumbes Formation indicated that the well encountered thin water-bearing sands with no oil and only minor gas shows. As such, plug and abandonment activities in the Marina-1X well commenced and were completed in 2020.

Following the completion of the Marina-1X exploration well drilling campaign during the first quarter of 2020, the evaluation of the technical data continued. Due to delays in the drilling of the well in the current exploration phase, a six-month extension was requested and granted by Perupetro, extending the end of the current third period to December 31, 2020.

Due to the temporary closure of Karoon’s Peru office due to the COVID-19 lockdown and quarantine requirements declared by the Peruvian Government, the Operator applied for *force majeure* on Block Z-38, which was granted by the authorities on July 14, 2020. The *force majeure* begins from March 16, 2020.

On November 17, 2020, Tullow Oil plc (Tullow) has issued a Notice of Withdrawal from the contract and joint operating agreement effective December 31, 2020. As a result, Karoon acquired Tullow’s 35% interest while Pitkin maintained its 25% interest in Peru Z-38.

On November 27, 2020, Perupetro lifted the *force majeure* and advised Karoon that the last day of the third exploration phase will be on July 27, 2021.

In April 2021, Karoon notified Pitkin that it does not wish to enter the fourth exploration period and will withdraw from the contract and the joint operating agreement. In view of this, Pitkin sent a Notice of Dispute to Karoon on May 25, 2021 and issued a claim against Karoon for breach of its farm-in agreement obligations that include fully funding all exploration activities until the second well is drilled. On July 27, 2021, the license contract for Block Z-38 expired due to Karoon’s failure to enter the fourth exploration period and to carry Pitkin to one well under the farm-in agreement.

On September 17, 2021, Pitkin and Karoon entered into a Deed of Settlement and Release to settle all disputes in connection with Block Z-38. Under the deed, Karoon will pay Pitkin US$9.6 million in cash in full and final settlement of all claims by Pitkin in the block. The deed became effective upon the receipt of the cash settlement by Pitkin on October 4, 2021. Gain on settlement of deed recognized in 2021 amounted to ₱442,188, net of related consultancy and legal expenses (see Note 11).

<u>Recovery of Deferred Oil and Gas Exploration Costs</u>
The Group’s ability to realize its deferred oil and gas exploration costs with carrying values amounting to ₱2,243,914 and ₱5,316,062 as at December 31, 2021 and 2020, respectively (see Note 11), depends on the success of its exploration and future development work in proving the viability of its oil and gas properties to produce oil and gas in commercial quantities, which cannot be determined yet at this time. The consolidated financial statements do not include any adjustment that might result from these uncertainties.

<u>Other Matters</u>
In a move to contain the COVID-19 outbreak, countries around the world imposed stringent social distancing measures to mitigate the impact of the outbreak. This include the Philippines, United Kingdom and Peru where the Group’s subsidiaries are located. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. These also caused macroeconomic uncertainty with regard to supply and demand for oil and gas products and volatility in oil prices.

Since most of the Group's oil and gas assets are in the early or latter stage of evaluation and exploration activities, management believes that the COVID-19 pandemic will have minimal impact on the Group's earnings, cash flow and financial condition.

To protect the welfare and safety of the personnel providing support for the Group, PXP has measures in place to reduce the risk of infection on its personnel and strictly follows government guidelines to contain the spread of the virus.

Authorization for Issuance of the Consolidated Financial Statements
The accompanying consolidated 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, were authorized for issuance by the BOD on February 23, 2022.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine Peso (Peso), which is PXP's functional and reporting currency, rounded to the nearest thousand (₱000) except when otherwise indicated.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 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.

The Group adopted the amendment beginning April 1, 2021. As there are no rent concessions granted to the Group as a lessee, this amendment had no impact on the consolidated financial statements.

- 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 Group 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

  The Group adopted the amendments beginning January 1, 2021. The adoption of these amendments had no impact on the consolidated financial statements as at and for the year ended December 31, 2021.

Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on 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*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

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

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

Summary of Significant Accounting Policies and Financial Reporting Practices

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

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only, if the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it derecognizes the assets (including goodwill), and liabilities, non-controlling interests and other components of equity while any resulting gain or loss is recognized in the consolidated statements of income. Any investment retained is recognized at fair value.

The Parent Company's principal subsidiaries and their nature of business are as follows:

Subsidiary	Nature of Business
FEL	Incorporated on April 1, 2005 in England and Wales primarily to engage in the business of oil and gas exploration and production, with focus on the Philippines.
Forum Energy Philippines Corporation (FEPCO)	FEPCO was incorporated in the Philippines on March 27, 1988 and is involved in oil and gas exploration in the Philippines, particularly a 3.2103% interest in SC 14 C-1 Galoc.
Forum Exploration, Inc. (FEI)	FEI was incorporated in the Philippines on September 11, 1997 and is involved in oil and gas exploration in the Philippines.
FGL	FGL was incorporated in Jersey on March 31, 2005 and is involved in oil and gas exploration in the Philippines, particularly a 70% interest in SC 72 Recto Bank.
Forum (GSEC 101) Ltd. - Philippine Branch (FGLP)	FGLP was established as a Philippine branch on October 17, 2005 and is involved in oil and gas exploration in the Philippines.
ForumPH SC72 Holdings, Inc. (SC72 Holdings)	SC72 Holdings was incorporated in the Philippines on January 8, 2020 to primarily act as a holding company.

(Forward)

Subsidiary	Nature of Business
ForumPhil SC72 ProjectCo, Inc. (ProjectCo)	ProjectCo was incorporated in the Philippines on January 23, 2020 and is involved in oil and gas exploration in the Philippines.
Pitkin	Pitkin was incorporated and registered in UK of Great Britain and Northern Ireland on April 6, 2005 and is engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products.
Pitkin Petroleum (Philippines) Plc (PPP)	PPP was registered as the Philippine Branch of Pitkin Petroleum Limited on March 19, 2008.
Pitkin Petroleum Peru Z-38 SRL (Z38)	Incorporated on October 5, 2006 and is engaged in exploration of oil and gas in Peru.
FEC	Incorporated on February 8, 1982 under the laws of Alberta, Canada. Primarily acts as an investment holding company.
Brixton Energy & Mining Corporation (BEMC)	Incorporated in the Philippines on July 19, 2005 to engage in exploration development and utilization of energy-related resources.

Also included as part of the Parent Company's subsidiaries are those intermediary entities which are basically holding companies established for the operating entities mentioned above. The following are the intermediary entities of the Group: Pitkin Peru LLC (PPR) and Pitkin Vamex LLC (PVX).

The ownership of the Parent Company over the foregoing companies as at December 31, 2021 and 2020 is summarized as follows:

	2021			2020		
	Direct	**Indirect**	**Total**	Direct	Indirect	Total
FEL	**72.33**	**5.33**	**77.66**	72.33	5.33	77.66
FEPCO	–	**77.66**	**77.66**	–	77.66	77.66
FEI	–	**52.60**	**52.60**	–	52.60	52.60
FGL	–	**77.66**	**77.66**	–	77.66	77.66
FGLP	–	**77.66**	**77.66**	–	77.66	77.66
SC72 Holdings	–	**77.66**	**77.66**	–	77.66	77.66
ProjectCo	–	**77.66**	**77.66**	–	77.66	77.66
Pitkin	**53.43**	–	**53.43**	53.43	–	53.43
PPP	**53.43**	–	**53.43**	53.43	–	53.43
PVX	–	**53.43**	**53.43**	–	53.43	53.43
Z38	–	**40.07**	**40.07**	–	40.07	40.07
PPR	–	**53.43**	**53.43**	–	53.43	53.43
Z38	–	**13.36**	**13.36**	–	13.36	13.36
FEC	**78.39**	–	**78.39**	78.39	–	78.39
FEL	**72.33**	**5.33**	**77.66**	72.33	5.33	77.66
BEMC	**100.00**	–	**100.00**	100.00	–	100.00

Non-controlling interest (NCI)
NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company. Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interest. Total comprehensive income (loss) is attributed to the equity holders of the Parent Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Non-controlling interest represents the portion of profit or loss and the net assets not held by the Parent Company.

Business Combination and Goodwill

Acquisition method

Business combinations, except for business combinations between entities under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is remeasured at fair value, with changes in fair value recognized either in OCI in accordance with PFRS 9. If the contingent consideration is not within the scope of PFRS 9, it is measured at fair value with the changes in fair value recognized in the consolidated statements of income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in the consolidated statements of income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statements of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Interest in Joint Arrangements

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

Joint operations

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

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

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

Foreign Currency Translation of Foreign Operations

The Group's consolidated financial statements are presented in Peso, which is also the Parent Company's functional currency. Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statements of each subsidiary are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to the consolidated statements of comprehensive income reflects the amount that arises from using this method.

For purposes of consolidation, the financial statements of FEL, Pitkin and FEC, which are expressed in United States dollar (US$) amounts, have been translated to Peso amounts as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the consolidated statements of financial position
- income and expenses in the statements of income are translated at exchange rates at the weighted average prevailing rates for the year
- all resulting exchange differences in OCI

On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated statements of income.

Noncurrent Assets Held for Sale

The Group classifies noncurrent assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Noncurrent assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment are not depreciated once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

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.

Initial Recognition and Subsequent Measurement of Financial Assets
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

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 the financial assets. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

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

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

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

The Group has no financial assets at FVPL and FVOCI.

Subsequent Measurement
Financial assets at amortized cost (debt instruments)
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 SPPI on the principal amount outstanding

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

The Group's financial assets at amortized cost include cash and cash equivalents, trade receivables and guaranteed deposits (see Notes 5, 6 and 12).

Impairment of Financial Assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. 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 EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date.

In determining the credit risk exposure for cash in banks and short-term investments, the Group has established probability of default rates based on available credit ratings published by third party credit rating agencies. The credit ratings already considered forward-looking information. When a counterparty does not have published credit ratings, the Group benchmarks the credit ratings of comparable companies, adjusted to account for the difference in size and other relevant metrics.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

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

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

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge 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 trade and other payables (except government payables) and other noncurrent liabilities.

Subsequent measurement

After initial recognition, trade payables and accrued expenses are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized, as well as through the EIR amortization process.

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

Derecognition of Financial Liabilities

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements 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 assets and settle the liabilities simultaneously.

Determination of Fair Value

An analysis of the fair values of financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed and further details as to how they are measured are provided in the Note 19.

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

<u>Cash and Cash Equivalents</u>
Cash consists of cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investments rates.

<u>Inventories</u>
Petroleum inventories are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Cost of petroleum inventory includes production costs consisting of costs incurred in bringing the inventories to their present location and condition. Unit cost is determined using the weighted average method.

<u>Other Current Assets</u>
Other current assets are expenses paid in advance and recorded as asset before they are utilized. Other current assets that are expected to be realized for no more than 12 months after the end of the reporting period are classified as current assets. Otherwise, these are classified as other noncurrent assets.

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

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

Prepaid expenses
Prepaid expenses pertain to advance payments to rentals, insurance premiums, prepaid taxes and other prepaid items. Prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statements of income when incurred. These are stated at the estimated NRV.

Property and Equipment
Property and equipment are stated at cost, net of accumulated depletion and depreciation and accumulated impairment losses, if any.

The initial cost of property and equipment, other than oil and gas properties consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation to that cost. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of 'Property and equipment' as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as expense in the consolidated statements of income when incurred.

Oil and gas properties pertain to those costs relating to exploration projects where technical feasibility is demonstrated and commercial quantities are discovered and are subsequently reclassified to 'Property and equipment' from 'Deferred oil and gas exploration costs' account upon commercial viability.

Oil and gas properties also include its share in the estimated cost of decommissioning the SCs for which the Group is constructively liable. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Construction in progress (CIP) included in property and equipment is stated at cost, which includes direct labor, materials and construction overhead. CIP is not depreciated until the time the construction is complete, at which time the constructed asset will be transferred out from its present classification to the pertinent property and equipment classification.

Depletion of oil and gas properties is calculated using the units-of-production (UOP) method based on estimated proved and probable developed reserves.

Depreciation of other items of property and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

Asset Category	Number of Years
Machinery and equipment	2 to 5
Surface structures	10

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

When assets are sold or retired, the cost and related accumulated depletion and depreciation and accumulated impairment in value are removed from the accounts and any resulting gain or loss is recognized in the consolidated statements of income.

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

Fully depreciated assets are retained in the accounts until these are no longer in use. No further depreciation is charged to current operation for these items.

Deferred Oil and Gas Exploration Costs

Exploration and evaluation activity involve the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with exploration are capitalized under ‘Deferred oil and gas exploration costs’. The Group’s deferred oil and gas exploration costs are specifically identified for each SC area. All oil and gas exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities. Capitalized expenditures include costs of technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses.

If no potentially commercial hydrocarbons are discovered, the deferred oil and gas exploration asset is written off through the consolidated statements of income. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried under deferred oil and gas exploration costs account while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as deferred oil and gas exploration costs.

At the completion of the exploration phase, if technical feasibility is demonstrated and commercial reserves are discovered, then, following the decision to continue into the development phase, the oil and gas exploration costs relating to the SC, where oil and gas in commercial quantities are discovered, is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to ‘Oil and gas properties’ account shown under the ‘Property and equipment’ account in the consolidated statements of financial position.

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 statements of 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 recoverability of deferred oil and gas exploration costs is dependent on the commercial viability of the reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves. A valuation allowance is provided for unrecoverable deferred oil and gas exploration costs based on the Group's assessment of the future prospects of the exploration project.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's goodwill, property and equipment, ROU asset and deferred oil and gas exploration costs (see Notes 4, 9, 10 and 11).

The Group assesses, at each reporting date, whether there is an indication that its property and equipment, ROU asset and deferred oil and gas exploration costs may be impaired. If any indication exists, the Group makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case, the asset is tested as part of a larger CGU to which it belongs. When the carrying amount of an asset or CGU 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 to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognized in the consolidated statements of income.

For assets and CGUs excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized, impairment loss is reversed only if there has been a change in the assumptions used to determine the asset' or/CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset or CGU does not exceed the lower of its recoverable amount, or the carrying amount that would have been determined, net of depreciation or depletion, had no impairment loss been recognized for the asset or CGU in prior years. Such a reversal is recognized in the statements of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount on a systematic order over its remaining estimated useful life.

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative fair values of the operation disposed of and the portion of the CGU retained. Impairment losses relating to goodwill cannot be reversed in future periods.

Provisions

General

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. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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 interest expense.

Provision for Plug and Abandonment Costs

Plug and abandonment costs on oil and gas fields are based on estimates made by the SC operator. The timing and amount of future expenditures are reviewed annually. Liability and capitalized costs included in oil and gas properties is equal to the present value of the Group's proportionate share in the total plug and abandonment costs of the consortium on initial recognition.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related oil and gas properties to the extent that it was incurred by the development/construction of the field. Any plug and abandonment obligations that arise through the production of inventory are expensed when the inventory item is recognized in petroleum production costs.

Changes in the estimated timing or cost of plug and abandonment are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas properties. Any reduction in the plug and abandonment liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statements of income.

If the change in estimate results in an increase in the plug and abandonment liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature fields, the estimate for the revised value of oil and gas assets net of plug and abandonment provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statements of income as 'interest expense'.

The Group recognizes neither the deferred tax asset in respect of the temporary difference on the plug and abandonment liability nor the corresponding deferred tax liability in respect of the temporary difference on a plug and abandonment asset.

For closed sites or areas, changes to estimated costs are recognized immediately in the consolidated statements of income.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares and any excess of the proceeds over the par value or shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Subscription Receivable
Subscription receivable pertains to the uncollected portion of the subscribed capital stock which reduces the outstanding balance of capital stock.

Equity Reserves
Equity reserves is the difference between the acquisition cost of an entity under common control and the Parent Company's proportionate share in the net assets of the entity acquired as a result of a business combination accounted for using the pooling-of-interests method. This is derecognized when the subsidiaries are deconsolidated, which is the date on which control ceases.

An increase or decrease in the Parent Company's ownership interest that does not result in a loss of control of a subsidiary is accounted for as an equity transaction, i.e. a transaction with owners in their capacity as owners. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary in this account.

Deficit
Deficit represents accumulated losses of the Group, prior period adjustments, effect of changes in accounting policies, and other capital adjustments.

Related Party Relationships and Transactions
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders.

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

Under the terms of the relevant joint operating agreements, the Group is entitled to its participating share in the sale of petroleum products based on the Group's participative interest. 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*.

Costs and Expenses Recognition
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in the consolidated statements of income in the year they are incurred.

Petroleum production costs
Petroleum production costs, which include all direct materials and labor costs, depletion of oil and gas properties, and other costs related to the oil and gas operations, are expensed when incurred.

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

Others
Others include other income and expenses which are incidental to the Group's business operations and are recognized in the consolidated statements of income.

Leases
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities at the present value of lease payments and ROU assets representing the right to use the underlying assets.

ROU assets
The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, 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 ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The estimated useful life of the asset is 11 years.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance 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. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) 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 liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the 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 of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition

exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

OCI

OCI comprises items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statements of income.

Foreign Currency-Denominated Transactions and Translations

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the consolidated statements of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the 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 is determined. The gain or loss on translation of non-monetary items measured at fair value of the item is treated in line with the recognition of the gain or loss arising on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Income Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

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

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

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

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

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the consolidated statements of income.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Uncertainty Over Income Tax Treatments

The Group assesses at the end of each financial reporting period whether it has any uncertain tax treatments by reviewing the assumptions about the examination of tax treatments by the taxation authority, determining taxable profit (loss), tax bases, unused NOLCO and excess MCIT and tax rates, and considering changes in relevant facts and circumstances. The Group then evaluates how likely it is that a certain tax treatment will be accepted by the taxation authority. If it is probable that the taxation authority will accept a certain tax treatment, the Group concludes that it has no uncertain tax treatment and will measure tax amounts in line with the income tax filings. If it is not probable that the taxation authority will accept a certain tax treatment, the Group measures tax amounts based on the 'most likely amount' method (better predicts uncertainty if the possible outcomes are binary or are concentrated on one value) or 'expected value' method (better predicts uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value). The Group presents uncertain tax liabilities as part of current income tax liabilities or deferred tax liabilities.

Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared during the year, if any. Shares subscriptions that are entitled to dividends are part of the computation of the weighted average number of common shares outstanding for basic EPS computation.

Diluted EPS is calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares issued during the year plus the weighted average number of common shares that would be issued on the conversion of all potentially dilutive common shares into common shares.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products to different markets.

Segment assets include operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, property and equipment and ROU asset, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of trade and other payables.

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

Events After the Reporting Period
Events after the reporting period that provide additional information about the Group's position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. **Summary of Significant Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRSs requires the management of the Group to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses, and the accompanying disclosure of any contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting 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. Actual results could differ from such estimates.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements.

Determination of the functional currency
PXP and BEMC, based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine Peso. FEL's, Piktin's and FEC' functional currency is the United States dollar. These are the currencies of the primary economic environments in which the entities primarily operate.

Determination and classification of a joint arrangement
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries as set out in Note 2.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess its rights and obligations arising from the arrangement. Specifically, the Group 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:
  a. The legal form of the separate vehicle
  b. The terms of the contractual arrangement
  c. Other facts and circumstances (when relevant)

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

As at December 31, 2021 and 2020, the Group's joint arrangements are in the form of a joint operation.

Assessment of production start date
The Group assess the stage of each oil field to determine when the project moves from the exploration to the production phase. When a project moves into the production stage, the capitalization of certain exploration or development costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to wells, platforms and other facilities additions or improvements. It is also at this point that depletion commences.

Assessment of units-of-production depletion
Estimated recoverable proved and probable developed reserves are used in determining the depletion of wells, platforms and oil field assets. This results in a depletion charge proportional to the depletion of the anticipated remaining life of the asset. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the oil field. The calculation requires the use of estimates of future capital expenditure. The Group uses barrels of oil produced as the basis of depletion. Any change in estimates is accounted for prospectively.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of provision for ECLs of trade and other receivables
The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due of each counterparty that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., movements in crude oil prices) are expected to deteriorate over the next year which can lead to an increased number of defaults amongst the Group's customers, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs involves estimates and assumptions to be made. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

In 2021, the Group wrote off receivables amounting to ₱10. Translation adjustment in 2021 and 2020, resulted to increase of ₱50 and decrease of ₱38 of provision for ECLs as at December 31, 2021 and 2020, respectively. Total carrying value of trade receivables amounted to ₱28,952 and ₱32,838, net of allowance for ECLs amounting to ₱711 and ₱671 as at December 31, 2021 and 2020, respectively (see Note 6).

Estimation of the incremental borrowing rate (IBR)
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company 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 (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱5,056 and ₱5,207 as at December 31, 2021 and 2020, respectively (see Note 10).

Estimation of oil and gas reserves
Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas properties. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the extent and volume of the hydrocarbon field and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the service contracts. Future development costs are estimated using assumptions as to the number of wells

required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

The Group estimates and reports hydrocarbon reserves in line with the principles contained in the Society of Petroleum Engineers Petroleum Resources Management Reporting System framework. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- The carrying value of deferred oil and gas exploration costs; oil and gas properties and property and equipment, may be affected due to changes in estimated future cash flows.
- Depreciation and amortization charges in the consolidated statements of income may change where such charges are determined using the UOP method, or where the useful life of the related assets change.
- Provisions for plug and abandonment may require revision - where changes to the reserves estimates affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

Estimation of depletion based on UOP
Wells, platforms, and other facilities are depleted using the UOP method over the total proved and probable developed reserves. This results in an amortization charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field for which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depletion could be impacted to the extent that actual production in the future is different from current forecasted production based on total proved and probable developed reserves, or future capital expenditure estimate changes. Changes to prove reserves could arise due to changes in the assumptions used in estimating reserves.

As at December 31, 2021 and 2020, the carrying values of wells, platforms, and other facilities, shown as 'Oil and gas properties' under 'Property and equipment', amounted to nil. In 2021, 2020 and 2019, depletion expense incurred by the Group amounted to nil, ₱3,551 and ₱34,535 respectively (see Notes 9 and 14).

Recoverability of property and equipment
The Group assesses its property and equipment in each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

In 2021, 2020 and 2019, the Group recognized provision for impairment losses on property and equipment amounting to nil, ₱5,895 and ₱194,557, respectively. As at December 31, 2021 and 2020, the carrying value of property and equipment amounted to ₱1,850 and ₱2,125, respectively, net of allowance for impairment loss of ₱618,967 and ₱605,218 as at December 31, 2021 and 2020, respectively (see Note 9).

Impairment testing of goodwill
The Group reviews the carrying values of goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs impairment test of goodwill annually every December 31. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Assessments require the use of estimates, judgements and assumptions such as forecasted oil and gas prices, estimated volume of reserves, capital expenditures, production and operating costs and discount rate. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized.

In 2021, 2020 and 2019, the Group wrote off goodwill amounting to ₱979,990, nil and ₱4,196, respectively. The carrying value of goodwill as at December 31, 2021 and 2020 amounted to ₱254,397 and ₱1,234,387, respectively (see Note 4).

Determination of the NRV of inventories
The NRV of coal and petroleum inventory is computed based on estimated selling price less estimated costs to sell. The NRV of materials and supplies is computed based on their estimated sales value at their current condition. Based on these estimates, an inventory write-down is recognized for any excess of carrying value over the NRV of the inventory. The carrying values of the inventories of the Group amounted to ₱4,240 and ₱2,925 as at December 31, 2021 and 2020, respectively (see Note 7). Allowance for probable inventory losses amounted to nil as at December 31, 2021 and 2020 (see Note 7).

Estimation of provision for plug and abandonment costs
Plug and abandonment costs will be incurred by the Group at the end of the operating life of its oil fields. The Group assesses its plug and abandonment provision at each reporting date. The ultimate plug and abandonment costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, estimates of the extent and costs of decommissioning activities, the emergence of new restoration techniques or experience at other production sites, cost increases as compared to the inflation rates and changes in discount rates. The expected timing, extent and amount of expenditure may also change, for example, in response to changes in oil reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

The provision at reporting date represents management's best estimate of the present value of the future plug and abandonment costs required.

Provision for plug and abandonment costs amounted to ₱132,152 and ₱5,310 as at December 31, 2021 and 2020, respectively (see Note 9). The Group recognized accretion of interest amounting to ₱99, ₱719 and ₱582 in 2021, 2020 and 2019, respectively. The discount rate used by the Group to value the provision as at December 31, 2021 and 2020 is 2.58% and 1.85%, respectively.

Recoverability of deferred oil and gas exploration costs
Deferred exploration costs pertain to expenditures incurred in the exploration stage of its oil and gas assets. Oil and gas assets relate to projects that are currently on-going. These deferred exploration cost shall be assessed for impairment when the facts and circumstances suggest that the carrying amounts exceeds the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves. In addition, the recovery of these costs also depends upon the success of exploration activities and future development or the discovery of oil and gas producible in commercial quantities. Allowances shall be provided for oil and gas assets that are specifically identified to be unrecoverable.

In 2021 and 2020, allowance for impairment loss recognized amounted to ₱3,421,436 and nil, respectively. The deferred oil and gas exploration costs have a carrying value amounting to ₱2,243,914 and ₱5,316,062 as at December 31, 2021 and 2020, respectively, net of allowance for unrecoverable portion amounting to ₱4,120,849 and ₱661,771 as at those dates, respectively (see Note 11).

Assessing realizability of deferred tax assets
The Group reviews the carrying amounts at each reporting period and adjusts the balance of deferred tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

The carrying amount of deferred tax assets amounted to ₱15,410 and ₱43,495 as at December 31, 2021 and 2020, respectively. Details of excess MCIT, NOLCO and temporary differences in which no deferred tax assets were recognized are provided in Note 17.

4. Business Combination

The following table summarizes the Group's goodwill:

	2021	2020
SC 72 (Recto Bank)	**₱254,397**	₱254,397
Peru block Z-38	–	979,990
	₱254,397	₱1,234,387

Acquisition of Pitkin
On April 5, 2013, PXP increased its stake in Pitkin from 18.46% to 50.28% through acquisition of additional 46,405,000 shares at US$0.75 per share or a total of US$34.8 million, which resulted to PXP obtaining control over Pitkin. As a result of the acquisition, PXP gained control of Pitkin's key assets including participating interests in Peru Block Z-38 and Vietnam Block 07/03.

The goodwill of ₱1,534,168 arising from the acquisition pertains to the revenue potential the Group expects from Pitkin's Peru Block Z-38 and Vietnam Block 07/03.

As at the acquisition date, the carrying value and fair value of the net identifiable assets and liabilities of the Pitkin are as follows:

	Carrying Value in the Subsidiary	Fair Value Recognized on Acquisition
Assets		
Cash and cash equivalents	₱803,379	₱803,379
Receivables	40,916	40,916
Inventories	1,035	1,035
Deferred oil and gas exploration costs	407,219	5,521,113
Property and equipment	2,801	2,801
Other noncurrent assets	6,842	6,842
	1,262,192	6,376,086
Liabilities		
Accounts payable and accrued liabilities	48,391	48,391
Deferred tax liability	–	1,534,168
	48,391	1,582,559
Total identifiable net assets	₱1,213,801	₱4,793,527

Total identifiable net assets	₱4,793,527
Total consideration	6,327,695
Goodwill arising from acquisition	₱1,534,168

Goodwill attributable to:	
Peru block Z-38	₱979,990
Vietnam Block 07/03	554,178
	₱1,534,168

On July 16, 2013 and October 25, 2013, Pitkin completed the sale of all its interests in its wholly-owned subsidiaries, Vietnam American Exploration Company LLC (Vamex), with a 25% participating interest in Vietnam Block 07/03, and Lonsdale, Inc., respectively. Goodwill attributable to Vietnam Block 07/03 at time of acquisition of Pitkin by PXP was derecognized amounting to ₱554,178.

In business combinations, the identifiable assets acquired and liabilities assumed are recognized at their fair values at the acquisition date. Deferred tax liabilities are provided on temporary differences that arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination or are affected differently.

Acquisition of BEMC and FEC

On September 24, 2010, pursuant to an internal reorganization whereby all of the energy assets of PMC are to be held by PXP, PMC transferred all of its investment in shares of stock in BEMC and FEC (see Note 1). This qualified as a business combination under common control. The investment in FEL was previously recognized as an investment in associate. Goodwill arising from the business combination amounted to ₱258,593.

	Amount
Goodwill attributable to:	
SC 72 (Recto Bank)	₱254,397
SC 14 C-1 Galoc and SC 14 A & B Nido - Matinloc	4,196
	₱258,593

Total cash and cash equivalents acquired from the business combinations under common control amounted to ₱252,861.

The Group performed its annual impairment test. In 2019, the Group wrote off its goodwill relating to SC 14 C-1 Galoc Oil Field, SC 14 A & B Nido - Matinloc amounting to ₱4,196 which was triggered by downward reserves revisions. In 2021, the Group wrote off goodwill amounting to ₱979,990 related to Peru block Z-38 triggered by expiration of the service contract effective July 2021 (See Note 11).

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use. Given the nature of the Group'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, the recoverable amount of the CGUs was determined based on a value in use calculation using a discounted cash flow model from financial budgets covering the duration of the service contracts for the oil and gas fields. Based on its analysis, management concluded that the remaining goodwill as at December 31, 2021 and 2020 is recoverable.

The calculation of the value in use for the CGUs incorporates the following key assumptions:

a) *forecasted oil and gas prices* - which are estimated with reference to external market forecasts of Brent crude prices and Japan liquefied natural gas prices;
b) *volume of resources* - which are based on resources report prepared by third party competent persons;
c) *capital expenditure, production and operating costs* - which are based on the Group's historical experience, approved work programs and budgets, and latest life of well models; and
d) *discount rate* - which represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is derived from the Group's weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. The WACC takes into account both debt and equity. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. The pre-tax discount rates applied to cash flow projections is 11.9% and 11.5% as at December 31, 2021 and 2020.

Value in use is most sensitive to changes in forecasted oil and gas prices and discount rate. With regard to the assessment of value in use for SC72 Recto Bank, management believes that there are no reasonably possible changes in any of the above key assumptions that would cause the carrying value of the CGU to materially exceed its recoverable amount.

5. Cash and Cash Equivalents

	2021	2020
Cash on hand and in banks	**₱267,959**	₱140,313
Short-term investments	**261,513**	2,695
	₱529,472	₱143,008

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the cash requirements of the Group and earn interest at the respective short-term investments rates. Interest income amounting to ₱113, ₱695, and ₱2,566 was recognized in 2021, 2020 and 2019, respectively. The Group has cash in bank and short-term investments denominated in US$ amounting to US$9,884 and US$2,542 as at December 31, 2021 and 2020, respectively (see Note 20).

6. **Trade and Other Receivables** - net

	2021	2020
Trade	**₱29,586**	₱27,803
Others	**77**	5,706
	29,663	33,509
Less allowance for ECL of receivables	**711**	671
	₱28,952	₱32,838

Trade receivables are non-interest bearing and are currently due and demandable. These include receivables from the sale of petroleum products. Other receivables pertain to cash calls paid to oil operators pending liquidation. These are liquidated upon submission of the financial reports by the operator in the subsequent month following the month of cash call.

The Group has no related party balances included in the trade and other receivables account as at December 31, 2021 and 2020.

Movements in allowance for impairment loss on trade receivables in 2021 and 2020 are as follows:

	2021	2020
Balances at January 1	**₱671**	₱709
Write-off	**(10)**	–
Translation adjustment	**50**	(38)
Balances at December 31	**₱711**	₱671

7. **Inventories** - net

The cost of petroleum inventories amounted to ₱4,240 and ₱2,925 as at December 31, 2021 and 2020, respectively. The cost of petroleum inventories recognized as expense and included in 'Petroleum production costs' amounted to ₱40,586, ₱34,134, and ₱85,517 in 2021, 2020 and 2019, respectively (see Note 14).

As at December 31, 2021 and 2020, there are no depletion expenses capitalized as part of petroleum inventories.

8. **Other Current Assets**

	2021	2020
Input VAT	**₱16,490**	₱10,937
Prepaid expenses	**6,262**	5,630
	₱22,752	₱16,567

Prepaid expenses include prepaid rentals, insurance premiums, prepaid taxes, advances for liquidations and other expenses paid in advance.

In 2021 and 2020, the Group wrote off prepaid expenses amounting to nil and ₱335, respectively, as management assessed that these are no longer recoverable.

9. **Property and Equipment -** net

	2021				
	Oil and Gas Properties	**Machinery and Equipment**	**Surface Structures**	**Construction in-progress**	**Total**
Cost					
Balances at January 1	**₱931,559**	**₱242,229**	**₱37,659**	**₱759**	**₱1,212,206**
Additions	**–**	**268**	**–**	**–**	**268**
Effect of translation adjustment	**44,356**	**3,629**	**–**	**–**	**47,985**
Balances at December 31	**975,915**	**246,126**	**37,659**	**759**	**1,260,459**
Accumulated depletion and depreciation					
Balances at January 1	**505,219**	**90,758**	**8,886**	**–**	**604,863**
Depletion and depreciation (Notes 7 and 14)	**–**	**586**	**–**	**–**	**586**
Effect of translation adjustment	**30,716**	**3,477**	**–**	**–**	**34,193**
Balances at December 31	**535,935**	**94,821**	**8,886**	**–**	**639,642**
Accumulated impairment					
Balances at January 1	**426,340**	**149,346**	**28,773**	**759**	**605,218**
Effect of translation adjustment	**13,640**	**109**	**–**	**–**	**13,749**
Balances at December 31	**439,980**	**149,455**	**28,773**	**759**	**618,967**
Net book values	**₱–**	**₱1,850**	**₱–**	**₱–**	**₱1,850**

	2020				
	Oil and Gas Properties	Machinery and Equipment	Surface Structures	Construction in-progress	Total
Cost					
Balances at January 1	₱975,601	₱253,914	₱37,659	₱759	₱1,267,933
Additions	525	1,511	–	–	2,036
Change in estimate on provision for plug and abandonment costs	(3,824)	–	–	–	(3,824)
Effect of translation adjustment	(40,743)	(13,196)	–	–	(53,939)
Balances at December 31	931,559	242,229	37,659	759	1,212,206
Accumulated depletion and depreciation					
Balances at January 1	533,272	93,553	8,886	–	635,711
Depletion and depreciation (Notes 7 and 14)	272	566	–	–	838
Effect of translation adjustment	(28,325)	(3,361)	–	–	(31,686)
Balances at December 31	505,219	90,758	8,886	–	604,863
Accumulated impairment					
Balances at January 1	432,582	151,383	28,773	759	613,497
Impairment	5,895	–	–	–	5,895
Effect of translation adjustment	(12,137)	(2,037)	–	–	(14,174)
Balances at December 31	426,340	149,346	28,773	759	605,218
Net book values	₱–	₱2,125	₱–	₱–	₱2,125

In 2021, 2020 and 2019, the Group has recognized provision for impairment of property and equipment amounting to nil, ₱5,895 and ₱194,557, respectively.

The cost of fully depreciated machinery and equipment still being used in the Group's operations amounted to ₱349 as at December 31, 2021 and 2020.

The details of the Group's provision for plug and abandonment costs are as follows:

	2021	2020
Beginning balances	**₱5,310**	₱19,241
Effect of change in estimate:		
Recognized in the consolidated statements of income	**122,863**	910
Recognized as adjustment to oil and gas properties	–	(3,824)
Actual plug and abandonment costs	**(700)**	(11,354)
Accretion	**99**	719
Effect of translation adjustment	**4,580**	(382)
	132,152	5,310
Less noncurrent portion	**132,152**	5,310
Current portion	**₱–**	₱–

The noncurrent portion of the provision for plug and abandonment costs amounting to ₱132,152 and ₱5,310 as at December 31, 2021 and 2020, respectively, are recorded under 'Other noncurrent liabilities' in the consolidated statements of financial position (see Note 24).

Discount rate of 2.58% and 1.85% in 2021 and 2020, respectively, was used to compute the present values of provision for plug and abandonment costs for the Galoc field.

SC 14A, B&B-1 Nido, Matinloc & North Matinloc Fields
Production in the Nido and Matinloc fields was terminated permanently on March 13, 2019. Total production was 22,173 barrels in 2019, or an average of 185 barrels of oil per day. Pilipinas Shell remained the sole buyer of the crude oil in 2019.

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

In May 2019, seven production wells in Nido (3 out of 5), Matinloc (3), and North Matinloc (1) were successfully plugged and abandoned, while two remaining Nido wells were only partially abandoned due to difficulties encountered during operations. Consequently, the Group incurred plug and abandonment costs amounting to ₱38,428 and accrued a provision of ₱10,659 for the plug and abandonment of the remaining Nido wells in 2019 (see Notes 9 and 14). The plug and abandonment of the two wells were successfully carried out in early October 2020 and the actual costs incurred for the plug and abandonment of these wells amounted to ₱11,354, resulting in an additional recognition of plug and abandonment costs amounting to ₱910 in 2020 (see Note 14).

Following the suspension of field operations and the plug and abandonment of the wells in 2019 (except the two remaining Nido wells), Philodrill conducted the stripping and disposal of equipment and materials aboard the production platforms from June to October 2019. In December 2019, all production platforms were turned over to the DOE which, in turn, had been handed over to the Armed Forces of the Philippines for defense use. On June 26, 2020, a Deed of Donation and Acceptance was signed by DOE with the Department of National Defense to formalize the transfer of ownership of the

Nido and Matinloc platforms to the Armed Forces of the Philippines which will now use the platforms for defense purposes.

On October 2020, the two remaining Nido wells were plugged and abandoned successfully. Following the cessation of operations and completion of plug and abandonment of all production wells, to the consortium have agreed to surrender the SC 14A, B&B-1 blocks to the DOE within the first half of 2021. Additional cost incurred to wind up the fields amounted to ₱700 in 2021. As at December 31, 2021, the surrender of the blocks is awaiting final approval from the DOE.

SC 14 Block C-1 (Galoc)
As at December 31, 2021, the Galoc Field has already produced about 23.42 million barrels of oil since start of production in October 2008.

On July 12, 2018, Tamarind Galoc Pte Ltd, a subsidiary of Singapore-based Tamarind Resources (Tamarind), acquired Nido Petroleum's subsidiaries Galoc Production Company WLL (GPC) and Nido Production (Galoc) Pte Ltd, giving Tamarind 55.88% equity and operatorship of the Galoc Field.

In 2021, 2020 and 2019, the field produced 630,250, 695,247 and 746,189 barrels of oil, respectively. In 2021, three liftings were made in April, July, and November with a total of 631,948 barrels sold. In 2020, three liftings were made in March, July, and November with a total of 750,506 barrels sold to refineries in the region. In 2019, three liftings were made in January, June, and November with a total of 993,761 barrels sold. The Group's share in revenue amounted to ₱64,198, ₱30,250 and ₱72,499 in 2021, 2020 and 2019, respectively. (see Note 23)

On May 7, 2020, GPC informed the DOE of the cessation of operation for Galoc Field starting September 24, 2020. This comes after GPC's receipt of a Notice of Termination from Rubicon Offshore International (ROI), the owner of the floating production storage and offloading (FPSO) vessel, Rubicon Intrepid. GPC has also requested approval of the initial drawdown from the fund set-up under the DOE-approved Galoc Abandonment Plan for the implementation of the field suspension plan.

In September 2020, the Galoc consortium negotiated with ROI for the sale of the Rubicon Intrepid which allowed oil production in the Galoc Field to continue beyond the original cessation schedule of September 24, 2020. Tamarind formed a new subsidiary, Philippines Upstream Infrastructure (PUI), to acquire the FPSO from ROI. GPC and ROI then entered into a transition operations and maintenance (O&M) contract to allow the current ROI crew to continue managing FPSO operations during a transition period that will last for about six months. Finally, GPC entered into a 24-month O&M contract with Three60 Energy, an energy services provider, who took over the FPSO operations after the transition period.

On September 14, 2020, one of the consortium partners issued a notice of withdrawal from SC 14 C-1. The participating interest of FEL, held through FEPCO, increased from 2.28% to 3.2103% as a result of DOE's approval of the Deed of Assignment which was accepted by FEPCO in January 2021.

SC 14 Block C-2 (West Linapacan)
The West Linapacan A Field was discovered in 1990 and produced over 8 million barrels of oil from 1992 before being shut-in in 1996. The Consortium continues with evaluating the viability of redeveloping the West Linapacan A Field. As at December 31, 2021 and 2020, the provision for plug and abandonment cost amounted to ₱127,522 and nil, respectively.

10. **Leases**

The Company has a lease contract for a parcel of land in used in its operations. Term of lease is 27 years.

The Group also has certain leases of office space and machinery and equipment with lease terms of 12 months or less and leases of machinery and equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of this account follows:

	2021	2020
Cost		
Balances at January 1	**₱4,873**	₱5,150
Effect of translation adjustment	**302**	(277)
Balances at December 31	**5,175**	4,873
Accumulated depreciation		
Balances at January 1	**829**	435
Depreciation (Note 14)	**423**	444
Effect of translation adjustment	**59**	(50)
Balances at December 31	**1,311**	829
	₱3,864	₱4,044

The following are the amounts recognized in the consolidated statement of income:

	2021	2020
Expenses relating to short-term leases (included in general and administrative expenses)	**₱4,876**	₱4,876
Depreciation expense of ROU assets	**423**	444
Interest expense on lease liabilities	**405**	416
Expenses relating to low-value assets (included in general and administrative expenses)	**224**	224
	₱5,928	₱5,960

The rollforward analysis of lease liabilities follows:

	2021	2020
Balances at January 1	**₱5,207**	₱5,294
Payments	**(556)**	(503)
Interest expense	**405**	416
Balances at December 31	**5,056**	5,207
Less noncurrent portion	**4,447**	4,654
Current portion	**₱609**	₱553

Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
1 year	**₱609**	₱553
more than 1 year to 2 years	**670**	609
more than 2 years to 3 years	**736**	670
more than 3 years to 4 years	**810**	736
more than 5 years	**4,337**	5,147

11. **Deferred Oil and Gas Exploration Costs -** net

The rollforward analysis of this account are as follows

	2021	2020
Cost		
Balances at January 1	**₱5,977,833**	₱5,996,847
Additions	**202,023**	53,692
Translation adjustment	**184,907**	(72,706)
Balances at December 31	**6,364,763**	5,977,833
Less: Allowance for impairment losses		
Balances at January 1	**661,771**	696,188
Impairment	**3,421,436**	–
Translation adjustment	**37,642**	(34,417)
Balances at December 31	**4,120,849**	661,771
Net book values	**₱2,243,914**	₱5,316,062

As at December 31, 2020, carrying value of Peru exploration assets amounted to ₱3,421,436 and the remaining balance pertain to Philippine exploration assets. As at December 31, 2021, the total carrying value of deferred exploration costs pertains to Philippine exploration assets.

PXP, Pitkin and FEL, through their subsidiaries, have various participating interests in petroleum service contracts as follows as at December 31, 2021:

	Participating Interest		
Service Contract	PXP	Pitkin	FEL
SC 6A (Octon Block)	5.56%	–	5.56%
SC 6 and 6B (Cadlao and Bonita Block)[1]	–	–	2.46%
SC 14 (Tara PA)	–	–	10.00%
SC 14 Block A (Nido)	–	–	8.47%
SC 14 Block B (Matinloc)	–	–	12.41%
SC 14 Block B-1 (North Matinloc)	–	–	19.46%
SC 14 Block C-1 (Galoc)[2]	–	–	3.21%
SC 14 Block C-2 (West Linapacan)	–	–	9.10%
SC 14 Block D (Retention Block)	–	–	8.17%
SC 40 (North Cebu Block)	–	–	100.00%

(Forward)

	Participating Interest		
Service Contract	PXP	Pitkin	FEL
SC 72 (Recto Bank)	–	–	70.00%
SC 74 (Linapacan)	70.00%	–	–
SC 75 (Northwest Palawan)	50.00%	–	–
Peru Block Z-38	–	25.00%	–

[1]*In December 2019, DOE approved the farm-in agreement with Manta Oil Company Ltd (Manta). As a result, FEL's interest in SC 6B has decreased to 2.46%. In 2021, Manta has withdrawn as Operator and Contractor in SC 6B as it was unable to fulfill its farm-in commitment. Following Manta's withdrawal, its 70% interest was reassigned to the Consortium partners and the operatorship reverted to Philodrill.*

[2] *On September 14, 2020, a member of the Consortium issued a notice of withdrawal from SC 14C-1 and Joint Operating Agreement. GPC2's interest was shared by a majority of the remaining members. The participating interest of Forum, held through FEPCO, has temporarily increased to 3.2103% as a result of the withdrawal. The transfer was officially accepted by FEPCO in January 2021.*

SC 72 (Recto Bank)

SC 72 was awarded on February 15, 2010. It covers an area of 8,800 square kilometers and contains the Sampaguita Gas Discovery which has a potential to contain In-Place Contingent Resources of 2.6 trillion cubic feet and In-Place Prospective Resources of 5.4 trillion cubic feet as reported by Weatherford Petroleum Consultants (Weatherford) in 2012.

The results of the study were used to define the location of two wells, to be named Sampaguita-4 and Sampaguita-5, which if successfully drilled, would be expected to increase the amount of potentially recoverable resources. The drilling of two wells is part of the work programme of FEL for the SP 2 of SC 72 which was supposed to be accomplished by August 2013. However, FEL was unable to commence the drilling programme because of maritime disputes between the Philippine and Chinese governments.

In February 2015, FEL received a letter from the DOE confirming the suspension of offshore exploration activities in SC 72 while a maritime dispute between Philippines and China remains in parts of the West Philippine Sea. The suspension became effective from December 15, 2014 until the date when the DOE notifies FEL to resume operations.

In 2015, the United Nations Arbitral Tribunal (UNAT) unanimously decided that it has jurisdiction over the maritime dispute between China and the Philippines over the West Philippine Sea, and it was the proper body to decide on the case filed by the Philippines in January 2013. It also ruled that China's decision not to participate in these proceedings does not deprive the Tribunal of jurisdiction and that the Philippines' decision to commence arbitration unilaterally was not an abuse of the United Nations Convention on the Law of the Sea (UNCLOS) dispute settlement procedures. On July 12, 2016, the UNAT ruled that Recto Bank (Reed Bank) where SC 72 lies, is within the Philippines' Exclusive Economic Zone (EEZ) as defined under the UNCLOS.

On November 20, 2018, a Memorandum of Understanding (MOU) on Cooperation on Oil and Gas Development (COGD) between the Philippines and Chinese governments was signed by Philippines's Department of Foreign Affairs (DFA) and the Chinese Foreign Minister. The MOU paves the way for the creation of an inter-governmental Steering Committee that will work out a program of cooperation that could lead to joint exploration, as well as the creation of one or more Inter-Entrepreneurial Working Groups.

In early December 2018, the DOE directed FEL to request for the lifting of the *force majeure* over SC 72. Such request was made through a letter sent by FEL to DOE on December 21, 2018. As a service contractor in SC 72, FEL is bound by DOE's directive over the lifting of the *force majeure* and the resumption of activities in SC 72.

In October 2019, the Steering Committee was established with the Philippine contingent to be comprised of officials from the DFA and the DOE while the Chinese contingent will be comprised of officials of their Ministry of Foreign Affairs, the National Energy Administration, the Office of Foreign Affairs Commission and the Communist Party of China Central Committee.

Under the MOU, the Steering Committee will create one or more inter-Entrepreneurial Working Groups that will agree on entrepreneurial, technical, and commercial aspects of cooperation on certain areas in the West Philippine Sea. China has appointed China National Offshore Oil Corporation as representative to the Working Groups. FEL will be the representative to the SC 72 Working Group.

Complementary with the MOU and in preparation for a possible lifting of *force majeure* over SC 72 at that time, FEL commissioned an Australia-based geophysical contractor to reprocess the 2011-acquired 3D dataset (565 sq. km) over the Sampaguita Field, using Broadband Prestack Depth Migration. The reprocessing commenced in October 2018 and was completed in June 2019. This was followed by an interpretation of the newly reprocessed seismic data and the preparation of an appraisal plan for the Sampaguita Field.

A letter from the DOE dated October 14, 2020 which was received on October 16, 2020 stated that the *force majeure* over SC 72 has been lifted effective immediately and that exploration activities were to resume over the block. FEL has 20 months (equivalent to the remaining SP 2 period from the effective date of the *force majeure*) to complete the SP 2 work commitment comprising the drilling of two wells.

A Technical Services Agreement (TSA) with AWT International (AWT), a third-party upstream petroleum consultancy company, was signed effective July 1, 2021. AWT provides drilling management and manpower support services to deliver FEL's two commitment wells in the first half of 2022.

As at December 31, 2021, drilling preparations are progressing accordingly. The Work Program and Budget (WP&B) and Annual Procurement Plan (APP) for 2022 were submitted to the DOE on December 31, 2021.

<u>Peru Block Z-38</u>
In April 2007, Block Z-38 was awarded to Pitkin. Farm-out agreement has been made by Pitkin in which it resulted to Karoon obtaining operating interest of 75%. The block covers an area of 4,875 square kilometers and is located in the Tumbes Basin offshore NW Peru.

In 2014, the Peruvian oil and gas regulator, Perupetro S.A., approved the application to place Peru Block Z-38 into *force majeure*. The application for *force majeure* was requested on the basis of the Operator, Karoon, being unable to secure a suitable drilling unit within the required timeframe on the Pacific side of the Americas. The application of *force majeure* was granted effective September 1, 2013. As a result, the term of the current third exploration period will have approximately 22 months remaining once the *force majeure* is lifted.

On January 10, 2018, Karoon announced that it has executed a farm-in agreement with Tullow Peru Limited, a wholly owned subsidiary Tullow, wherein Tullow will acquire a 35% interest in the block on the following terms: a.) fund 43.75% of the cost of the first exploration well, Marina-1X, capped at US$27.5 million (at 100%), beyond which Tullow will pay its 35% share; and b.) pay US$2 million upon completion with a further US$7 million payable upon declaration of commercial discovery and submission of a development plan to Perupetro.

Following the farm-in of Tullow, Karoon's interest decreased to 40% while Pitkin's interest remained at 25%.

Effective September 12, 2018, Perupetro approved the lifting of *force majeure* in Block Z-38 upon Karoon's request. In view of this, the third exploration period, will now expire on July 1, 2020.

The Marina-1X well was spudded on January 26, 2020 in 362m water depth. It reached a total depth of 3,021 meters MD (2,889 meters TVD) on February 15, 2020. Mudlogging and Logging While Drilling (LWD) results from the primary targets in the Tumbes Formation indicated that the well encountered thin water-bearing sands with no oil and only minor gas shows.

Following the completion of the Marina-1X exploration well drilling campaign during the first quarter of 2020, the evaluation of the technical data continued during the year. Due to delays in the drilling of the well in the current exploration phase, a six-month extension was requested and granted by Perupetro, extending the end of the current third period to December 31, 2020.

Due to the temporary closure of Karoon's Peru office due to the COVID-19 lockdown and quarantine requirements declared by the Peruvian Government, the Operator applied for *force majeure* on Block Z-38, which was granted by the authorities on July 14, 2020. The *force majeure* applies from March 16, 2020 until such time as relevant lockdown requirements are removed.

On November 17, 2020, Tullow has issued a Notice of Withdrawal from the contract and joint operating agreement effective December 31, 2020. As a result, Karoon will be reacquiring Tullow's 35% interest and Pitkin maintaining its 25% interest in Peru Z-38.

On November 27, 2020, Perupetro lifted the *force majeure* and advised Karoon that the last day of the third exploration period will be on July 27, 2021.

In April 2021, Karoon notified Pitkin that it does not wish to enter the fourth exploration period and will withdraw from the contract and the joint operating agreement. In view of this, Pitkin sent a Notice of Dispute to Karoon on May 25, 2021 and issued a claim against Karoon for breach of its farm-in agreement obligations that include fully funding all exploration activities until the second well is drilled. On July 27, 2021, the license contract for Block Z-38 expired due to Karoon's failure to enter the fourth exploration period and to carry Pitkin to one well under the farm-in agreement.

On September 17, 2021, Pitkin and Karoon entered into a Deed of Settlement and Release to settle all disputes in connection with Block Z-38. Under the deed, Karoon will pay Pitkin US$9.6 million in cash in full and final settlement of all claims by Pitkin in the block. The deed became effective upon the receipt of the cash settlement by Pitkin on October 4, 2021. Gain on settlement of deed recognized in 2021 amounted to ₱442,188, net of related consultancy and legal expenses.

<u>SC 6A (Octon Block)</u>
The SC covers an area of 1,080 square kilometers. On July 11, 2011, Pitkin acquired 70% interest and operatorship of the block.

In 2014, Pitkin elected not to enter Phase 2 of the Farm-in Agreement and returned its 70% participating interest to the farm-out partners. As a result of Pitkin's exit, Philodrill re-assumed the block's operatorship beginning January 1, 2015 while PXP and FEL's participating interests in the block returned to their pre-farm out interests of 5.56% each. The DOE approved the DOA on May 14, 2015.

The 2019 work program included the completion of seismic attribute analysis of the northern part of SC 6A to characterize the target reservoirs and determine their distribution in terms of porosity, thickness, and lithology.

For 2020, the DOE approved a work program which consists of geological and geophysical (G&G) studies in support of establishing a final well location and well design to test the hydrocarbon potential of the Malajon-Salvacion-Saddle Rock anticlinorium, and a continuation of G&G work to identify additional resources at the Octon South structure and other opportunities immediately around the Octon Field to support its development.

In June 2020, LMKR, a private petroleum technology company based in Dubai, completed a pilot study on the Malajon area using 3D seismic and well data. The study shows the Malajon structure having a good potential and thus requires further detailed analysis. LMKR is also able to identify four sand packages within the Galoc Clastic Unit (GCU) after generating several elastic properties.

A Quantitative Inversion (QI)/Reservoir Characterization study was approved by the Consortium aimed at generating pay probability maps and identifying prospective zones that could be targets for any future well. It also includes detailed attribute analysis as several channelized sands within the GCU have been identified during the pilot study. The study was completed in December 2020.

The current term of SC 6A is set to expire on February 28, 2024, which gives the Consortium limited time to drill an exploratory well and to develop a field in case of a discovery. In view of this, the Consortium decided to surrender the contract effective March 31, 2021. The surrender of the SC is still awaiting DOE's approval.

<u>SC 6 and 6B (Cadlao and Bonita Block)</u>
An in-house evaluation completed by Philodrill in early 2016 shows the East Cadlao Prospect has marginal resources which cannot be developed on a "stand-alone" basis. However, it remains prospective being near the Cadlao Field, which lies in another contract area. In view of this, the Consortium has requested for the reconfiguration of SC 6B to append the Cadlao Field for possible joint development in the future. On March 14, 2018, the DOE approved the annexation of SC 6 to SC 6B.

On October 17, 2019, the farm-in agreement (FIA), DOA and transfer of operatorship from Philodrill to Manta Oil Company Ltd. (Manta) were approved conditionally by the DOE, requiring Manta to submit additional financial documents. Manta has also been tasked to submit a Plan of Development (POD) for Cadlao before the end of 2021. Under the FIA, Manta will carry the consortium up to first oil to earn 70% interest. As a result, Forum's interest in SC 6B decreased to 2.4546% from 8.182% following DOE's approval of the farm-in.

On December 6, 2021, Manta has withdrawn as Operator and Contractor in SC 6B as it was unable to fulfill its farm-in commitment to submit a POD for Cadlao Field before the end of 2021. Following Manta's withdrawal, its 70% interest was reassigned to the Consortium partners and the operatorship reverted to Philodrill. The SC 6B Consortium agreed to appoint Nido Petroleum Philippines Pty Ltd (NPP) as the Technical Operator to carry out the technical work, which includes the redevelopment of the Cadlao Field.

In December 2021, Philodrill has received a proposal from a third party, with the latter intending to increase its interest in SC 6B by carrying the farming-out companies in exploration and development costs up to first commercial production. Negotiations on the farm-in terms were ongoing as at December 31, 2021.

<u>SC 14 Block C-2 (West Linapacan)</u>
West Linapacan is located in 300 to 350 meters of water, approximately 60 kilometers offshore from Palawan Island in SC 14 Block C-2 in the NW Palawan Basin, Philippines. It comprises two (2) main oil-bearing structures - West Linapacan A and B - and several seismic leads. The SC was entered into

on December 17, 1975 between the Petroleum Board and the original second parties to the contract. Pitkin had a 58.30% interest in this SC pursuant to a farm-in agreement approved by the DOE on September 11, 2008. However, on February 7, 2011, Pitkin concluded a farm-out agreement (FOA) whereby it transferred 29.15% participating interest to RMA (HK) Limited in exchange for being carried through the drilling and testing of the West Linapacan A appraisal/development well. The FOA was approved by the DOE on July 4, 2011.

On March 12, 2015, the farm-in agreement with RMA was terminated and Pitkin returned all of its participating interest to the original second parties to the contract. FEL's interest in the block increased to 9.10%.

In 2019, expressions of interest were received from foreign firms on the possible re-development of the West Linapacan A Field. The process of finalizing the documents, including the Deed of Assignment (DOA) arising out of the Sale and Purchase Agreement (SPA) and FOA, was severely delayed by the COVID-19 situation. An interested party was previously given until March 31, 2021 to finalize the agreements but it has requested an extension until June 30, 2021. The interested party eventually decided not to pursue its farm-in plans for the block. As a result of the interested party's exit, Philodrill re-assumed the block's operatorship and FEL's participating interest in the block returned to its pre farm-in interest of 9.10%.

The Consortium continues with evaluating the viability of redeveloping the West Linapacan A Field, which was discovered in 1990 and produced over 8 million barrels of oil from 1992 before being shut-in in 1996. An interpretation of the 3D seismic data was carried out in 2017.

The SC 14C-2 and SC 74 consortia conducted a joint Rock Physics and QI studies over the West Linapacan and Linapacan areas using existing 3D seismic and well data. The initial phase of the study was carried out and completed by Ikon in October 2019. The SC 14C-2 consortium decided not to proceed with the second phase of the QI Study in view of the impending entry of a third party to the block.

The Consortium commenced a technical study on the West Linapacan B Field by ERC Equipoise Limited (ERCE) that focuses on a review of available geologic and well data, digitization of well logs, reservoir modeling, and fracture analysis, to be followed by resource estimation. The Phase 1 of the study was completed in November 2021 with preliminary results indicating a stand-alone development for the West Linapacan B Field would not be economically viable. ERCE continued with the Phase 2 of the study which comprises the formulation of an appraisal/conceptual development and scoping economics involving the West Linapacan A and B Fields.

SC 40 (North Cebu Block)
In 2015, the management has finalized its assets review of SC 40 based on a more detailed Resource Estimation Report prepared by Petroleum Geo-Services (PGS) in 2013. The updated report indicated a significant increase in resources which triggered the reassessment and reversal of the impairment recognized in 2012. The results of the assets review and the competent person report were presented to the Risk and Resource Committee of the Board in 2015. The Committee has approved and adopted the report.

On November 21, 2019, FEL submitted the WP&B for 2020, which includes the continuation of the Gravity Interpretation, radioactive waste management, and the conduct of a Land Gravity Survey. This was approved by the DOE on December 2, 2019. The radioactive sources that were part of FEL's wireline logging tools were safely transported from Daanbantayan, Cebu and turned over to the Philippine Nuclear Institute in February 2020. Thereafter, FEL applied for the termination of its Radioactive Materials License. However, one of the conditions for the termination of license is the certification that the facilities are not contaminated. This will require measurement of radioactivity in the site post removal of the radioactive materials, which will have to wait until travel restrictions have been eased and/or the safety of the personnel from COVID-19 can be guaranteed.

The land gravity survey comprised the acquisition of gravity data along profiles in parts of the Municipality of Daanbantayan and Bogo City that aims to further delineate the carbonate bodies detected in the said areas by the initial 3D gravity modelling exercise in 2019. The survey began on February 18, 2020 and was completed on March 14, 2020. A total of 84 stations, 300m to 500m apart were acquired during the survey. After completing the correction of meter readings, coordinates, and elevations of gravity stations acquired during the survey, FEL forwarded the data to Cosine Global Limited (Cosine) for data reduction, processing, and interpretation. The report for the first phase of gravity interpretation was received from Cosine in early December and was submitted to the DOE in February 2021. The data acquired will be incorporated with the results of the previous gravity surveys and will be used to update the current depth model for northern Cebu. The second phase of the study involved depth modeling and identification of gravity prospects and leads. An initial report for the second phase was received from Cosine in the last quarter of 2021 and is being review by FEL's technical team.

FEL has started planning for the drilling of an onshore well, Dalingding-2. FEL has engaged the services of an operations geologist to prepare the geological program and prospect montage. The Dalingding Prospect is a reefal structure defined by seismic with Barili Limestone as the primary target. A well, Dalingding-1, was drilled by Cophil Exploration in 1996 and was plugged and abandoned as a dry hole with minor gas shows after reaching a total depth of 1,508 ft. Following FEL's recent re-evaluation of the prospect, it was concluded that Dalingding-1 did not reach the Barili target, which is estimated at 1,740 ft, or 232 ft below the well's total depth. The current plan is to drill a well down to at least 4,000 ft to penetrate the Barili and secondary targets underneath.

The WP&B and Annual Procurement Plan (APP) for 2022 were submitted to the DOE on December 14, 2021. Work programs planned for 2022 include the continuation of the Gravity Modelling Stage 2 and the preparation of drilling programs for two (2) wells.

SC 74 (Linapacan)

In September 2013, Pitkin, with its Consortium partner, Philodrill, acquired acreage on SC 74 in a competitive bid under the Philippine Energy Contracting Round 4, with operating interest of 70% and participating interest of 30%, respectively. It covers an area of 4,240 square kilometers and is located in shallow waters of the NW Palawan area. In June 2015, Philodrill and Philippine National Oil Company Exploration Corporation (PNOC EC) entered into a DOA whereby Philodrill transferred a 5% participating interest to PNOC EC.

On April 25, 2016, the DOE has approved the PSA and DOA dated February 24, 2016 transferring the 70% interest and operatorship of Pitkin to PXP.

The results of the Phase 1A test inversion under the joint QI study of SC 74 and SC 14-C2 by Ikon Science (Ikon) were presented to the consortium in October 2019. This involved inversion studies over a 30 sq. km 3D area that includes Linapacan A-1A, Linapacan B-1, West Linapacan A-1, A-2, and A-3, and West Linapacan B-1X wells. From the test, it was concluded that lithology is easier to identify than fluid type in limestone due to the latter's overlapping elastic properties.

In December 2019, the SC 74 consortium decided to proceed to Phase 2 of the project, which is an inversion study over a wider, 400 sq. km 3D data. Phase 2 commenced in February 2020 and was completed in June 2020. The QI study was able to predict the different lithological facies at the well. However, the study failed to differentiate the type and distribution of fluids in the limestone reservoirs due to the nature of the rock properties and poor to fair seismic data quality. Further seismic reprocessing has been recommended to preserve the true amplitudes for Amplitude Versus Offset inversion, and to improve seismic imaging especially in dipping structures. It was also suggested that shear sonic data be acquired in future wells for better correlation of well and seismic data.

Preliminary paleodating of samples acquired from the Calamian Islands fieldwork was unsuccessful due to the absence of calcareous nannofossils in the collected samples. This led to the decision to engage the services of Core Laboratories (CoreLab) Malaysia to conduct biostratigraphic and geochemical analyses. An initial 12 samples were sent to Selangor, Malaysia on October 31, 2019, and the results were submitted to the Parent Company in December 2019. Additional samples were sent in July 2020 for further testing as recommended by CoreLab. Analysis of the second batch of samples was completed in October 2020 and the final report was submitted to the DOE in March 2021.

The identification of the radiolarian fossils present in some of the chert samples lead to its age restriction from Late Permian to Middle Jurassic. Total Organic Carbon analysis of mudstone and shale samples resulted to an organic richness ranging from poor to excellent. Samples with good amount of organic matter may characterize them as possible source horizon, however, further geochemical tests suggest that these rocks have low hydrocarbon generative potential.

In March 2020, the DOE approved PXP's request for a one-year extension of SP 3 from December 13, 2019 to December 13, 2020 to allow the completion of G&G studies prior to entering the next SP. The 2020 WP&B, as approved by the DOE on December 20, 2019, focuses on the continuation of the current G&G studies that include the conduct of the Phase 2 of the QI study and the completion of the 'Biostratigraphic Age Dating Program and Geochemical Analyses' of samples collected from the Calamian Islands.

On July 14, 2020, the DOE approved PXP's application for *force majeure* over SC 74 Block for nine months starting from March 13, 2020 to December 13, 2020 because of delays in the implementation of some G&G activities following the imposition of business, health, and travel restrictions in the country due to the COVID-19 pandemic.

A gravity modelling exercise write-up was submitted by Cosine in September 2019. The report was reviewed by the Parent Company's geologists alongside with the ongoing leads and prospect generation using the gravity model and was submitted to the DOE in July 2020.

As part of SC 74 work commitment under SP 3, an in-house seismic interpretation of the 3D data is being conducted, since July 2020, which incorporates the results of Ikon's QI study. The technical evaluation could be divided into the mapping of time structural horizons, mapping of porous zones, time to depth conversion, and resource calculation. The interpretation work was completed in April 2021, while the resource calculation was finalized in August 2021. PXP's study indicates the Linapacan "A" and "B" Fields contain 43.16 and 27.43 million barrels (MMbbls) of contingent oil resources (P50), respectively. Additionally, PXP was able to identify two leads namely South Linapacan and Edapacan, located on the Southwest and North Eastern part of the Linapacan Field, respectively.

On May 4, 2021, PXP requested for another 12 months *force majeure* starting from April 2021 due to delays in the implementation of certain G&G activities following continuing COVID-19 restrictions and software fault. This was approved by the DOE on October 29, 2021, with the official letter received by PXP on November 10, 2021. In view of the *force majeure*, the third sub-phase will now expire on September 13, 2022.

The WP&B for 2022 was submitted to the DOE on December 1, 2021. It includes the conduct of an Independent Technical Evaluation and Resource Assessment of the Linapacan A and B Fields and South Linapacan Lead by ERCE who is also doing an evaluation study in the SC 14C-2 West Linapacan Block. The SC 74 study is expected to start in the first quarter of 2022 or as soon as the West Linapacan study is completed.

SC 75 (Northwest Palawan)
On January 3, 2014, the duly executed copy of Petroleum SC 75 was granted to the bid group comprising PXP, PNOC EC, and PetroEnergy Resources Corporation (PERC) with operating interest of 50%, participating interests of 35% and 15%, respectively. It covers an area of 6,160 square kilometers in the NW Palawan Basin.

The work commitment for SP 1 had been fulfilled in 2015 following the completion of the acquisition of 2,235 line-kilometers of 2D seismic data over SC 75 and simultaneous acquisition of marine magnetic and gravity data, broadband processing of the 2D seismic data, processing and interpretation of gravity and magnetic data, and G&G studies, including 2D seismic interpretation.

In 2015, the DOE advised the SC 75 Consortium of its decision to place the area under *force majeure* effective from the end of SP 1 on December 27, 2015. In view of this, all exploration activities in the block have been suspended until such time that the DOE informs the consortium of the lifting of the *force majeure*. All activities in SC 75, except for administration, remained suspended throughout 2019.

On October 30, 2019, PXP submitted to the DOE the proposed WP&B for 2020 consisting mainly of license administration costs and a contingent 3D seismic survey of at least 1,000 square kilometers that will be conducted once the *force majeure* is lifted.

Similar with SC 72, a letter from the DOE dated October 14, 2020 which was received on October 16, 2020 stated that the *force majeure* over SC 72 has been lifted effective immediately and that exploration activities were to resume over the block.

On December 28, 2020, the WP&B for 2021 was submitted to the DOE with the acquisition of a minimum of 1,000 square kilometers of 3D seismic data as a firm commitment, subject only to occurrence of *force majeure* that could delay, curtail, or prevent the peaceful undertaking and completion of the work program. The activity could also be affected by the Covid-19 pandemic that may cause delays in securing permits as well as restrict the movement of personnel and equipment.

In July 2021, PXP sent out invitations to seismic acquisition companies to submit proposals for a 1,100 sq. km 3D survey to be conducted in early April 2022. The seismic survey is estimated to take 30 days to complete, including vessel mobilization and demobilization periods.

In September 2021, Shearwater Geoservices (Shearwater) conducted a Survey Evaluation and Design (SED) Study which aimed at finalizing the acquisition parameters to be used in the survey. The SED was completed in November 2021 and the results were incorporated in the seismic data acquisition contract.

As at December 31, 2021 preparations for the seismic survey are progressing accordingly. The WP&B and APP for 2022 were submitted to the DOE on December 31, 2021.

12. Other Noncurrent Assets

	2021	2020
Decommissioning fund	**₱4,475**	₱3,348
Guaranteed deposits	**301**	283
	₱4,776	₱3,631

Funding for the plug and abandonment costs of the Galoc field commenced in 2016. FEL's contribution to the decommissioning fund amounted to ₱920, ₱432 and ₱1,021 in 2021, 2020 and 2019, respectively.

Guaranteed deposits are related to certain exploration contracts of the Group, which were made to ensure satisfactory completion of projects and work commitments.

13. Trade and Other Payables

	2021	2020
Trade	**₱11,159**	₱1,885
Accrued expenses	**30,104**	20,837
Withholding taxes	**286**	417
Other nontrade liabilities	**4,241**	1,148
	₱45,790	₱24,287

The Group's trade payables are non-interest bearing and are generally settled within 30 to 60 days.

Accrued expenses primarily include the accruals for light and water, payroll and other employee benefits, security and professional consultancy fees.

Other nontrade liabilities include payroll-related liabilities such as payable to Social Security System, Philhealth and Home Development Mutual Fund.

The Group has no related party balances included in the trade and other payables account as at December 31, 2021 and 2020.

14. Costs and Expenses

	2021	2020	2019
Petroleum production costs:			
Production costs (Note 7)	**₱40,586**	₱30,583	₱50,982
Depletion (Notes 7 and 9)	**–**	3,551	34,535
	₱40,586	₱34,134	₱85,517
General and administrative expenses:			
Professional fees	**₱25,662**	₱23,245	₱26,488
Personnel costs	**16,854**	17,681	14,111
Rental	**5,100**	5,100	5,100
Insurance	**4,017**	3,243	3,329
Taxes and licenses	**2,021**	2,712	2,176
Directors' fees	**1,770**	1,180	1,120

(Forward)

	2021	2020	2019
Office supplies	**₱1,172**	₱2,387	₱1,111
Depreciation (Notes 9 and 10)	**1,009**	1,010	1,005
Stock transfer expenses	**601**	791	1,065
Donations	**962**	257	2,260
Repairs and maintenance	**178**	157	169
Travel and transportation	**164**	1,066	1,112
Communications, light and water	**142**	58	98
Others	**2,430**	5,642	45,935
	₱62,082	₱64,529	₱105,079

The production and depletion cost of the Group is primarily attributable to SC14 C-1 Galoc producing oil field of FEL. Others include plug and abandonment cost (see Note 9).

15. SPA in respect of SC 14 Block C-2 West Linapacan

On January 7, 2020, FEL and other parties to the service contract entered into a SPA with a third party for the sale and assignment of the 9.10% interest of the Group in SC 14 Block. As a result, the carrying value of the service contract has been reclassified as assets held for sale. The process of finalizing the documents, including the DOA arising out of the SPA and FOA, was severely delayed by the COVID-19 situation. The interested party was previously given until March 31, 2021 to finalize the agreements but it has requested an extension until June 30, 2021.In 2021, the interested party eventually decided not to pursue its farm-in plans for the block. As a result of the interested party's exit, Philodrill re-assumed the block's operatorship and FEL's participating interest in the block returned to its pre farm-in interest of 9.10%. As at December 31, 2021 and 2020, the carrying value of assets related to this service contract amounted to nil.

16. Equity

Capital Stock

On September 12, 2011, the 1,700,000,000 common shares of the Parent Company were listed and traded on the PSE at an initial offer price of ₱1.20 per share. After the initial listing, there were no subsequent listings of shares made by the Parent Company.

Details of the Parent Company's capital stock follow:

	Number of Shares	
	2021	2020
Common stock - ₱1 par value		
Authorized	**6,800,000,000**	6,800,000,000
Issued and fully paid	**1,960,000,000**	1,700,000,000
Subscribed capital stock	**–**	260,000,000
Capital stock	**1,960,000,000**	1,960,000,000

On October 26, 2018, PXP, PMC, and DHC signed a subscription agreement wherein PMC and DHC subscribed to 260,000,000 and 340,000,000 common shares of PXP, respectively, for a total consideration of ₱3,081,000 and ₱4,029,000, respectively. Each share is valued at ₱11.85, which represents a 20% discount to the 90-day volume weighted average price (VWAP) of PXP shares. The agreement was approved by the Group or PXP's BOD on October 25, 2018. The subscription is payable in two tranches.

On December 26, 2018, PXP and DHC agreed to reschedule and accelerate the full payment of its subscription agreement to not later than March 31, 2019. DHC shall also pay a downpayment equivalent to 1% of the total subscription on or before January 7, 2019.

On December 27, 2018, PMC paid the 25% downpayment of ₱770,250. As a result of the transaction, PMC's total ownership interest in PXP increased from 19.76% to 30.40% as at December 31, 2018.

On January 7, 2019, DHC paid an initial downpayment of ₱40,290, with the remaining balance due on March 31, 2019. On March 31, 2019, PXP and DHC mutually agreed to terminate the subscription agreement. All rights of DHC to subscribe to the aforesaid common shares of PXP, and any obligation of PXP to issue such shares to DHC, are terminated without any residual rights of any kind remaining with DHC. Accordingly, PXP recognized the forfeited down payment amounting to ₱40,290 as other income (see Note 1).

PMC paid subscription payable to PXP amounting to ₱121,114, ₱63,186 and ₱2,126,450 in 2021, 2020 and 2019, respectively.

The related subscription receivable arising from the equity transactions and its related movements in 2021 and 2020 are as follows:

	2021	2020
Balance at January 1	**₱121,114**	₱184,300
Collection of subscription receivable	**(121,114)**	(63,186)
Balance at December 31	**₱–**	₱121,114

As at December 31, 2021 and 2020, PXP's number of stockholders totaled to 38,599 and 38,677, respectively.

Equity Reserves

In May 2012, certain directors and employees of FEL exercised their option over 2,185,000 common shares. This resulted in the Group's effective economic interest in FEL decreasing from 51.95% to 48.76% as at December 31, 2012. 'Effect of transactions with non-controlling interests' amounting to ₱40,711 and increase in non-controlling interests amounting to ₱85,333 were recognized as a result of the dilution of interest in FEL.

In July 2014, Pitkin tendered an offer to buy back 11,972,500 of its outstanding shares for a consideration of US$1.00 per share. The Parent Company surrendered 2,000,000 of its shares wherein non-controlling interests surrendered 9,099,000 shares. As a result of the share buyback transaction, the Parent Company's ownership interest increased from 50.28% to 53.07%. The total consideration paid by Pitkin to shareholders amounted to ₱482,363, wherein ₱395,733 is attributable to non-controlling interest. An increase in equity of the Parent Company amounting to ₱46,382 resulted from the transaction, while the rest of the movement was due to share option cancellation during the period.

In May 2015, Pitkin tendered another offer to buy back its outstanding shares for a consideration of US$0.75 per share. The Parent Company and the non-controlling interests surrendered 21,373,000 shares and 19,499,500 shares, respectively. As a result, the PXP's interest in Pitkin has increased from 53.07% to 53.43%. The total consideration paid by Pitkin to shareholders amounted to ₱1,365,404, wherein ₱651,436 is attributable to non-controlling interests. An increase in equity of Parent amounting to ₱102,949 resulted from the transaction.

In June and November 2015, PXP bought additional investment from NCI owners of FEL, including FEC. In total, the NCI owners sold 4,383,777 for a total consideration of ₱63,706. The transactions resulted to increased ownership of PXP over FEL from 36.44% to 48.77%. A decrease in equity of the Parent Company amounting to ₱31,747 resulted from the transaction.

In January 2016, FEC cancelled its 30,000,000 shares previously held under escrow for ₱1,694. As a result, PXP's ownership interest increased from 51.24% to 54.99%. An increase in equity of the Parent Company amounting to ₱8,670 resulted from the transaction.

On February 17, 2017, Pitkin tendered its offer to buy back 11,430,500 outstanding shares for a consideration of US$0.35 per share. The Parent Company surrendered 6,107,000 shares for a consideration of ₱107,717, while the NCI owners surrendered its proportionate stake of 5,323,500 shares for a total payment of ₱92,788. The transaction did not change the ownership percentages for both PXP and NCI owners.

On March 23, 2017, PXP entered into an agreement with FEL and FGL to capitalize a part of the maturing long-term loan of FGL from PXP amounting to US$11,805 into 39,350,920 new common shares of FEL. In addition to conversion of FEL shares, Tidemark subscribed to additional 6,600,000 shares in FEL for ₱100,650.

On May 17, 2017, PXP bought additional investment from the NCI owners of FEL, wherein Asia Link B. V. sold 1,185,000 shares valued at US$0.30 per share, for a total consideration of ₱17,705. Furthermore, on November 23, 2017, PXP purchased additional 1,000,000 shares held by FEC in FEL for a total consideration of ₱15,219. The loan to equity conversion and subsequent purchases of shares were all priced at US$0.30 per share. As a result of the transactions, the Parent Company's economic interest in FEL increased from 58.90% to 75.92%.

In December 2019, PXP bought additional investment from the NCI owners of FEL, wherein PXP purchased 50,000 shares in FEL for a total consideration of ₱786. As a result of the transaction, the Parent Company's total interest in FEL increased to 75.98%.

On April 16, 2020, PXP increased its direct shareholding in FEL from 72.24% to 72.33%. This increased PXP's total interest in FEL from 75.98% to 76.07%. The additional interest was acquired through a subscription to 6,099,626 new ordinary shares of FEL. The new shares were issued at approximately US$0.30 per share for a total consideration of ₱92,958. Further, major shareholders, Tidemark and FEC subscribed to 1,666,666 shares and 567,038 shares of FEL, amounting to ₱25,400 and ₱8,642, respectively, both paid for in cash.

On August 5, 2020, PXP increased its direct shareholding in FEC from 54.99% to 78.39%. This increases PXP's total economic interest in FEL from 76.07% to 77.66%. The additional interest was acquired through a subscription to 449,999,986 new ordinary shares of FEC through a stock rights offering. The new shares were issued at approximately US$0.00225 per share for a total consideration of ₱49,688. The acquisition of additional shares in FEC did not result in a change in the board of FEC or FEL.

On October 2, 2020, Pitkin bought back 8.5 million of its total issued shares at a price of US$0.10 per share for a total consideration of ₱41,208. PXP sold 4,541,464 of Pitkin shares for a total consideration of ₱22,017 while the minority shareholders sold their pro-rata share of 3,958,536 shares for a total consideration of ₱19,191. The transaction did not affect PXP's 53.43% stake in Pitkin.

Non-controlling Interest

Non-controlling interests consist of the following:

	Percentage of Ownership				
	2021	2020	Country of Incorporation and Operation	**2021**	2020
Non-controlling interests in the net assets of:					
Pitkin and its subsidiaries	**46.57%**	46.57%	UK/Philippines	**₱558,283**	₱1,949,006
FEC	**21.61%**	21.61%	Canada	**50,461**	54,290
FEL and its subsidiaries	**22.34%**	22.34%	UK/Philippines	**322,949**	312,917
				₱931,693	₱2,316,213

Financial information of subsidiaries that have material non-controlling interests are provided below:

Loss allocated to material non-controlling interest:

	2021	2020
FEL and its subsidiaries	**(₱24,188)**	(₱10,668)
FEC	**(1,665)**	(2,344)
Pitkin and its subsidiaries	**(1,403,125)**	(3,398)

Other comprehensive income (loss) allocated to material non-controlling interest:

	2021	2020
FEL and its subsidiaries	**₱34,220**	₱4,789
FEC	**(2,164)**	2,488
Pitkin and its subsidiaries	**12,402**	(23,204)

The summarized financial information of these subsidiaries before intercompany eliminations and purchase price allocations arising from the Parent Company's cost of acquisition of these subsidiaries is provided below:

Statements of comprehensive income as of December 31, 2021:

	Pitkin and its subsidiaries	**FEC**	**FEL and its subsidiaries**
Revenue	**₱–**	**₱–**	**₱64,198**
Cost of sales	**–**	**–**	**(40,586)**
General and administrative expenses	**(9,778)**	**(8,135)**	**(12,887)**
Other income (charges)	**426,590**	**428**	**(112,784)**
Interest expense	**–**	**–**	**(9,259)**
Income (loss) before tax	**416,812**	**(7,707)**	**(111,318)**
Provision for income tax	**8,313**	**–**	**18,459**
Net income (loss)	**408,499**	**(7,707)**	**(129,777)**
OCI	**26,631**	**(10,015)**	**110,597**
Total comprehensive income (loss)	**₱435,130**	**(₱17,722)**	**(₱19,180)**
Attributable to non-controlling interests	**₱202,640**	**(₱3,829)**	**₱10,032**

Statements of comprehensive income as of December 31, 2020:

	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
Revenue	₱–	₱–	₱30,250
Cost of sales	–	–	(34,134)
General and administrative expenses	(7,520)	(11,130)	(15,804)
Other income	223	284	(16,084)
Interest expense	–	–	(11,775)
Loss before tax	(7,297)	(10,846)	(47,547)
Benefit from income tax	–	–	206
Net loss	(7,297)	(10,846)	(47,753)
OCI	(49,826)	11,513	21,439
Total comprehensive income (loss)	(₱6,423)	₱667	(₱26,314)
Attributable to non-controlling interests	(₱26,601)	₱144	(₱5,879)

Statements of comprehensive income as of December 31, 2019:

	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
Revenue	₱–	₱–	₱72,499
Cost of sales	–	–	(85,517)
General and administrative expenses	(8,188)	(11,061)	(49,765)
Other income	65	97	(104,162)
Interest expense	–	–	(16,600)
Loss before tax	(8,123)	(10,964)	(183,545)
Provision for income tax	–	–	792
Net income (loss)	(8,123)	(10,964)	(184,337)
OCI	(9,638)	523	(67,456)
Total comprehensive loss	(₱17,761)	(₱10,441)	(₱251,793)
Attributable to non-controlling interests	(₱8,271)	(₱4,699)	(₱60,632)

Statements of financial position as at December 31, 2021:

	Pitkin and its subsidiaries	**FEC**	**FEL and its subsidiaries**
Current assets	**₱481,488**	**₱17,674**	**₱44,097**
Noncurrent assets	**165,422**	**96,490**	**1,948,857**
Current liabilities	**(11,322)**	**(12,827)**	**(16,868)**
Noncurrent liabilities	**–**	**–**	**(827,666)**
Total equity	**635,588**	**101,337**	**1,148,420**
Attributable to:			
Equity holders of the Parent Company	**₱339,595**	**₱79,438**	**₱891,863**
Non-controlling interests	**295,993**	**21,899**	**256,557**

Statements of financial position as at December 31, 2020:

	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
Current assets	₱47,261	₱26,133	₱57,508
Noncurrent assets	155,769	96,490	1,614,792
Current liabilities	(2,573)	(3,564)	(92,874)
Noncurrent liabilities	–	–	(411,826)
Total equity	200,457	119,059	1,167,600
Attributable to:			
Equity holders of the Parent Company	₱107,105	₱93,330	₱906,758
Non-controlling interests	93,353	25,729	260,842

Statements of cash flows as at December 31, 2021:

Activities	**Pitkin and its subsidiaries**	**FEC**	**FEL and its subsidiaries**
Operating	**(₱11,746)**	**₱7,999**	**(₱50,960)**
Investing	**442,188**	**(10,889)**	**(233,996)**
Financing	**–**	**–**	**273,352**
Net decrease in cash and cash equivalents	**₱430,442**	**(₱2,890)**	**(₱11,604)**

Statements of cash flows as at December 31, 2020:

Activities	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
Operating	(₱9,123)	₱1,305	(₱72,091)
Investing	(8,826)	8,934	(11,987)
Financing	(25,723)	(22,606)	90,622
Net decrease in cash and cash equivalents	(₱43,672)	(₱12,367)	₱6,544

17. **Income Taxes**

In 2021, current provision for income tax amounting to ₱8,590 pertains to PXP and FEL's MCIT and Pitkin's RCIT. In 2020, current provision for income tax amounting to ₱582 pertains to PXP and FEL's MCIT.

The components of the Group's deferred tax assets (liabilities) as at December 31, 2021 and 2020 are as follows:

	2021	2020
Deferred tax assets		
Allowance for impairment loss on deferred exploration costs	**₱13,586**	₱16,303
MCIT	**1,656**	1,868
Allowance for impairment loss on receivables	**168**	201
Unrealized foreign exchange loss	**–**	25,123
	15,410	43,495

(Forward)

	2021	2020
Deferred tax liabilities		
Unrealized gain on dilution of interest	**(₱105,512)**	(₱126,615)
Unrealized foreign exchange gain	**(3,978)**	(6,302)
Fair value adjustment as a result of business combination (Note 4)	**–**	(979,990)
	(109,490)	(1,112,907)
Deferred tax liabilities - net	**(₱94,080)**	(₱1,069,412)

A reconciliation of the Group's benefit from income tax computed at the statutory income tax rate based on loss before income tax to the benefit from income tax follows:

	2021	2020	2019
Benefit from tax computed at the statutory tax rate	**(₱1,027,436)**	(₱25,519)	(₱89,513)
Additions to (reductions in) income tax resulting from:			
Nondeductible provision for impairment of assets and write-off of goodwill	**1,100,357**	1,869	59,626
Reversal of fair value adjustment as a result of business combination	**(816,658)**	–	–
Effect of changes in tax rate due to CREATE	**(178,547)**	–	–
Permanent difference due to foreign exchange translation	**(68,261)**	5,494	(29,656)
Movement in unrecognized deferred tax assets	**28,328**	8,408	55,543
Nontaxable petroleum revenue	**(12,252)**	(8,641)	(21,088)
Nondeductible petroleum production costs and depletion	**8,117**	9,806	24,702
Interest income subjected to final tax	**(116)**	(209)	(770)
Benefit from income tax	**(₱966,468)**	(₱8,792)	(₱1,156)

The Company's NOLCO incurred before taxable year 2020 can be claimed as deductions from the regular taxable income for the next three (3) consecutive taxable years from the year incurred. On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) 25-2020 implementing Section 4 (bbbb) of "Bayanihan to Recover as One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2021, the Group's NOLCO that can be claimed as deduction from future taxable income and excess MCIT that can be deducted against income tax due are as follows:

	Year of Expiration			
Year Incurred	NOLCO	Excess MCIT	NOLCO	Excess MCIT
2019	2022	2022	174,336	782
2020	2025	2023	36,698	582
2021	2026	2024	14,538	292
			₱225,572	₱1,656

The following are the movements of the Group's NOLCO and excess MCIT as at December 31, 2021 and 2020:

	NOLCO		Excess MCIT	
	2021	2020	**2021**	2020
Beginning balance	**₱234,305**	₱200,306	**₱1,868**	₱2,058
Additions	**14,538**	36,698	**292**	582
Expirations	**(23,271)**	(2,699)	**(504)**	(772)
Ending balance	**₱225,572**	₱234,305	**₱1,656**	₱1,868

The Group did not recognize deferred tax assets on the following NOLCO and deductible temporary differences as at December 31, 2021 and 2020:

	2021	2020
NOLCO	**₱225,572**	₱234,305
Excess of depreciation expense and interest expense over lease payments	**1,037**	765

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
The CREATE Act was signed into law on March 26, 2021 to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect on April 11, 2021.

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

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

Applying the provisions of CREATE Law, the Group have been subjected to lower RCIT of 25% or the reduced MCIT of 1% of gross income effective July 1, 2020. Likewise, the impact on the December 31, 2020 consolidated financial statements had the CREATE Law been substantially enacted as of then, were adjusted in 2021, as follows:

	Increase (decrease)
Benefit from deferred tax	₱178,547
Deferred tax liabilities - net	(178,547)

18. Related Party Transactions

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders.

In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Companies within the Group in the regular conduct of business, enters into transactions with related parties which consists of advances, loans, reimbursement of expenses, regular banking transactions and management and administrative service agreements.

Intercompany transactions are eliminated in the consolidated financial statements.

The Group's significant related party transactions, which are under terms that are no less favorable than those arranged with third parties, are as follows:

a. On November 24, 2010, Forum Philippine Holdings Limited (FPHL) entered into a US$10,000 loan facility agreement with PMC. The facility agreement will be available for a three-year period and funds can be borrowed at an annual interest rate of US London Interbank Offered Rate (LIBOR) + 4.5% for the drawn portion and a commitment fee of 1% for the undrawn portion. The facility agreement will enable FPHL to fund its 70% share of a first SP work program over SC 72. Obligations arising from funds drawn under this facility agreement are not convertible into FEL's or FPHL's common shares.

   In June 2012, an amendment to the original loan agreement has been made to extend the loan facility to US$15,000.

   On November 21, 2013, PMC assigned its rights and obligations under the facility agreement to the Parent Company. On the same date, the loan facility was increased to US$18,000 and has been extended for an additional three years. The loans receivable from FPHL and loan payable to PMC recorded in the Parent Company amounted to ₱674,804 in 2013.

   In 2015, a transfer agreement has been entered into by FPHL (the "Original Borrower") and FGL (the "New Borrower"). This states that all the rights and obligations under the Finance Documents of the Original Borrower will be transferred by way of novation to the New Borrower and the Original Borrower will be released from its obligations and will cease to own any rights under the Facility Agreement.

   On March 23, 2017, PXP, FEL and FGL agreed to the conversion of US$11,805 loan to equity, by subscribing to 39,350,920 new common shares of FEL. The loan payable consisted of total drawdowns from the loan facility of US$15,500 and interest accrued of US$2,828. Of the remaining balance, US$1,000 was paid through cash received from subscription of Tidemark to 6,666,667 new common shares of FEL.

   On the same date, PXP and FGL entered into a new loan facility amounting to US$6,000 of which US$5,522 was drawn out to fully settle the remaining portion of the long-term loan.

   Interest expense incurred for the old loan facility amounted to ₱11,692 in 2017. During the same year, commitment fees incurred amounted to ₱281.

   On April 16, 2020, FGL made a partial repayment of the maturing loan principal amounting to US$431 together with the full payment of accrued interest from March 16, 2017 to April 15, 2020 amounting to US$958. In addition, a further extension of the then reduced outstanding loan principal of US$5,091, was made from April 16, 2020 to December 31, 2021 and quarterly payments of accrued interest is to be made from April 16, 2020 onwards.

On August 7, 2020, FEC has agreed to purchase 6.8% of the loan due by FGL to PXP amounting to US$346 plus accrued interest. This loan is unsecured, due on December 31, 2021 and bears interest at an annual rate of 3.5% plus LIBOR which is payable on a quarterly basis.

On October 28, 2021, the BOD approved to repurchase from FEC the 6.8% of the loan currently due by FGL to PXP amounting to US$346 plus accrued interest, with all other terms of the loan remaining unchanged.

Interest expense incurred for 2021, 2020 and 2019 amounted to ₱9,259, ₱11,056 and ₱16,018, respectively. The new loan facility does not include an agreement for commitment fee.

The interest expense and commitment fees were recorded under 'Interest expense and other charges' in the consolidated statements of income while these were eliminated upon consolidation for the year ended December 31, 2021, 2020 and 2019.

Loans receivable of PXP from FGL as at December 31, 2021 amounted to ₱259,646. Loans receivable of PXP and FEC from FGL as at December 31, 2020 amounted to ₱234,345. These were eliminated upon consolidation.

On February 23, 2022, the BOD approved the extension of maturity date of the loan from December 31, 2021 to March 31, 2022. All other terms of the loan remain unchanged.

b. On November 3, 2021, the BOD of FEL approved the request for funding contribution amounting to $3,300 from its major shareholders, pro-rata to their shareholdings in FEL. The fund was partially used for the pre-drilling activities of SC 72 Recto Bank, with the remaining amount to be used to deliver FEL's two commitment wells in the first half of 2022.

   PXP and FEC share's in the funding contribution in 2021 amounted to $2,417 and $224, respectively, which were eliminated upon consolidation.

c. PMC made cash advances to be used as additional working capital of the Parent Company and acquisition of investments.

   On August 11, 2015, the BOD has agreed that a pledge agreement with PMC (pledgee) be entered into by PXP (pledgor). In order to secure the balance of ₱2,200,000 as of pledge date, the Parent Company has pledged its shares in its subsidiaries, Pitkin and Forum to PMC. The contract was formally executed on August 17, 2015.

   In 2018, the Group paid PMC amounting to ₱781,334, while in 2019, PXP fully paid the cash advances from PMC. As a result, the related pledge was extinguished.

   As at December 31, 2021 and 2020, advances from PMC amounted to nil.

d. BEMC has significant transactions with related parties involving advances to provide funding for BEMC's exploration and development activities.

   On August 5, 2019, a deed of assignment was entered by BEMC and PXP transferring BEMC's advances from PMC to PXP amounting to ₱737,815. On December 19, 2019, PXP paid the advances from PMC amounting ₱737,815.

   In 2021, BEMC partially paid advances from PXP amounting to ₱1,500. As at December 31, 2021 and 2020, advances from PXP amounted to ₱736,315 and ₱737,815, respectively.

e. The compensation of key management personnel pertaining to short-term and other long-term employee benefits follows:

	2021	2020	2019
Short-term employee benefits	**₱8,436**	₱8,436	₱8,436
Other long-term employee benefits	**3,024**	2,376	2,808
	₱11,460	₱10,812	₱11,244

f. Material related party transactions (RPT) refer to any related party transaction/s, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual material RPT shall be endorsed by the Corporate Governance and Related Party Transactions committee for approval by at least two-thirds vote of the BOD, with all independent directors voting to approve the material RPT. The material RPT may be further submitted to the stockholders and final approval when the BOD deems it necessary.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require endorsement by the same committee for approval of the BOD.

19. Financial Instruments

PFRS 13 defines fair value as 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. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The carrying values of the Group's assets and liabilities approximate their fair values as at December 31, 2021 and 2020.

Cash and cash equivalents, trade receivables, trade and other payables (except government payables), advances from related parties and other noncurrent liabilities
The carrying amounts of these financial instruments reasonably approximate their fair values because these are mostly short-term in nature.

Guaranteed deposits and other noncurrent liabilities
The carrying amounts of these financial instruments reasonably approximate their fair values since the difference between the present value of all future cash receipts/payments discounted at the prevailing market interest rates and the carrying amount is not material.

There were no transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurement as at December 31, 2021 and 2020.

20. Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, and advances from related parties. The main purpose of these financial instruments is to provide financing for the Group's operations.

Risk Management Structure
The BOD is mainly responsible for the overall risk management and approval of the risk strategies and principles of the Group.

Financial Risks
The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The market risk exposure of the Group can further be classified to foreign currency risk. The BOD reviews and approves policies for managing these risks.

Credit risk
Credit risk is such risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. The Group manages credit risk by doing business mostly with affiliates and recognized creditworthy third parties.

With respect to credit risk arising from the financial assets of the Group, which comprise of cash in banks and cash equivalents, receivables, and deposit, the Group's exposure to credit risk could arise from the default of the counterparty, having a maximum exposure equal to the carrying amount of the instrument.

The table below summarizes the Group's maximum exposure to credit risk for the Group's financial assets:

	2021	2020
Cash in banks and short-term investments	**₱529,470**	₱143,005
Trade receivables	**28,875**	27,132
Guaranteed deposits	**301**	283
	₱558,646	₱170,420

The following tables show the credit quality of the Group's financial assets by class as at December 31, 2021 and 2020 based on the Group's credit evaluation process.

As at December 31, 2021:

	Neither Past Due nor Impaired		**Past Due and Individually**	
	High-Grade	**Standard**	**Impaired**	**Total**
Cash in banks	**₱267,957**	**₱–**	**₱–**	**₱267,957**
Short-term investments	**261,513**	**–**	**–**	**261,513**
Trade receivables	**28,875**	**–**	**711**	**29,586**
Guaranteed deposits	**301**	**–**	**–**	**301**
Total	**₱558,646**	**₱–**	**₱711**	**₱559,357**

As at December 31, 2020:

	Neither Past Due nor Impaired		Past Due and Individually	
	High-Grade	Standard	Impaired	Total
Cash in banks	₱140,310	₱–	₱–	₱140,310
Short-term investments	2,695	–	–	2,695
Trade receivables	27,132	–	671	27,803
Guaranteed deposits	283	–	–	283
Total	₱170,420	₱–	₱671	₱171,091

Credit quality of cash and cash equivalents is based on the nature of the counterparty and the Group's evaluation process. High-grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience.

Liquidity risk

Liquidity risk is such risk where the Group is unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility, and addresses its liquidity concerns through advances from PMC.

The following tables summarize the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contractual undiscounted repayment obligations (including interest) as at December 31, 2021 and 2020, respectively:

As at December 31, 2021:

	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Cash on hand	**₱2**	**₱–**	**₱–**	**₱–**	**₱2**
Cash in banks	**267,957**	**–**	**–**	**–**	**267,957**
Short-term investments	**–**	**261,513**	**–**	**–**	**261,513**
Trade and other receivables	**–**	**28,875**	**–**	**711**	**29,586**
Guaranteed deposits	**–**	**301**	**–**	**–**	**301**
Total undiscounted financial assets	**₱267,959**	**₱290,689**	**₱–**	**₱711**	**₱559,359**

	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Trade and other payables:					
Trade	**₱–**	**₱11,159**	**₱–**	**₱–**	**₱11,159**
Accrued expenses	**–**	**30,104**	**–**	**–**	**30,104**
Lease liability	**–**	**–**	**609**	**6,553**	**7,162**
Other noncurrent liabilities	**–**	**–**	**–**	**191,822**	**191,822**
Total undiscounted financial liabilities	**₱–**	**₱41,263**	**₱609**	**₱198,375**	**₱240,247**

As at December 31, 2020:

	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Cash on hand	₱3	₱–	₱–	₱–	₱3
Cash in banks	140,310	–	–	–	140,310
Short-term investments	–	2,695	–	–	2,695
Trade and other receivables	4,304	14,000	8,828	–	27,132
Others	–	283	–	–	283
Total undiscounted financial assets	₱144,617	₱16,978	₱8,828	₱–	₱170,423

	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Trade and other payables:					
Trade	₱–	₱1,885	₱–	₱–	₱1,885
Accrued expenses	–	20,837	–	–	20,837
Lease liability	–	–	553	7,162	7,715
Other noncurrent liabilities	–	–	–	182,406	182,406
Total undiscounted financial liabilities	₱–	₱22,722	₱553	₱189,568	₱212,843

Market Risk
Foreign currency risk
Foreign currency risk is the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. PXP's transactional currency exposures arise from cash in banks. The corresponding net foreign exchange gains (losses) amounting to ₱775, (₱408) and (₱2,968) arising from the translation of these foreign currency denominated financial instruments were recognized by PXP in the years ended December 31, 2021, 2020 and 2019, respectively. The exchange rates of the Peso to US dollar were ₱50.99, ₱48.02, and ₱50.74 to US$1 in the years ended December 31, 2021, 2020 and 2019, respectively.

The Group's foreign currency-denominated monetary assets as at December 31, 2021 and 2020 are as follow:

	2021		2020	
	US$	Peso Equivalent	US$	Peso Equivalent
Assets				
Cash in banks	**US$418**	**₱21,309**	US$1,240	₱59,537

The table below summarizes the impact on loss before income tax of reasonably possible changes in the exchange rates of US Dollar against the Peso:

US Dollar (Depreciates) Appreciates	Effect on Loss Before Income Tax
2021	
Appreciate by 4%	**(₱852)**
Depreciate by (4%)	**852**
2020	
Appreciate by 4%	(₱2,381)
Depreciate by (4%)	2,381

There is no other impact on the Group's equity other than those already affecting profit or loss.

21. Capital Management

The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities. No significant changes have been made in the objectives, policies and processes of the Group from the previous year.

The table below summarizes the total capital considered by the Group:

	2021	2020
Capital stock, issued and outstanding (Note 16)	**₱1,960,000**	₱1,700,000
Subscribed capital (Note 16)	–	260,000
Subscription receivable (Note 16)	–	(121,114)
Additional paid-in capital	**2,816,545**	2,816,545
Deficit	**(3,414,263)**	(1,699,966)
	₱1,362,282	₱2,955,465

22. Basic/Diluted Loss per Share

Basic loss per share is computed as follows:

	2021	2020	2019
Net loss attributable to equity holders of the Parent Company	**(₱1,714,297)**	(₱56,102)	(₱272,144)
Divided by weighted average number of common shares issued during the year	**1,960,000,000**	1,960,000,000	1,960,000,000
Basic/diluted loss per share	**(₱0.875)**	(₱0.029)	(₱0.139)

There have been no other transactions involving potential common shares between the reporting date and the date of authorization of the consolidated financial statements.

23. Segment Information

The Group currently has two reportable segments, namely oil and gas activities and coal mining activities. The coal mining operations of BEMC ended in 2014. No operating segments have been aggregated to form the two reportable operating segments.

Operating results of the Group is regularly reviewed by the Group's President, with the authority from the BOD, for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on core net income (loss). Segment performance is evaluated based on core net income or loss for the year.

The Group uses core net income (loss) in evaluating total performance. Core income is the performance of the operating segment based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company excluding the effects of non-recurring items, net of their tax effects. Non-recurring items represent gains (losses) that, through occurrence or size, are not considered usual operating items, such as foreign exchange gains (losses), gains (losses) on disposal of investments, and other non-recurring gains (losses).

Core net income (loss) is not a uniform or legally defined financial measure. Core net income (loss) is presented because the Group believes it is an important measure of its performance and liquidity. The Group relies primarily on the results in accordance with PFRSs and uses core net income (loss) only as supplementary information.

The Group's capital expenditures include acquisitions of property and equipment, and the incurrence of deferred oil and gas exploration costs. The Group has only one geographical segment as the Group operates and derives all its revenue from domestic operations. The Group's operating assets are principally located in the Philippines. Thus, geographical business operation is not required.

Revenues from oil and gas operations of the Group are as follows:

	2021	2020	2019
SC 14 Block C (Galoc)	**₱64,198**	₱30,250	₱69,057
SC 14 Block A (Nido)	**–**	–	3,095
SC 14 Block B (Matinloc)	**–**	–	347
	₱64,198	₱30,250	₱72,499

Annual revenues from the major customers of the Group are as follows:

	2021	2020	2019
Trafigura Pte. Ltd.	**₱64,198**	₱30,250	₱43,378
Hyundai Oilbank Company Ltd	**–**	–	25,679
Pilipinas Shell Petroleum Corporation	**–**	–	3,442
	₱64,198	₱30,250	₱72,499

Crude oil liftings from the Galoc field were sold to customers from nearby Asian countries while all crude oil liftings from the Nido, Matinloc, and North Matinloc oil fields were sold to a customer in the Philippines.

Revenues from oil and gas operations of the Group based on geographic location of customers are as follows:

	2021	2020	2019
Singapore	**₱64,198**	₱30,250	₱43,378
South Korea	–	–	25,679
Philippines	–	–	3,442
	₱64,198	₱30,250	₱72,499

The following tables present revenue and profit, including the computation of EBITDA as derived from the consolidated net income, and certain asset and liability information regarding the Group's operating segments.

As at December 31, 2021:

	Oil and Gas	**Coal**	**Eliminations**	**Total**
Consolidated revenue				
External customers	**₱64,198**	**₱–**	**₱–**	**₱64,198**
Results				
EBITDA	**(₱4,082,691)**	**(₱36)**	**(₱25,616)**	**(4,108,343)**
Income tax benefit	**966,468**	**–**	**–**	**966,468**
Depreciation and depletion	**(1,009)**	**–**	**–**	**(1,009)**
Interest expense and other charges - net	**(9,763)**	**–**	**9,259**	**(504)**
Interest income	**9,565**	**–**	**(9,452)**	**113**
Consolidated net loss	**(₱3,117,430)**	**(₱36)**	**(₱25,809)**	**(₱3,143,275)**
Core net loss	**(₱40,400)**	**(₱36)**	**₱7,979**	**(₱32,457)**
Consolidated total assets	**₱6,655,486**	**₱554**	**(₱3,561,823)**	**₱3,094,217**
Consolidated total liabilities	**₱978,276**	**₱736,335**	**(₱1,236,981)**	**₱477,630**
Other segment information				
Capital expenditures	**₱202,291**	**₱–**	**₱–**	**₱202,291**
Non-cash expenses other than depletion and depreciation	**4,524,388**	**–**	**–**	**4,524,388**

As at December 31, 2020:

	Oil and Gas	Coal	Eliminations	Total
Consolidated revenue				
External customers	₱30,250	₱–	₱–	₱30,250
Results				
EBITDA	(₱253,504)	(₱38)	₱173,481	(₱80,061)
Depreciation and depletion	8,792	–	–	8,792
Interest income	(4,561)	–	–	(4,561)
Income tax benefit	(12,191)	–	11,056	(1,135)
Interest expense and other charges - net	11,958	–	(11,263)	695
Consolidated net loss	(₱249,506)	(₱38)	₱173,274	(₱76,270)
Core net loss	(₱98,432)	(₱38)	₱52,602	(₱45,868)
Consolidated total assets	₱5,754,705	₱2,090	₱998,792	₱6,755,587
Consolidated total liabilities	₱629,826	₱737,836	(₱81,026)	₱1,286,636
Other segment information				
Capital expenditures	₱55,728	₱–	₱–	₱55,728
Non-cash expenses other than depletion and depreciation	16,209	–	–	16,209

As at December 31, 2019:

	Oil and Gas	Coal	Eliminations	Total
Consolidated revenue				
External customers	₱72,499	₱–	₱–	₱72,499
Results				
EBITDA	(₱164,655)	(₱41)	(₱99,703)	(₱264,399)
Depreciation and depletion	(34,507)	–	(1,033)	(35,540)
Interest income	18,916	–	(16,350)	2,566
Income tax expense	1,156	–	–	1,156
Interest expense and other charges - net	(17,021)	–	16,018	(1,003)
Consolidated net loss	(₱196,111)	(₱41)	(₱101,068)	(₱297,220)
Core net loss	(₱60,905)	(₱41)	(₱18,849)	(₱79,795)
Consolidated total assets	₱6,692,713	₱2,128	₱170,438	₱6,865,279
Consolidated total liabilities	₱796,274	₱737,835	(₱185,391)	₱1,348,718
Other segment information				
Capital expenditures	₱83,035	₱–	₱–	₱83,035
Non-cash expenses other than depletion and depreciation	222,132	–	–	222,132

The table below shows the Group's reconciliation of core net loss to the consolidated net loss for the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Core net loss	**(₱32,457)**	(₱45,868)	(₱79,795)
Non-recurring gains (losses)			
Provision for impairment of assets:			
Deferred exploration costs	**(1,828,073)**	–	–
Property and equipment	**–**	(4,578)	(173,782)
Movement in deferred tax	**525,229**	–	–
Loss on write-off of:			
Other current assets	**–**	(179)	–

(Forward)

	2021	2020	2019
Goodwill	**(₱523,609)**	₱–	(₱4,196)
Other noncurrent assets	**–**	–	(324)
Gain from settlement of deed - net	**236,261**	–	–
Provision for decommissioning cost	**(95,415)**	–	–
Foreign exchange gains - net	**8,209**	(7,900)	(10,805)
Net tax effect of aforementioned adjustments	**(4,442)**	2,423	(3,242)
Net loss attributable to:			
Equity holders of the Parent Company	**(1,714,297)**	(56,102)	(272,144)
Non-controlling interests	**(1,428,978)**	(20,168)	(25,076)
	(₱3,143,275)	(₱76,270)	(₱297,220)

24. **Other Noncurrent Liabilities**

	2021	2020
Provision for losses	**₱191,822**	₱182,406
Provision for plug and abandonment costs (Note 9)	**132,152**	5,310
	₱323,974	₱187,716

Share Purchase Agreement (SPA) between FEL and Forum Pacific, Inc.
Under the SPA for FEI dated March 11, 2003, an amount is due to the vendor out of the Group's share of future net revenues generated from SC 40. The timing and extent of such payments is dependent upon future field production performance and cannot be accurately determined at this stage. The provision for losses for the above-mentioned transaction amounted to ₱191,822 and ₱182,406 as at December 31, 2021 and 2020, respectively.

25. **Changes in Liabilities Arising from Financing Activities**

	January 1,2021	**Cash flows**	**Others**	**December 31,2021**
Lease liability (Note 10)	**₱5,207**	**(₱556)**	**₱405**	**₱5,056**

	January 1, 2020	Cash flows	Others	December 31,2020
Lease liability (Note 10)	₱5,294	(₱503)	₱416	₱5,207

Others include interest expense on lease liability amounting to ₱405 and ₱416 in 2021 and 2020, respectively.

SGV
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
PXP Energy Corporation
2/F LaunchPad
Reliance corner Sheridan Streets
Mandaluyong City

We have examined the accompanying consolidated financial statements of PXP Energy Corporation and its subsidiaries as at and for the year ended December 31, 2021, on which we have rendered the attached report dated February 23, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Parent Company has a total number of thirty thousand six hundred twenty-eight (30,628) stockholders owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
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. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854392, January 3, 2022, Makati City

February 23, 2022

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
PXP Energy Corporation
2/F LaunchPad
Reliance corner Sheridan Streets
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PXP Energy Corporation and its subsidiaries as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated February 23, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company'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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
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. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854392, January 3, 2022, Makati City

February 23, 2022

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

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
PXP Energy Corporation
2/F LaunchPad
Reliance corner Sheridan Streets
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PXP Energy Corporation and its subsidiaries 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 February 23, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) 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 consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company'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.

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
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. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854392, January 3, 2022, Makati City

February 23, 2022

PXP ENERGY CORPORATION AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

<u>ANNEX I</u>
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2021

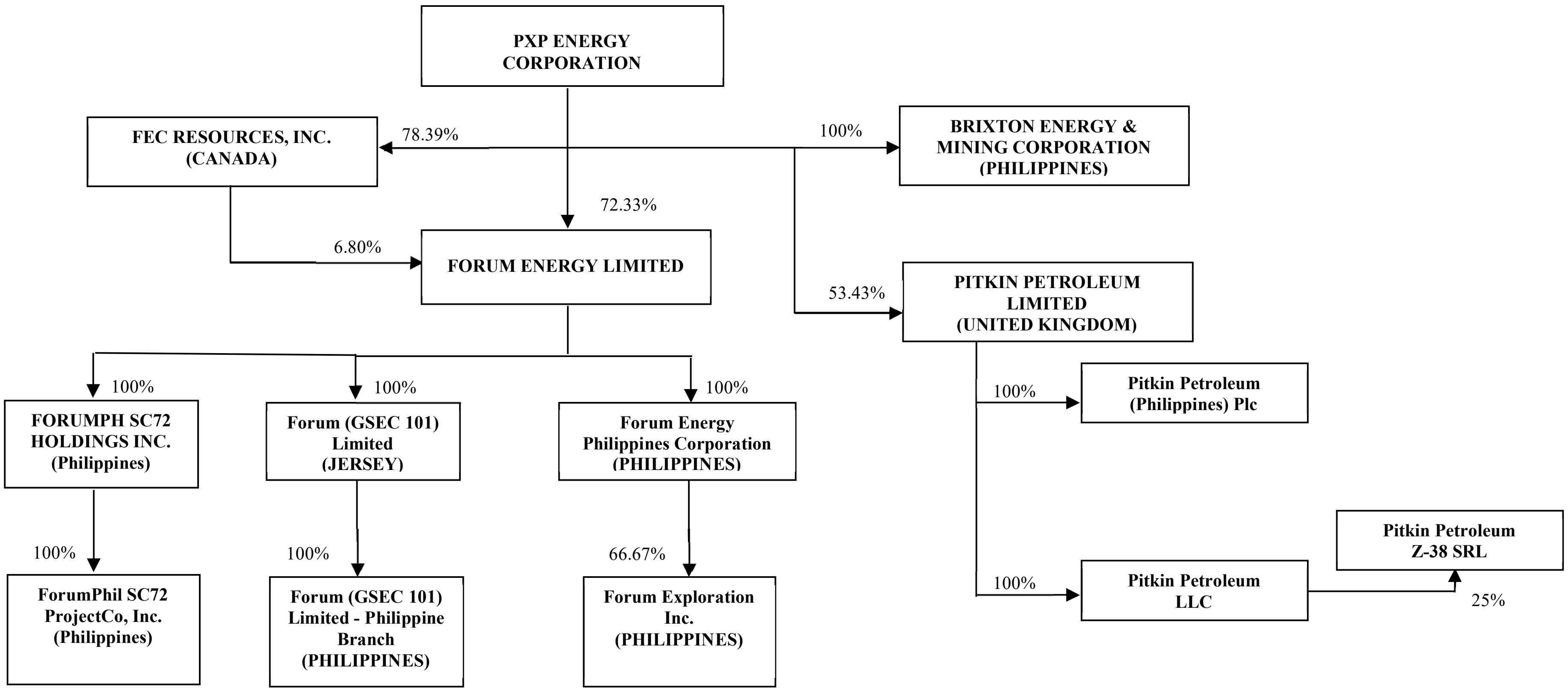
PXP ENERGY CORPORATION
2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City
(Amounts in Thousands)

Deficit as at December 31, 2020, as adjusted			**(₱233,963)**
Add:	**Net income actually earned/realized during the year**		
	Net loss during the year closed to deficit	**(1,385,650)**	
Less:	**Non-actual/unrealized income net of tax**		
	Equity in net income of associate/joint venture	–	
	Unrealized foreign exchange gains - net (except those attributable to cash and cash equivalents)	24,761	
	Unrealized actuarial gain	–	
	Fair value adjustment (mark-to-market gains)	–	
	Fair value adjustment of investment property resulting to gain	–	
	Recognized deferred tax asset that increased the net income	–	
	Adjustment due to deviation from PFRS/GAAP - gain	–	
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal		**24,761**	
Add:	**Non-actual losses**		
	Depreciation on revaluation increment (after tax)	–	
	Adjustment due to deviation from PFRS/GAAP - loss	–	
	Provision for impairment of investment in a subsidiary	1,417,212	
Subtotal		**1,417,212**	
Net income actually earned during the year			**6,801**
Add (less):			
	Dividend declarations during the year	–	
	Appropriations of retained earnings during the year	–	
	Reversals of appropriations	–	
	Effects of prior period adjustments	–	
	Treasury shares	–	
Subtotal			–
Deficit as at December 31, 2021, as adjusted			**(₱227,162)**

ANNEX II
PXP ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2021

	2021	2020	2019
Current ratio	**10.62**	7.86	4.06
Acid test ratio	**10.13**	7.08	3.75
Solvency ratio	**(6.58)**	(0.06)	(0.19)
Debt-to-equity ratio	**0.18**	0.24	0.24
Asset-to-equity ratio	**1.18**	1.24	1.24
Interest rate coverage ratio	**–**	–	–
Return on equity	**(1.20)**	(0.01)	(0.05)
Return on assets	**(1.02)**	(0.01)	(0.04)
Net profit (loss) margin	**(48.96)**	(2.52)	(4.10)

ANNEX III
PXP ENERGY CORPORATION AND SUBSIDIARIES
A MAP SHOWING THE RELATIONSHIP BETWEEN THE PARENT COMPANY AND ITS SUBSIDIARIES
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2021



ANNEX IV
PXP ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE A
FINANCIAL ASSETS
December 31, 2021
(Amounts in Thousands, Except Number of Shares)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued

NOT APPLICABLE

<u>ANNEX IV</u>
PXP ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE B
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2021

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period

NOT APPLICABLE

ANNEX IV
PXP ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION
December 31, 2021
(Amounts in Thousands)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Subsidiary							
Receivables:							
Forum (GSEC 101) Limited *(Jersey)*	₱234,345	₱40,689	₱15,388	₱–	₱259,646	₱–	₱259,646
Forum Energy Limited	2,535	90,739	–	–	93,274	–	93,274
Forum Energy Philippines Corporation	84,367	116,261	–	–	200,628	–	200,628
Forum Exploration, Inc.	1,697	–	1,697	–	–	–	–
Pitkin Petroleum (Philippines) Plc	179	99	–	–	278	–	278
Brixton Energy & Mining Corporation	737,815	–	1,500	–	736,315	–	736,315
	₱1,060,938	₱247,788	₱18,585	₱–	₱1,290,141	₱–	₱1,290,141

ANNEX IV
PXP ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE D
LONG TERM DEBT
December 31, 2021
(Amounts in Thousands)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown caption "Long-term Debt" in related balance sheet

NOT APPLICABLE

ANNEX IV
PXP ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE E
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
December 31, 2021

Name of the Related Party	Balance at beginning of period	Balance at end of period

NOT APPLICABLE

<u>ANNEX IV</u>

PXP ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE F
GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2021

Name of issuing entity of securities guaranteed by the company for which the statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is lifted	Nature of guarantee

NOT APPLICABLE

ANNEX IV
PXP ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE G
CAPITAL STOCK
December 31, 2021

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding and 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	6,800,000,000	1,960,000,000	–	595,864,728	1,963,288	–

Kristine M. Marcos

From: eafs@bir.gov.ph
Sent: Tuesday, 10 May 2022 3:10 pm
To: Kristine M. Marcos
Cc: Kristine M. Marcos
Subject: Your BIR AFS eSubmission uploads were received

Hi PXP ENERGY CORPORATION,

Valid files

- EAFS006940588RPTTY122021.pdf
- EAFS006940588ITRTY122021.pdf
- EAFS006940588AFSTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-9576AFK60ABC89FLDPSNPSTN203RQVP3SZ**
Submission Date/Time: **May 10, 2022 03:10 PM**
Company TIN: **006-940-588**

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

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

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errors or omissions in the contents of this message which arise as a result
of e-mail transmission.
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For Encrypted Emails click here for instructions

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 006-940-588-000
Name	: PXP ENERGY CORPORATION
RDO	: 041
Form Type	: 1702
Reference No.	: 462200047230910
Amount Payable (Over Remittance)	: 109,271.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2021
Date Filed	: 04/12/2022
Tax Type	: IT

Proceed to Payment

[BIR Main | eFPS Login | User Menu | Help]

Republika ng Pilipinas
Kagawaran ng Pananalapi
Kawanihan ng Rentas Internas

eFPS Payment Details

TIN : 006 - 940 - 588 - 000
Name : PXP ENERGY CORPORATION
Tax Period : 12/31/2021
Reference Number : 462200047230910
Tax Type : IT - Annual Income Tax Return (REGULAR)

Payment Transaction Number : 227134537
Date : 04/12/2022
Cash Amount Paid : 109,271.00
Bank : 043000 - UNIONBANK

Origin	Bank Code	Amount	Number	Date	Status	Message	CBR BCS No.
Pending Online Confirmation	043000	109,271.00	-		Unknown	60 - Details of Payment were redirected to the corresponding Bank. Please verify with your Bank.	57062
Batch Confirmation	043000	109,271.00	00000000000S29254941	04/13/2022	Authorized	0 - Successful	57062
Batch Acknowledgment	043000	109,271.00	00000000000S29254941	04/13/2022	Authorized	0 - Successful	57062

Payment Transaction Number : 227134294
Date : 04/12/2022
Cash Amount Paid : 109,271.00
Bank : 043000 - UNIONBANK

Origin	Bank Code	Amount	Number	Date	Status	Message	CBR BCS No.
Pending Online Confirmation	043000	109,271.00	-		Unknown	60 - Details of Payment were redirected to the corresponding Bank. Please verify with your Bank.	0

No Available Batch Confirmation
No Available Batch Acknowledgement

Payment Transaction Number : 227133519
Date : 04/12/2022
Cash Amount Paid : 109,271.00
Bank : 043000 - UNIONBANK

Origin	Bank Code	Amount	Number	Date	Status	Message	CBR BCS No.
Pending Online Confirmation	043000	109,271.00	-		Unknown	60 - Details of Payment were redirected to the corresponding Bank. Please verify with your Bank.	0

No Available Batch Confirmation
No Available Batch Acknowledgement

Total Payments (Successful/Unsuccessful): 327,813.00
Total Payments (Successful) : 109,271.00

Print Close

Reference No : 462200047230910
Date Filed : April 12, 2022 10:56 AM
Batch Number : 0

For BIR Use Only: BCS/ Item:

Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

BIR Form No. **1702-RT** January 2018(ENCS) **Page 1**	**Annual Income Tax Return** **For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate** *Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.*	1702-RT 01/18ENCS P1

1 For: (•) Calendar ( ) Fiscal
2 Year Ended (MM/20YY): 12/2021
3 Amended Return? ( ) Yes (•) No
4 Short Period Return? ( ) Yes (•) No
5 Alphanumeric Tax Code (ATC): IC055 Minimum Corporate Income Tax (MCIT); IC010

Part I - Background Information

6 Taxpayer Identification Number (TIN)	006 - 940 - 588 - 000
7 RDO Code	041
8 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*	PXP ENERGY CORPORATION
9A Registered Address *(Indicate complete registered address)*	2/F LAUNCHPAD RELIANCE COR SHERIDAN STREETS MANDALUYONG CITY
9B Zipcode	1550
10 Date of Incorporation/Organization (MM/DD/YYYY)	
11 Contact Number	6311381
12 Email Address	mhrilles@pxpenergy.com.ph

13 Method of Deductions: (•) Itemized Deductions [Section 34 (A-J), NIRC] ( ) Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]

Part II - Total Tax Payable *(Do NOT enter Centavos)*

14 Total Income Tax Due (Overpayment) *(From Part IV Item 43)*		247,336
15 Less: Total Tax Credits/Payments *(From Part IV Item 55)*		138,065
16 Net Tax Payable (Overpayment) *(Item 14 Less Item 15) (From Part IV Item 56)*		109,271
Add Penalties		
17 Surcharge	0	
18 Interest	0	
19 Compromise	0	
20 Total Penalties *(Sum of Items 17 to 19)*		0
21 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Item 16 and 20)*		109,271

If Overpayment, mark "X" one box only *(Once the choice is made, the same is irrevocable)*
( ) To be refunded ( ) To be issued a Tax Credit Certificate (TCC) ( ) To be carried over as tax credit next year/quarter

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If Authorized Representative, attach authorization letter and indicate TIN)*

Daniel Stephen P. Carlos		Mark Raymond H. Rilles		**22** Number of Attachments
Signature over printed name of President/Principal Officer/Authorized Representative		Signature over printed name of Treasurer/Assistant Treasurer		
Title of Signatory: PRESIDENT	TIN 108105015	Title of Signatory: FINANCE OFFICER	TIN 235826642	4

Part III - Details of Payment				
Particulars	**Drawee Bank/Agency**	**Number**	**Date** *(MM/DD/YYYY)*	**Amount**
23 Cash/Bank Debit Memo				0
24 Check				0
25 Tax Debit Memo				0
26 Others *(Specify Below)*				
				0

Machine Validation/Revenue Official Receipts Details *(if not filed with an Authorized Agent Bank)*	*Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)*

BIR Form No. **1702-RT** January 2018(ENCS) **Page 2**	**Annual Income Tax Return** **Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate**	1702-RT 01/18ENCS P2

Taxpayer Identification Number (TIN)	**Registered Name**
006 - 940 - 588 - 000	PXP ENERGY CORPORATION

Part IV - Computation of Tax *(Do NOT enter Centavos)*

27 Sales/Receipts/Revenues/Fees		24,733,585
28 Less: Sales Returns, Allowances and Discounts		0
29 Net Sales/Receipts/Revenues/Fees *(Item 27 Less Item 28)*		24,733,585
30 Less: Cost of Sales/Services		0
31 Gross Income from Operation *(Item 29 Less Item 30)*		24,733,585
32 Add: Other Taxable Income Not Subjected to Final Tax		0
33 Total Taxable Income *(Sum of Items 31 and 32)*		24,733,585
Less: Deductions Allowable under Existing Law		
34 Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)	36,158,768	
35 Special Allowable Itemized Deductions (From Part VI Schedule II Item 5)	0	
36 NOLCO *(only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code)* (From Part VI Schedule III Item 8)	0	
37 Total Deductions *(Sum of Items 34 to 36)*	36,158,768	
OR *[in case taxable under Sec 27(A) & 28(A)(1)]*		
38 Optional Standard Deduction *(40% of Item 33)*	0	
39 Net Taxable Income/(Loss) *(If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)*		(11,425,183)
40 Applicable Income Tax Rate		25 %
41 Income Tax Due other than Minimum Corporate Income Tax (MCIT) *(Item 39 x Item 40)*		0
42 MCIT Due *(2% of Item 33)*		247,336
43 Tax Due *(Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher)* (To Part II Item 14)		247,336
Less: Tax Credits/Payments (attach proof)		
44 Prior Year's Excess Credits Other Than MCIT		0
45 Income Tax Payment under MCIT from Previous Quarter/s		138,065
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s		0
47 Excess MCIT Applied this Current Taxable Year *(From Part VI Schedule IV Item 4)*		0
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307		0
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter		0
50 Foreign Tax Credits, if applicable		0
51 Tax Paid in Return Previously Filed, if this is an Amended Return		0
52 Special Tax Credits (To Part V Item 58)		0
Other Credits/Payments *(Specify)*		
53		0
54		0
55 Total Tax Credits/Payments (Sum of Items 44 to 54) (To Part II Item 15)		138,065
56 Net Tax Payable / (Overpayment) *(Item 43 Less Item 55)*) (To Part II Item 16)		109,271

Part V - Tax Relief Availment

57 Special Allowable Itemized Deductions *(Item 35 of Part IV x Applicable Income Tax Rate)*	0
58 Add: Special Tax Credits (From Part IV Item 52)	0
59 Total Tax Relief Availment *(Sum of Items 57 and 58)*	0

BIR Form No.
1702-RT
January 2018(ENCS)
Page 3

Annual Income Tax Return

Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

1702-RT 01/18ENCS P3

Taxpayer Identification Number (TIN)	**Registered Name**
006 - 940 - 588 - 000	PXP ENERGY CORPORATION

Schedule I - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

1 Amortizations	0
2 Bad Debts	0
3 Charitable Contributions	0
4 Depletion	585,838
5 Depreciation	0
6 Entertainment, Amusement and Recreation	120,400
7 Fringe Benefits	0
8 Interest	0
9 Losses	0
10 Pension Trust	0
11 Rental	0
12 Research and Development	0
13 Salaries, Wages and Allowances	17,772,748
14 SSS, GSIS, Philhealth, HDMF and Other Contributions	328,140
15 Taxes and Licenses	1,914,569
16 Transportation and Travel	164,424
17 Others (Deductions Subject to Withholding Tax and Other Expenses) *[Specify below; Add additional sheet(s), if necessary]*	
a Janitorial and Messengerial Services	0
b Professional Fees	3,224,129
c Security Services	0
d REALIZED FOREIGN EXCHANGE LOSS	5,061,356
e INSURANCE	3,933,586
f STOCKHOLDERS EXPENSES	1,498,023
g ASSOCIATION DUES	412,274
h FUEL AND OIL	385,043
i OTHERS	758,238
18 Total Ordinary Allowable Itemized Deductions *(Sum of Items 1 to 17i)* (To Part IV Item 34)	36,158,768

Schedule II - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions *(Sum of Items 1 to 4)* (To Part IV Item 35)		0

BIR Form No. **1702-RT** January 2018(ENCS) **Page 4**	**Annual Income Tax Return** **Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate**	1702-RT 01/18ENCS P4

Taxpayer Identification Number (TIN)	**Registered Name**
006 - 940 - 588 - 000	PXP ENERGY CORPORATION

Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income *(From Part IV Item 33)*	24,733,585
2 Less: Ordinary Allowable Itemized Deductions *(From Part VI Schedule I Item 18)*	36,158,768
3 Net Operating Loss*(Item 1 Less Item 2) (To Schedule IIIA, Item 7A)*	(11,425,183)

Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO) *(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)*

	Net Operating Loss		B) NOLCO Applied Previous Year
	Year Incurred	A) Amount	
4	2021	11,425,183	0
5		0	0
6		0	0
7		0	0

Continuation of Schedule IIIA (Item numbers continue from table above)

	C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied) *[E = A Less (B + C + D)]*
4	0	0	11,425,183
5	0	0	0
6	0	0	0
7	0	0	0
8 Total NOLCO *(Sum of Items 4D to 7D) (To Part IV, Item 36)*		0	

Schedule IV - Computation of Minimum Corporate Income Tax (MCIT)

	Year	A) Normal Income Tax as adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	2020	0	414,196	414,196
2	2019	0	716,698	716,698
3	2018	0	393,754	393,754

Continuation of Schedule IV *(Item numbers continue from table above)*

	D) Excess MCIT Applied/Used in Previous Years	E) Expired Portion of Excess MCIT	**F) Excess MCIT Applied this Current Taxable Year**	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)]
1	0	0	0	414,196
2	0	0	0	716,698
3	0	393,754	0	0
Total Excess MCIT Applied *(Sum of Items 1F to 3F)* (To Part IV Item 47)			0	

Schedule V - Reconciliation of Net Income per Books Against Taxable Income *(attach additional sheet/s, if necessary)*

1 Net Income/(Loss) per books	(1,398,971,805)
Add: Non-deductible Expenses/Taxable Other Income	
2 PROVISION FOR IMPAIRMENT	1,418,711,771
3 NONDEDUCTIBLE DONATIONS	149,686
4 Total *(Sum of Items 1 to 3)*	19,889,652
Less: A) Non-Taxable Income and Income Subjected to Final Tax	
5 UNREALIZED FOREIGN EXCHANGE GAIN IN 2021	24,760,911
6 OTHERS	6,553,924

B) Special Deductions

7	0
8	0
9 Total (Sum of Items 5 to 8)	31,314,835
10 Net Taxable Income/(Loss) (Item 4 Less Item 9)	(11,425,183)

PXP ENERGY CORPORATION
(formerly Philex Petroleum Corporation)
Philex Building
2F LaunchPad, Reliance cor. Sheridan Sts.
Mandaluyong City, 1550, Philippines
Tel.: (632) 8631-1381 to 88
Fax: (632) 8570-0686

STATEMENT OF MANAGEMENT'S RESPONSIBILTY FOR ANNUAL INCOME TAX RETURN

The Management of **PXP ENERGY CORPORATION** ("the Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2021**. Management is likewise responsible for all the information contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2021** and the accompanying Annual Income Tax Return are in accordance with the books and records of **PXP ENERGY CORPORATION**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) the **PXP ENERGY CORPORATION** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Mr. Manuel V. Pangilinan
Chairman of the Board

Mr. Daniel Stephen P. Carlos
President

Ms. Paraluman M. Navarro
Treasurer

Signed this 23rd day of February 2022

Signed this 23rd day of February 2022
SUBSCRIBED AND SWORN to before me this APR 0 7 2022 day of ____________ 2022, affiants exhibiting to me the following:

Name	Government Issued ID Card No.	Date and Place Issued
Manuel V. Pangilinan	Philippine Passport No. P9969361A	Issued on 18 December 2018 at DFA NCR East
Daniel Stephen P. Carlos	Philippine Passport No. P5757485A	Issued on 25 January 2018 at DFA NCR South
Paraluman M. Navarro	PRC ID Card Registration No. 0084884	Issued on 27 February 2019 at PRC NCR East

each bearing their photographs and signatures, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

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Book No.: II
Series of 2022

ROBIN BRYAN F. CONCEPCION
OTARY PUBLIC FOR AND IN THE CITY OF MANDALUYONG
APPOINTMENT NO. 0545-22 (2022-2023)
COMMISSION EXPIRES ON DECEMBER 31, 2023
2nd Floor, LaunchPad, Reliance St. cor. Sheridan St.,
Mandaluyong City, 1550
R O.R. No. 4861809 / 01-03-22 / Mandaluyong C
o. 198117; 01/10/22; Pasig City- Manila III Ch
Roll of Attorneys No. 62424

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	7	1	9	8	1	9

C O M P A N Y   N A M E

P X P   E N E R G Y   C O R P O R A T I O N

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

2 / F   L a u n c h P a d ,   R e l i a n c e   c o r n e r
S h e r i d a n   S t r e e t s ,   M a n d a l u y o n g
C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	C R M D	N / A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
pxp_sec@pxpenergy.com.ph	(632) 8631-1381	0999-991-0731

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
38,599	6/25	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
Daniel Stephen P. Carlos	pxp_sec@pxpenergy.com.ph	(632) 8631-1381	0999-991-0731

CONTACT PERSON's ADDRESS

2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City

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

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

PXP ENERGY CORPORATION
(formerly Philex Petroleum Corporation)
Philex Building
2F LaunchPad, Reliance cor. Sheridan Sts.
Mandaluyong City, 1550, Philippines
Tel.: (632) 8631-1381 to 88
Fax: (632) 8570-0686

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

The management of **PXP ENERGY CORPORATION** ("the Company") is responsible for the preparation and fair presentation of the 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 no 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, has expressed its opinion on the fairness of presentation upon completion of such audit.

Mr. Manuel V. Pangilinan
Chairman of the Board

Mr. Daniel Stephen P. Carlos
President

Ms. Paraluman M. Navarro
Treasurer

Signed this 23rd day of February 2022

Signed this 23rd day of February 2022

SUBSCRIBED AND SWORN to before me this APR 07 2022 day of ____________ 2022, affiants exhibiting to me the following:

Name	Government Issued ID Card No.	Date and Place Issued
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Paraluman M. Navarro	PRC ID Card Registration No. 0084884	Issued on 27 February 2019 at PRC NCR East

each bearing their photographs and signatures, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

ROBIN BRYAN F. CONCEPCION
NOTARY PUBLIC FOR AND IN THE CITY OF MANDALUYONG
APPOINTMENT NO. 0545-22 (2022-2023)
COMMISSION EXPIRES ON DECEMBER 31, 2023
2nd Floor, LaunchPad, Reliance St. cor. Sheridan St., Mandaluyong City, 1550
PTR O.R. No. 4861809 / 01-03-22 / Mandaluyong C...
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
PXP Energy Corporation
2/F LaunchPad
Reliance corner Sheridan Streets
Mandaluyong City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of PXP Energy Corporation (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 19 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of PXP Energy Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

AZ Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
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. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854392, January 3, 2022, Makati City

February 23, 2022

PXP ENERGY CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Note 4)	**₱39,390,391**	₱67,339,047
Receivables - net (Notes 5 and 15)	**294,265,549**	95,332,560
Loan receivable (Note 15)	**259,646,311**	227,869,231
Other current assets (Note 6)	**13,717,689**	12,041,230
Total Current Assets	**607,019,940**	402,582,068
Noncurrent Assets		
Investments in subsidiaries (Note 7)	**1,739,006,376**	3,157,718,147
Property and equipment - net (Note 8)	**1,538,265**	1,856,071
Deferred oil and gas exploration costs - net (Note 9)	**201,625,612**	195,048,722
Total Noncurrent Assets	**1,942,170,253**	3,354,622,940
TOTAL ASSETS	**₱2,549,190,193**	₱3,757,205,008
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 10 and 15)	**₱84,976,152**	₱15,086,033
Income tax payable	**109,271**	47,129
Total Current Liabilities	**85,085,423**	15,133,162
Noncurrent Liability		
Deferred tax liabilities - net (Note 14)	**111,882,240**	125,313,292
Total Liabilities	**196,967,663**	140,446,454
Equity		
Capital stock (₱1 par value) (Notes 13 and 18)		
Authorized - 6,800,000,000 common shares		
Issued and subscribed - 1,960,000,000 common shares	**1,960,000,000**	1,960,000,000
Additional paid-in capital (Note 13)	**2,816,544,913**	2,816,544,913
Subscription receivable (Notes 13 and 18)	**–**	(121,114,000)
Deficit	**(2,424,322,383)**	(1,038,672,359)
Total Equity	**2,352,222,530**	3,616,758,554
TOTAL LIABILITIES AND EQUITY	**₱2,549,190,193**	₱3,757,205,008

See accompanying Notes to Parent Company Financial Statements.

PXP ENERGY CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**₱31,247,097**	₱30,038,201
OTHER CHARGES - net (Note 12)	**1,367,724,708**	162,569,722
LOSS BEFORE INCOME TAX	**1,398,971,805**	192,607,923
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 14)		
Current	**109,271**	552,261
Deferred	**(13,431,052)**	(9,550,569)
	(13,321,781)	(8,998,308)
NET LOSS	**1,385,650,024**	183,609,615
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE LOSS	**₱1,385,650,024**	₱183,609,615

See accompanying Notes to Parent Company Financial Statements.

PXP ENERGY CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Capital stock (Note 13)	Additional paid-in capital	Subscription receivable (Note 13)	Deficit	Total
BALANCES AT DECEMBER 31, 2019	**₱1,960,000,000**	**₱2,816,544,913**	**(₱184,300,000)**	**(₱855,062,744)**	**₱3,737,182,169**
Net loss	–	–	–	(183,609,615)	(183,609,615)
Other comprehensive income	–	–	–	–	–
Total comprehensive loss	–	–	–	(183,609,615)	(183,609,615)
Proceeds from subscription, net of transaction costs	–	–	63,186,000	–	63,186,000
BALANCES AT DECEMBER 31, 2020	**1,960,000,000**	**2,816,544,913**	**(121,114,000)**	**(1,038,672,359)**	**3,616,758,554**
Net loss	–	–	–	(1,385,650,024)	(1,385,650,024)
Other comprehensive income	–	–	–	–	–
Total comprehensive loss	–	–	–	(1,385,650,024)	(1,385,650,024)
Proceeds from subscription, net of transaction costs	–	–	121,114,000	–	121,114,000
BALANCES AT DECEMBER 31, 2021	**₱1,960,000,000**	**₱2,816,544,913**	**₱–**	**(₱2,424,322,383)**	**₱2,352,222,530**

See accompanying Notes to Parent Company Financial Statements.

PXP ENERGY CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱1,398,971,805)**	(₱192,607,923)
Adjustments for:		
Provision for impairment of investment in a subsidiary (Notes 7 and 12)	**1,418,711,771**	–
Unrealized foreign exchange losses (gains) - net	**(24,760,911)**	17,522,432
Interest income (Notes 4, 12, and 15)	**(8,938,127)**	(11,495,334)
Depreciation (Note 8)	**585,838**	522,685
Loss on sale of investments in subsidiaries (Notes 7 and 12)	–	155,069,346
Operating loss before working capital changes	**(13,373,234)**	(30,988,794)
Decrease (increase) in:		
Receivables	**7,487,612**	(4,765,873)
Other current assets	**(1,620,142)**	(1,405,528)
Advances to affiliates	**(203,901,666)**	(24,136,253)
Increase (decrease) in:		
Trade and other payables	**3,904,457**	(10,253,922)
Advances from affiliates	**65,985,662**	(1,304,784)
Net cash used in operations	**(141,517,311)**	(72,855,154)
Interest received	**15,387,583**	49,238,946
Income taxes paid	**(103,446)**	(1,071,404)
Net cash flows used in operating activities	**(126,233,174)**	(24,687,612)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in loans receivable	**(16,437,113)**	38,511,526
Additions to:		
Deferred oil and gas exploration costs - net (Note 9)	**(6,576,890)**	(8,087,509)
Property and equipment - net (Note 8)	**(268,032)**	(1,510,982)
Acquisition of non-controlling interest (Note 7)	–	(142,432,631)
Proceeds from sale of investment in subsidiaries (Note 7)	–	22,017,018
Net cash flows used in investing activities	**(23,282,035)**	(91,502,578)
CASH FLOWS FROM FINANCING ACTIVITY		
Collection of subscription receivable (Notes 1 and 13)	**121,114,000**	63,186,000
NET DECREASE IN CASH	**(28,401,209)**	(53,004,190)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	**452,553**	(408,229)
CASH AT BEGINNING OF YEAR	**67,339,047**	120,751,466
CASH AT END OF YEAR (Note 4)	**₱39,390,391**	₱67,339,047

See accompanying Notes to Parent Company Financial Statements.

1. **Corporate Information and Authorization for Issuance of the Parent Company Financial Statements**

Corporate Information

PXP Energy Corporation (the Parent Company or PXP) was incorporated in the Philippines on December 27, 2007 to carry on businesses related to any and all kinds of petroleum and petroleum products, mineral oils, and other sources of energy. PXP was subsequently listed on the Philippine Stock Exchange (PSE) on September 12, 2011.

PXP's registered business address is 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City.

Forum Energy Limited (FEL) and FEC Resources, Inc. (FEC)

On April 16, 2020, PXP increased its direct shareholding in FEL from 72.24% to 72.33%. The additional interest was acquired through a subscription to 6,099,626 new ordinary shares of FEL. The new shares were issued at approximately US$0.30 per share for a total consideration of US$1,829,888 (see Note 7).

On August 5, 2020, PXP increased its direct shareholding in FEC from 54.99% to 78.39%. This increased PXP's total economic interest in Forum from 76.07% to 77.66%. The additional interest was acquired through a subscription to 449,999,986 new ordinary shares of FEC through a stock rights offering. The new shares were issued at approximately US$0.00225 per share for a total consideration of US$1,012,500.

Pitkin Petroleum Limited (Pitkin)

On October 2, 2020, Pitkin bought back 8.5 million of its total issued shares at a price of US$0.10 per share for a total consideration of US$850,000. PXP sold 4,541,464 of Pitkin shares for a total consideration of US$454,146 while the minority shareholders sold their pro-rata share of 3,958,536 shares for a total consideration of US$395,854. The transaction did not affect PXP's 53.43% stake in Pitkin.

In April 2021, Karoon Gas Australia Inc. (Karoon) notified Pitkin that it does not wish to enter the fourth exploration period and will withdraw from the contract and the joint operating agreement. In view of this, Pitkin sent a Notice of Dispute to Karoon on May 25, 2021 and issued a claim against Karoon for breach of its farm-in agreement obligations that include fully funding all exploration activities until the second well is drilled. On July 27, 2021, the license contract for Block Z-38 expired due to Karoon's failure to enter the fourth exploration period and to carry Pitkin to one well under the farm-in agreement.

On September 17, 2021, Pitkin and Karoon entered into a Deed of Settlement and Release to settle all disputes in connection with Block Z-38. Under the deed, Karoon will pay Pitkin US$9.6 million in cash in full and final settlement of all claims by Pitkin in the block. The deed became effective upon the receipt of the cash settlement by Pitkin on October 4, 2021. As a result, the PXP Group recognized allowance for impairment loss on deferred exploration cost amounting to ₱3,421 million in the consolidated financial statements in 2021, consequently the Parent Company recognized an allowance for impairment loss on investment in Pitkin amounting to ₱1,418,711,771 (see Note 7).

Philex Mining Corporation (PMC)
On October 26, 2018, PXP, PMC and Dennison Holdings Corp. (DHC), signed a subscription agreement wherein PMC and DHC will subscribe to 260,000,000 and 340,000,000 common shares of PXP, for a total consideration of ₱3,081,000,000 and ₱4,029,000,000, respectively.

On December 27, 2018, PMC paid the 25% downpayment of ₱770,250,000. As a result of the transaction, PMC's total ownership interest in PXP increased from 19.76% to 30.40% as at December 31, 2018.

PMC paid subscription payable to PXP amounting to ₱121,114,000, ₱63,186,000 and ₱2,126,450,000 in 2021, 2020 and 2019, respectively. The balance of subscription payable in relation to the subscription agreement with PXP amounted to nil and ₱121,114,000 as at December 31, 2021 and 2020, respectively (see Note 13).

On January 7, 2019, DHC paid an initial downpayment of ₱40,290,000, with the remaining balance due on March 31, 2019. However, DHC failed to pay the remaining balance, thereby forfeiting its downpayment in favor of PXP.

On March 31, 2019, PXP and DHC mutually agreed to terminate the subscription agreement. All rights of DHC to subscribe to the aforesaid common shares of PXP, and any obligation of PXP to issue such shares to DHC, are terminated without any residual rights of any kind remaining with DHC. Accordingly, all other rights of PXP under the agreement are terminated, including the right to receive payment of the remaining balance of the subscription price. Consequently, PXP recognized a ₱40,290,000 gain on termination of the subscription agreement.

Recovery of Deferred Oil and Gas Exploration Costs
The Parent Company's ability to realize its deferred oil and gas exploration costs with carrying value amounting to ₱201,625,612 and ₱195,048,722 as at December 31, 2021 and 2020, respectively (see Note 9), depends on the success of its exploration and future development work in proving the viability of its oil and gas properties to produce oil and gas in commercial quantities, which cannot be determined yet at this time. The parent company financial statements do not include any adjustment that might result from this uncertainty.

Other Matters
In a move to contain the COVID-19 outbreak, countries around the world imposed stringent social distancing measures to mitigate the impact of the outbreak. These include the Philippines, United Kingdom and Peru where the Parent Company's subsidiaries are located. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. These also caused macroeconomic uncertainty with regard to supply and demand for oil and gas products and volatility in terms of global crude oil prices.

Since most of the Parent Company's oil and gas assets are in the early or latter stage of evaluation and exploration activities, management believes that the COVID-19 pandemic will have minimal impact on the Parent Company's earnings, cash flow and financial condition. It is expected that at the point of future production of the oil and gas exploration assets of the Parent Company, the impact of COVID-19 in the oil and gas industry has already been normalized.

To protect the welfare and safety of the personnel, the Parent Company has measures in place to reduce the risk of infection on its personnel and strictly follows government guidelines to contain the spread of the virus.

Authorization for Issuance of the Parent Company Financial Statements
The accompanying parent company financial statements as at and for the years ended December 31, 2021 and 2020 were authorized for issuance by the BOD on February 23, 2022.

2. **Basis of Preparation, Summary of Significant Accounting Policies and Financial Reporting Practices**

Basis of Preparation
The parent company financial statements have been prepared on a historical cost basis. The parent company financial statements are presented in Philippine Peso (Peso), which is the Parent Company's functional currency, and all amounts are rounded to the nearest Peso except when otherwise indicated.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Parent Company.

- 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. As there are no rent concessions granted to the Parent Company as a lessee, this amendment had no impact on the parent company financial statements.

- 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 Parent Company shall also disclose information about:

- o 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
- o Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Parent Company adopted the amendments beginning January 1, 2021. The adoption of these amendments had no impact on the parent company financial statements as at and for the year ended December 31, 2021.

Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Parent Company 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*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
    - o Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    - o Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
    - o Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

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

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

Summary of Significant Accounting Policies and Financial Reporting Practices

Presentation of Financial Statements

The Parent Company has elected to present all items of recognized income and expenses in one single parent company statement of comprehensive income.

Interests in Joint Arrangements
PFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

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

In relation to its interests in joint operations, the Parent Company recognizes its:
- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Current Versus Noncurrent Classification
The Parent Company presents assets and liabilities in the parent company statements of financial position based on current and noncurrent classification. An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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.

Initial Recognition and Subsequent Measurement of Financial Assets
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

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

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

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

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

The Parent Company has no financial assets at FVPL and FVOCI.

Subsequent Measurement

Financial assets at amortized cost (debt instruments)

The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at amortized cost include cash, receivables security deposits under other current assets, and loan receivable (see Notes 4, 5, 6 and 15).

Impairment of Financial Assets

The Parent Company recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original EIR. 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).

In determining the credit risk exposure for cash in banks, the Parent Company has established probability of default rates based on available credit ratings published by third party credit rating agencies. The credit ratings already considered forward-looking information. When a counterparty does not have published credit ratings, the Parent Company benchmarks the credit ratings of comparable companies, adjusted to account for the difference in size and other relevant metrics.

The Parent Company considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Parent Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

Definition of default
The Parent Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.
- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Parent Company, in full (without taking into account any collaterals held by the Parent Company).

Irrespective of the above analysis, the Parent Company considers that default has occurred when a financial asset is not paid on demand unless the Parent Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Derecognition of Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired
- the Parent Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

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

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

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge 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.

This category includes the Parent Company's trade and other payables (except government payables) and advances from affiliates.

Subsequent measurement

After initial recognition, trade payables and accrued expenses are subsequently measured at amortized cost using the EIR method. 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 profit or loss.

Derecognition of Financial Liabilities

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statements 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 assets and settle the liabilities simultaneously.

Determination of Fair Value

An analysis of the fair values of financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed and further details as to how they are measured are provided in the Note 17.

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

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

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

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

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

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

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

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

Cash

Cash consists of cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates.

Other Current Assets

Other current assets include security deposits, input value-added tax (VAT) and prepaid taxes. Other current assets that are expected to be realized for no more than 12 months after the end of the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statements of financial position. When input VAT exceeds output VAT, the excess is recognized as an asset in the parent company statements of financial position to the extent of the recoverable amount.

Prepaid tax

Prepaid tax are amounts withheld from income of the Parent Company subject to expanded withholding taxes. Prepaid taxes can be utilized as payments for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules of Philippine income taxation.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Parent Company recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of ‘Property and equipment’ as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the parent company statements of comprehensive income when incurred.

Depreciation of items of property and equipment is computed using the straight-line method over their estimated useful lives of the assets, as follows:

Asset Category	Number of Years
Transportation equipment	5
Office equipment	3-5

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*. Depreciation is recognized in the parent company statements of comprehensive income or capitalized as part of cost of another asset, as applicable.

When assets are sold or retired, the cost and related accumulated depreciation and accumulated impairment in value are removed from the accounts and any resulting gain or loss is recognized in the parent company statements of comprehensive income.

The estimated useful lives and depreciation methods are reviewed periodically to ensure that residual values, periods and methods of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Deferred Oil and Gas Exploration Costs

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with exploration are capitalized under 'Deferred oil and gas exploration costs' account. The Parent Company's deferred oil and gas exploration costs are specifically identified of each SC area. All oil and gas exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses.

If no potentially commercial hydrocarbons are discovered, the deferred oil and gas exploration asset is written off through the parent company statements of comprehensive income. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried under deferred oil and gas exploration costs account while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as deferred oil and gas exploration costs.

At the completion of the exploration phase, if technical feasibility is demonstrated and commercial reserves are discovered, then, following the decision to continue into the development phase, the oil and gas exploration costs relating to the SC, where oil and gas in commercial quantities are discovered, is assessed for impairment and (if required) and any impairment loss is recognized in the profit or loss. After which the remaining balance is transferred to 'Oil and gas' account which will be shown under the 'Property and equipment' account in the parent company statements of financial position.

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 parent company statements 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 recoverability of deferred oil and gas exploration costs is also dependent on the commercial viability of the reserves, the ability of the Parent Company to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves. A valuation allowance is provided for unrecoverable deferred oil and gas exploration costs based on the Parent Company's assessment of the future prospects of the exploration project.

Investments in Subsidiaries

Subsidiaries are entities over which the Parent Company has the power to govern the financial and operating policies of the entities.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only, if the Parent Company has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Parent Company's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it derecognizes the assets (including goodwill) and liabilities, non-controlling interests and other components of equity while any resulting gain or loss is recognized in the parent company statements of comprehensive income. Any investment retained is recognized at fair value.

The Parent Company's principal subsidiaries and their nature of business are as follows:

Subsidiary	Nature of Business
FEL	Incorporated on April 1, 2005 in England and Wales primarily to engage in the business of oil and gas exploration and production, with focus on the Philippines.
Forum Energy Philippines Corporation (FEPCO)	FEPCO was incorporated in the Philippines on March 27, 1988 and is involved in oil and gas exploration in the Philippines, particularly a 3.2103% interest in SC 14 C-1 Galoc.
Forum Exploration, Inc. (FEI)	FEI was incorporated in the Philippines on September 11, 1997 and is involved in oil and gas exploration in the Philippines.
Forum (GSEC 101) Limited (FGL)	FGL was incorporated in Jersey on March 31, 2005 and is involved in oil and gas exploration in the Philippines, particularly a 70% interest in SC 72 Recto Bank.
Forum (GSEC 101) Ltd. - Philippine Branch (FGLP)	FGLP was established as a Philippine branch on October 17, 2005 and is involved in oil and gas exploration in the Philippines.
ForumPH SC72 Holdings, Inc. (SC72 Holdings)	SC72 Holdings was incorporated in the Philippines on January 8, 2020 to primarily act as a holding company.
ForumPhil SC72 ProjectCo, Inc. (ProjectCo)	ProjectCo was incorporated in the Philippines on January 23, 2020 and is involved in oil and gas exploration in the Philippines.
Pitkin	Pitkin was incorporated and registered in UK of Great Britain and Northern Ireland on April 6, 2005 and is engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products.
Pitkin Petroleum (Philippines) Plc (PPP)	PPP was registered as the Philippine Branch of Pitkin Petroleum Limited on March 19, 2008.
Pitkin Petroleum Peru Z-38 SRL (Z38)	Incorporated on October 5, 2006 and is engaged in exploration of oil and gas in Peru.
FEC	Incorporated on February 8, 1982 under the laws of Alberta, Canada. Primarily acts as an investment holding company.
Brixton Energy & Mining Corporation (BEMC)	Incorporated in the Philippines on July 19, 2005 to engage in exploration development and utilization of energy-related resources.

Also included as part of the Parent Company's subsidiaries are those intermediary entities which are basically holding companies established for the operating entities mentioned above. The following are the intermediary entities of the Parent Company: Pitkin Peru LLC (PPR) and Pitkin Vamex LLC (PVX).

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Parent Company's investments in subsidiaries, property and equipment and deferred oil and gas exploration costs (see Notes 7, 8 and 9).

The Parent Company assesses at each financial reporting date whether there is indication that its property and equipment, deferred oil and gas explorations costs and investment in subsidiaries may be impaired. If any indication exists, the Parent Company makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit (CGU)'s fair value less costs to sell and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case, the asset is tested as part of a larger CGU to which it belongs. When the carrying amount of an asset or CGU 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 to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company estimates the asset's or CGU's recoverable amount. A previously recognized, impairment loss is reversed only if there has been a change in the assumptions used to determine the asset' or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset or CGU does not exceed the lower of its recoverable amount, or the carrying amount that would have been determined, net of depreciation or depletion, had no impairment loss been recognized for the asset or CGU in prior years. Such a reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount on a systematic order over its remaining estimated useful life.

Provisions

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

The expense relating to any provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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 interest expense.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares and any excess of the proceeds over the par value or shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Subscription Receivable

Subscription receivable pertains to the uncollected portion of the subscribed capital stock which reduces the outstanding balance of capital stock.

Deficit

Deficit represents accumulated losses of the Parent Company, prior period adjustments, effect of changes in accounting policies, and other capital adjustments.

Related Party Relationships and Transactions

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders.

Expenses

Expenses are decreases in economic benefits during the reporting period in the form of outflows or decreases of assets or incurrence of liability that result in decreases in equity, other than those relating to distribution to equity participants. Expenses are recognized in the parent company statements of comprehensive income in the year they are incurred.

Foreign Currency-Denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the end of reporting period. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary item is recognized in OCI, any foreign exchange component of that gain or loss shall be recognized in OCI. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss.

Leases

The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company recognizes lease liabilities at the present value of lease payments and right of use assets representing the right to use the underlying assets.

Short-term leases and leases of low-value assets

The Parent Company applies the short-term lease recognition exemption to its short-term leases of apartment space and machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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. Unrecognized deferred tax assets are reassessed at end of the reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax assets to be utilized.

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

The Parent Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

<u>Uncertainty Over Income Tax Treatments</u>
The Parent Company assesses at the end of each financial reporting period whether it has any uncertain tax treatments by reviewing the assumptions about the examination of tax treatments by the taxation authority, determining taxable profit (loss), tax bases, unused NOLCO and excess MCIT and tax rates, and considering changes in relevant facts and circumstances. The Parent Company then evaluates how likely it is that a certain tax treatment will be accepted by the taxation authority. If it is probable that the taxation authority will accept a certain tax treatment, the Parent Company concludes that it has no uncertain tax treatment and will measure tax amounts in line with the income tax filings. If it is not probable that the taxation authority will accept a certain tax treatment, the Parent Company measures tax amounts based on the ‘most likely amount’ method (better predicts uncertainty if the possible outcomes are binary or are concentrated on one value) or ‘expected value’ method (better predicts uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value). The Parent Company presents uncertain tax liabilities as part of current income tax liabilities or deferred tax liabilities.

<u>Contingencies</u>
Contingent liabilities are not recognized in parent company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Events after the reporting period that provide additional information about the Parent Company's financial position at the end of reporting period (adjusting events) are reflected in the parent company financial statements. Events after the end of reporting period that are not adjusting events, if any, are disclosed when material to the parent company financial statements.

3. Summary of Significant Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRSs requires the management to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses, and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimate to change. The effects of any change in accounting estimates are reflected in the parent company financial statements as they become reasonably determinable.

Accounting 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. Actual results could differ from such estimates.

Judgments
In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the parent company financial statements.

Determining and classifying a joint arrangement
Judgment is required to determine when the Parent Company 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 Parent Company has determined that the relevant activities for its joint arrangement are those relating to the operating and capital decisions of the arrangement.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Parent Company to assess its rights and obligations arising from the arrangement. Specifically, the Parent Company 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 Parent Company also considers the rights and obligations arising from:
  a. The legal form of the separate vehicle
  b. The terms of the contractual arrangement
  c. Other facts and circumstances (when relevant)

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

As at December 31, 2021 and 2020, the Parent Company's joint arrangements are in the form of joint operations.

Existing joint arrangements entered by the Parent Company are discussed in Note 9.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of provision for ECLs on receivables
The Parent Company uses the general approach model. An assessment of the ECLs relating to receivables is undertaken upon initial recognition and each financial year. The general approach of the ECL impairment model involves exercise of significant judgment. Key areas of judgment include: defining default, determining assumptions to be used such as timing and amounts of expected net recoveries from defaulted accounts, determining debtor's capacity to pay, and incorporating forward looking information.

The Parent Company recognized provision for ECL amounting to nil in 2021 and 2020. In 2021, the Parent Company recognized a reversal of allowance for ECL amounting to ₱1,500,000 upon partial collection of the advances to affiliates. Total carrying value of receivables amounted to ₱294,265,549 and ₱95,332,560 as at December 31, 2021 and 2020, respectively, net of allowance for ECL amounting to ₱736,315,120 and ₱737,815,120 as at December 31, 2021 and 2020, respectively (see Note 5). Carrying value of loan receivable amounted to ₱259,646,311 and ₱227,869,231 as at December 31, 2021 and 2020, respectively (see Note 15).

Assessment of impairment of investments in subsidiaries and property and equipment
The Parent Company assesses whether there are indications of impairment on its investments in subsidiaries and property and equipment. If there are indications of impairment, impairment testing is performed. This requires an estimation of the value in use of the CGUs to which the assets belong. Estimating the value in use requires the Parent Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

In 2021, the Parent Company recognized a provision for impairment loss of investment in subsidiaries amounting to ₱1,418,711,771. As at December 31, 2021 and 2020, the carrying value of investments in subsidiaries amounted to ₱1,739,006,376 and ₱3,157,718,147, respectively, net of allowance for impairment loss amounting to ₱1,463,711,771 and ₱45,000,000, respectively (see Note 7).

As at December 31, 2021 and 2020, the carrying value of property and equipment amounted to ₱1,538,265 and ₱1,856,071, respectively (see Note 8). No provision for impairment loss was recognized in 2021 and 2020.

Recoverability of deferred oil and gas exploration costs
Deferred exploration costs pertain to expenditures incurred in the exploration stage of its oil and gas assets. Oil and gas assets relate to projects that are currently on-going. These deferred exploration cost shall be assessed for impairment when the facts and circumstances suggest that the carrying amounts exceeds the recoverable amounts. The ability of the Parent Company to recover its deferred exploration costs would depend on the commercial viability of the reserves. In addition, the recovery of these costs also depends upon the success of exploration activities and future development or the discovery of oil and gas producible in commercial quantities. Allowances shall be provided for oil and gas assets that are specifically identified to be unrecoverable. There was no allowance for impairment loss recognized in 2021 and 2020.

The carrying value of deferred oil and gas exploration costs amounted to ₱201,625,612 and ₱195,048,722 as at December 31, 2021 and 2020, respectively, net of allowance for unrecoverable portion amounting to ₱54,343,257 as at December 31, 2021 and 2020 (see Note 9).

Assessing realizability of deferred tax assets
The Parent Company reviews the carrying amounts at the end of the reporting period and adjusts the balance of deferred tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Parent Company will utilize all or part of the deferred tax assets.

The Parent Company has temporary differences amounting to ₱2,216,970,743 and ₱788,333,789 as at December 31, 2021 and 2020, respectively, for which deferred tax assets were not recognized since the management believes that it is not probable that sufficient future taxable profits will be available to allow all or part such deferred tax asset to be utilized. The Parent Company's deferred tax assets amounted to ₱14,964,044 and ₱17,965,689 as at December 31, 2021 and 2020, respectively (see Note 14).

4. **Cash**

	2021	2020
Cash on hand	**₱2,000**	₱2,000
Cash in banks	**39,388,391**	67,337,047
	₱39,390,391	₱67,339,047

Cash in banks earn interest at the respective bank deposit rates. Interest income amounting to ₱26,301 and ₱231,976 were recognized in 2021 and 2020, respectively. The Parent Company has cash in banks denominated in United States (US$) Dollar amounting to US$544,874 and US$1,239,763 as at December 31, 2021 and 2020, respectively (see Note 17).

5. **Receivables** - net

	2021	2020
Advances to affiliates (Note 15)	**₱1,030,495,251**	₱826,593,585
Accrued finance income (Note 15)	–	6,475,757
Others	**85,418**	78,338
	1,030,580,669	833,147,680
Less allowance for ECL (Note 15)	**736,315,120**	737,815,120
	₱294,265,549	₱95,332,560

Accrued finance income pertains to the interest due from FGL under a loan facility agreement. Interest from the loan facility agreement is payable at the end of each agreed interest period. In case of default interest (if unpaid) arising on an overdue amount of the related loan, it will immediately become due and demandable (see Note 15).

Advances to affiliates are non-interest bearing and are generally collected within 15 days upon receipt. Other receivables are also non-interest bearing and are generally collected within one year from business transaction date.

Movement of the allowance for ECL on advances to affiliates follows:

	2021	2020
Beginning balance	**₱737,815,120**	₱737,815,120
Reversal	**(1,500,000)**	–
Ending balance	**₱736,315,120**	₱737,815,120

6. Other Current Assets

	2021	2020
Input VAT	**₱12,557,390**	₱10,937,248
Security deposits	**955,737**	955,737
Prepaid tax	**204,562**	148,245
	₱13,717,689	₱12,041,230

Security deposits are advance payments of rent which can be refunded or applied at the last month prior to the end of the lease agreement which normally has a term of not more than 12 months.

7. Investments in Subsidiaries

The table below shows the details of investments in shares of stock of subsidiaries, which are accounted for under cost method:

	2021	2020
Pitkin	**₱1,418,711,771**	₱1,418,711,771
FEL	**1,346,801,002**	1,346,801,002
FEC	**392,205,374**	392,205,374
BEMC	**45,000,000**	45,000,000
	3,202,718,147	3,202,718,147
Less allowance for impairment losses	**1,463,711,771**	45,000,000
	₱1,739,006,376	₱3,157,718,147

The details of the movement in investments in subsidiaries are as follows:

	2021	2020
Beginning balance	**₱3,157,718,147**	₱3,192,371,880
Allowance for impairment of investment in Pitkin (Note 1)	**(1,418,711,771)**	–
Additional investment in FEL	**–**	92,564,955
Additional investment in FEC	**–**	49,867,676
Sale of investment in Pitkin	**–**	(177,086,364)
Ending balance	**₱1,739,006,376**	₱3,157,718,147

The ownership of the Parent Company over the foregoing companies as at December 31, 2021 and 2020 is summarized as follows:

	2021			2020		
	Direct	**Indirect**	**Total**	Direct	Indirect	Total
FEL	**72.33**	**5.33**	**77.66**	72.33	5.33	77.66
FEPCO	**–**	**77.66**	**77.66**	–	77.66	77.66
FEI	**–**	**52.60**	**52.60**	–	52.60	52.60
FGL	**–**	**77.66**	**77.66**	–	77.66	77.66
FGLP	**–**	**77.66**	**77.66**	–	77.66	77.66
SC72 Holdings	**–**	**77.66**	**77.66**	–	77.66	77.66
ProjectCo	**–**	**77.66**	**77.66**	–	77.66	77.66
Pitkin	**53.43**	**–**	**53.43**	53.43	–	53.43
PPP	**53.43**	**–**	**53.43**	53.43	–	53.43
PVX	**–**	**53.43**	**53.43**	–	53.43	53.43
Z38	**–**	**40.07**	**40.07**	–	40.07	40.07
PPR	**–**	**53.43**	**53.43**	–	53.43	53.43
Z38	**–**	**13.36**	**13.36**	–	13.36	13.36
FEC	**78.39**	**–**	**78.39**	78.39	–	78.39
FEL	**72.33**	**5.33**	**77.66**	72.33	5.33	77.66
BEMC	**100.00**	**–**	**100.00**	100.00	–	100.00

Investment in Pitkin

On September 24, 2010, the Parent Company purchased from PMC all of the latter's 18,000,000 shares of stock of Pitkin at a purchase price of ₱766,346,067, increasing the total holdings of the Parent Company to 24,000,000 shares, or 21.00% ownership interest. The investment in Pitkin amounting to ₱125,304,497 was classified as an investment in associate.

On February 24, 2011, Pitkin increased its capitalization from 114,300,000 shares to 130,000,000 shares by issuing 15,700,000 new ordinary shares which the Parent Company opted not to avail, thus reducing its ownership interest from 21.00% to 18.46%.

The difference between the fair value of the investment in shares of stock of Pitkin and its carrying value of ₱891,650,564 as at date of loss of significant influence was recognized in the parent company statements of comprehensive income as 'Gain on dilution of interest in an associate' amounting to ₱422,049,436 in 2011.

On April 5, 2013, the Parent Company subscribed 10,000,000 new ordinary shares of Pitkin and purchased 36,405,000 shares from existing shareholders at US$0.75 per share. As a result, the Parent Company's shareholding increased from 18.46% to 50.28%, obtaining control over Pitkin.

On July 2, 2014, the Parent Company surrendered 2,000,000 of its shares held in Pitkin for a total consideration of US$2,000,000 (or ₱86,630,000) following the latter's US$1.00 per share tender offer to buy back 11,972,500 shares equivalent to 8.55% of all shares outstanding as at that date.

The transaction caused an increase in PXP's ownership in Pitkin from 50.28% to 53.07% as at transaction date, a decrease in total investment of ₱79,699,600.

In May 2015, the Parent Company surrendered 21,373,000 shares held in Pitkin for a total consideration of US$16,029,750 (or ₱713,965,065) following the latter's US$0.75 per share tender offer to buy back 40,872,500 shares equivalent to 31.71% of all shares outstanding as at that date. The transaction caused an increase in PXP's ownership in Pitkin from 53.07% to 53.43% as at transaction date, a decrease in total investment of ₱833,402,408 and a loss on disposal of shares amounting to ₱119,437,343.

On February 17, 2017, Pitkin tendered its offer to buyback 11,430,500 outstanding shares for a consideration of US$0.35 per share. The Parent Company surrendered 6,107,000 shares for a consideration of ₱107,716,541, while the NCI owners surrendered its proportionate stake of 5,323,500 shares for a total payment of ₱92,788,519. The transaction did not change the ownership percentages for both PXP and NCI owners. The transaction caused a loss on sale of investment in shares of stock amounting to ₱130,415,144.

On October 2, 2020, Pitkin bought back 8.5 million of its total issued shares at a price of US$0.10 per share for a total consideration of US$850,000. The Parent Company sold 4,541,464 of Pitkin shares for a total consideration of ₱22,017,018 while the minority shareholders sold their pro-rata share of 3,958,536 shares for a total consideration of ₱19,190,983. The transaction caused a loss on sale of investment in shares of stock amounting to ₱155,069,346 and did not affect PXP's 53.43% stake in Pitkin.

In April 2021, Karoon notified Pitkin that it does not wish to enter the fourth exploration period and will withdraw from the contract and the joint operating agreement. In view of this, Pitkin sent a Notice of Dispute to Karoon on May 25, 2021 and issued a claim against Karoon for breach of its farm-in agreement obligations that include fully funding all exploration activities until the second well is drilled. On July 27, 2021, the license contract for Block Z-38 expired due to Karoon's failure to enter the fourth exploration period and to carry Pitkin to one well under the farm-in agreement.

On September 17, 2021, Pitkin and Karoon entered into a Deed of Settlement and Release to settle all disputes in connection with Block Z-38. Under the deed, Karoon will pay Pitkin US$9.6 million in cash in full and final settlement of all claims by Pitkin in the block. The deed became effective upon the receipt of the cash settlement by Pitkin on October 4, 2021. As a result, the PXP Group recognized allowance for impairment loss on deferred exploration cost amounting to ₱3,421 million in the consolidated financial statements in 2021.

In view of the foregoing, the management assessed that the investment in Pitkin amounting to ₱1,418,711,771 as at December 31, 2021 is not recoverable. Impairment loss on investment in Pitkin amounting to ₱1,1418,711,711 was recognized in the parent company statement comprehensive income in 2021.

The table below shows Pitkin's summarized financial information as at and for the years ended December 31, 2021 and 2020 whose financial statements are stated in US Dollar and translated to Peso at the closing exchange rates of US$1 to ₱50.99 and ₱48.02 respectively, for balance sheet accounts and at the average exchange rates of US$1 to ₱49.28 and ₱49.62, respectively, for income statement accounts; amounts in thousands:

	2021	2020
Total assets	**₱646,910**	₱203,031
Total liabilities	**11,322**	2,573
Equity	**635,588**	200,458
Net income (loss)	**435,130**	(57,123)

Investment in FEC
On September 24, 2010, the Parent Company acquired from PMC all of its investment in shares of stock of FEC consisting of 225,000,000 shares representing 51.24% ownership interest in FEC at a purchase price of ₱342,337,698. As a result of the acquisition of FEC, which at that time held 25.63% ownership interest in FEL, the number of shares owned and controlled by the Parent Company in FEL thereafter, totaled to 21,503,704 shares, which represented at that time 64.45% ownership interest in FEL. As a result, the ownership interest of PXP and FEC in FEL was diluted to 36.44% and 24.05%, respectively.

In January 2016, FEC cancelled its 30,000,000 shares previously held under escrow. As a result, the Parent Company's ownership interest increased from 51.24% to 54.99%.

On August 5, 2020, the Parent Company increased its direct shareholding in FEC from 54.99% to 78.39%. This increased the Parent Company's total economic interest in Forum from 76.07% to 77.66%. The additional interest was acquired through a subscription to 449,999,986 new ordinary shares of FEC through a stock rights offering. The new shares were issued at approximately US$0.00225 per share for a total consideration of US$1,012,500 (or ₱49,867,676).

The following is FEC's summarized financial information as at and for the years ended December 31, 2021 and 2020 whose financial statements are stated in US Dollar and translated to Peso at the closing exchange rates of US$1 to ₱50.99 and ₱48.02 respectively, for balance sheet accounts and at the average exchange rates of US$1 to ₱49.28 and ₱49.62, respectively, for income statement accounts; amounts in thousands:

	2021	2020
Total assets	**₱114,164**	₱122,623
Total liabilities	**12,827**	3,564
Equity	**101,337**	119,059
Net income (loss)	**(17,722)**	668

Investment in FEL
In 2008, the Parent Company acquired a total of 9,939,311 shares of stock of FEL representing 33.04% of the outstanding shares for ₱436,638,513. On November 27, 2009, the Parent Company acquired additional 2,227,934 shares of stock of FEL for United Kingdom Pounds (£) £1,113,967 (or ₱87,057,943), increasing the share of the Parent Company to 36.77%.

On February 24, 2010, the Parent Company acquired additional 786,259 shares at a purchase price of £511,068 (or ₱36,910,163) representing 2.37% equity interest in FEL increasing the Parent Company's share to 39.14%. On May 26, 2010, the interest of the Parent Company over FEL was reduced to 38.82% due to the effect of dilution from exercise of options by FEL's former employees.

As a result of the Parent Company's acquisition of FEC in 2010, which holds 25.63% ownership interest in FEL, the number of shares owned and controlled by the Parent Company, thereafter, totaled to 21,503,704 shares, which represents 64.45%. As a result, FEL became a subsidiary of the Parent Company.

In May 2012, certain directors and employees of FEL exercised their option over 2,185,000 ordinary shares. As a result, the ownership interest of PXP and FEC in FEL was diluted to 36.44% and 24.05%, respectively.

In June 2015, the Parent Company bought additional investment from the NCI owners of FEL for 20 British Pence per share. The NCI owners sold 2,383,777 shares for a total consideration of ₱33,889,613, increasing the Parent Company's interest in FEL from 36.44% to 43.14%.

In November 2015, the Parent Company further purchased additional shares of FEL from FEC for 21 British Pence per share. FEC sold 2,000,000 shares for a total consideration of ₱29,816,472. Following this transaction, PXP's interest in FEL increased from 43.14% to 48.77%.

On March 23, 2017, PXP entered into an agreement with FEL and FGL to capitalize a part of the maturing long-term loan of FGL from PXP amounting to US$11,805,276 (or about ₱596 million) into 39,350,920 new ordinary shares of FEL at US$0.30 per share.

On May 17, 2017, PXP bought an additional investment of 1,185,000 shares in FEL from Asia Link B.V. at US$0.30 per share, for a total consideration of US$355,500 (or ₱17,704,658).

On November 23, 2017, PXP entered into an agreement to buy 1,000,000 FEL shares held by FEC for a total consideration of US$300,000 (or ₱15,218,872).

As a result of these transactions, PXP's economic interest in FEL increased from 58.90% to 75.92%.

On September 27, 2019, FEPCO purchased 124,999,996 shares or 66.67% equity interest in FEI from GSEC amounting to US$20.

In December 2019, PXP bought additional investment from the NCI owners of FEL, wherein PXP purchased 50,000 shares in FEL for a total consideration of ₱788,250. As a result of the transaction, the Parent Company's interest in FEL increased to 75.98%.

On April 16, 2020, PXP increased its direct shareholding in FEL from 72.24% to 72.33%. The additional interest was acquired through a subscription to 6,099,626 new ordinary shares of FEL. The new shares were issued at approximately US$0.30 per share for a total consideration of US$1,829,888 (or ₱92,564,955). Further, major shareholders, Tidemark and FEC subscribed to 1,666,666 shares and 567,038 shares of FEL, amounting to ₱25,400,000 and ₱8,641,663 respectively, both paid for in cash.

The following is FEL's summarized financial information as at and for the years ended December 31, 2021 and 2020 whose financial statements are stated in US Dollar and translated to Peso at the closing exchange rates of US$1 to ₱50.99 and ₱48.02, respectively, for balance sheet accounts and at the average exchange rates of US$1 to ₱49.28 and ₱49.62, respectively, for income statement accounts; amounts in thousands:

	2021	2020
Total assets	**₱1,992,954**	₱1,672,300
Total liabilities	**844,535**	504,700
Equity	**1,148,419**	1,167,600
Revenue	**64,198**	30,249
Net loss	**(19,180)**	(26,315)

Investment in BEMC

On September 24, 2010, the Parent Company purchased from PMC all of its investment in shares of stock of BEMC, which consists of 3,000,000 shares at a purchase price of ₱45,000,000. As a result of the acquisition, the Parent Company holds 100% ownership interest in BEMC.

In January 2013, the Parent Company recognized provision for impairment loss on its investment in BEMC amounting to ₱45,000,000.

The following is the summarized financial information as at and for the years ended December 31, 2021 and 2020 of BEMC; amounts in thousands:

	2021	2020
Total assets	**₱554**	₱2,090
Total liabilities	**736,335**	737,835
Capital deficiency	**(735,781)**	(735,745)
Net loss	**(36)**	(38)

8. **Property and Equipment -** net

	2021		
	Transportation Equipment	**Office Equipment**	**Total**
Cost			
Balances at beginning of year	**₱3,366,071**	**₱1,228,128**	**₱4,594,199**
Additions	**–**	**268,032**	**268,032**
Balances at end of year	**3,366,071**	**1,496,160**	**4,862,231**
Accumulated depreciation			
Balances at beginning of year	**1,521,239**	**1,216,889**	**2,738,128**
Depreciation	**431,250**	**154,588**	**585,838**
Balances at end of year	**1,952,489**	**1,371,477**	**3,323,966**
Net book values	**₱1,413,582**	**₱124,683**	**₱1,538,265**

	2020		
	Transportation Equipment	Office Equipment	Total
Cost			
Balances at beginning of year	₱1,879,464	₱1,203,753	₱3,083,217
Additions	1,486,607	24,375	1,510,982
Balances at end of year	3,366,071	1,228,128	4,594,199
Accumulated depreciation			
Balances at beginning of year	1,022,706	1,192,737	2,215,443
Depreciation	498,533	24,152	522,685
Balances at end of year	1,521,239	1,216,889	2,738,128
Net book values	₱1,844,832	₱11,239	₱1,856,071

The cost of fully depreciated machinery and equipment still being used in the Parent Company's operation amounted to ₱2,036,522 and ₱1,788,701 as at December 31, 2021 and 2020, respectively.

9. **Deferred Oil and Gas Exploration Costs** - net

Movement in deferred oil and gas exploration costs is as follows:

	2021			
	SC74	**SC75**	**SC6A and others**	**Total**
Balances at beginning of year	**₱109,025,408**	**₱80,521,694**	**₱59,844,877**	**₱249,391,979**
Cost incurred during the year	**3,078,013**	**2,979,733**	**519,144**	**6,576,890**
	112,103,421	**83,501,427**	**60,364,021**	**255,968,869**
Less allowance for unrecoverable portion	**–**	**–**	**54,343,257**	**54,343,257**
Balances at end of year	**₱112,103,421**	**₱83,501,427**	**₱6,020,764**	**₱201,625,612**

	2020			
	SC74	SC75	SC6A and others	Total
Balances at beginning of year	₱103,340,033	₱80,005,388	₱57,959,049	₱241,304,470
Cost incurred during the year	5,685,375	516,306	1,885,828	8,087,509
	109,025,408	80,521,694	59,844,877	249,391,979
Less allowance for unrecoverable portion	–	–	54,343,257	54,343,257
Balances at end of year	₱109,025,408	₱80,521,694	₱5,501,620	₱195,048,722

As at December 31, 2021 and 2020, deferred oil and gas exploration costs relate to the Parent Company's participating interests in the following SCs:

	Participating Interest	
Service Contract (SC)	**2021**	2020
SC 6A (Octon Block)	**5.56%**	5.56%
SC 74 (Linapacan)	**70.00%**	70.00%
SC 75 (NW Palawan)	**50.00%**	50.00%

SC 6A (Octon Block)
The SC covers an area of 1,080 square kilometers. On July 11, 2011, Pitkin acquired 70% interest and operatorship of the block.

In 2014, Pitkin elected not to enter Phase 2 of the Farm-in Agreement and returned its 70% participating interest to the farm-out partners. As a result of Pitkin's exit, Philodrill re-assumed the block's operatorship beginning January 1, 2015 while PXP and FEL's participating interests in the block returned to their pre-farm out interests of 5.56% each. The DOE approved the Deed of Assignment on May 14, 2015.

The 2019 work program included the completion of seismic attribute analysis of the northern part of SC 6A to characterize the target reservoirs and determine their distribution in terms of porosity, thickness, and lithology.

For 2020, the DOE approved a work program which consists of geological and geophysical (G&G) studies in support of establishing a final well location and well design to test the hydrocarbon potential of the Malajon-Salvacion-Saddle Rock anticlinorium, and a continuation of G&G work to identify additional resources at the Octon South structure and other opportunities immediately around the Octon Field to support its development.

In June 2020, LMKR, a private petroleum technology company based in Dubai, completed a pilot study on the Malajon area using 3D seismic and well data. The study shows the Malajon structure having a good potential and thus requires further detailed analysis. LMKR is also able to identify four sand packages within the Galoc Clastic Unit (GCU) after generating several elastic properties.

A Quantitative Inversion (QI)/Reservoir Characterization study was approved by the Consortium aimed at generating pay probability maps and identifying prospective zones that could be targets for any future well. It also includes detailed attribute analysis as several channelized sands within the GCU have been identified during the pilot study. The study was completed in December 2020.

The current term of SC 6A is set to expire on February 28, 2024, which gives the Consortium limited time to drill an exploratory well and to develop a field in case of a discovery. In view of this, the Consortium decided to surrender the contract effective March 31, 2021. The surrender of the SC is still awaiting DOE's approval.

SC 74 (Linapacan)
In September 2013, Pitkin, with its Consortium partner, Philodrill, acquired acreage on SC 74 in a competitive bid under the Philippine Energy Contracting Round 4, with operating interest of 70% and participating interest of 30%, respectively. It covers an area of 4,240 square kilometers and is located in shallow waters of the NW Palawan area. In June 2015, Philodrill and Philippine National Oil Company Exploration Corporation (PNOC EC) entered into a DOA whereby Philodrill transferred a 5% participating interest to PNOC EC.

On April 25, 2016, the DOE has approved the PSA and DOA dated February 24, 2016 transferring the 70% interest and operatorship of Pitkin to PXP.

The results of the Phase 1A test inversion under the joint QI study of SC 74 and SC 14-C2 by Ikon Science (Ikon) were presented to the consortium in October 2019. This involved inversion studies over a 30 sq. km 3D area that includes Linapacan A-1A, Linapacan B-1, West Linapacan A-1, A-2, and A-3, and West Linapacan B-1X wells. From the test, it was concluded that lithology is easier to identify than fluid type in limestone due to the latter's overlapping elastic properties.

In December 2019, the SC 74 consortium decided to proceed to Phase 2 of the project, which is an inversion study over a wider, 400 sq. km 3D data. Phase 2 commenced in February 2020 and was completed in June 2020. The QI study was able to predict the different lithological facies at the well. However, the study failed to differentiate the type and distribution of fluids in the limestone reservoirs due to the nature of the rock properties and poor to fair seismic data quality. Further seismic reprocessing has been recommended to preserve the true amplitudes for Amplitude Versus Offset inversion, and to improve seismic imaging especially in dipping structures. It was also suggested that shear sonic data be acquired in future wells for better correlation of well and seismic data.

Preliminary paleodating of samples acquired from the Calamian Islands fieldwork was unsuccessful due to the absence of calcareous nannofossils in the collected samples. This led to the decision to engage the services of Core Laboratories (CoreLab) Malaysia to conduct biostratigraphic and geochemical analyses. An initial 12 samples were sent to Selangor, Malaysia on October 31, 2019, and the results were submitted to the Parent Company in December 2019. Additional samples were sent in July 2020 for further testing as recommended by CoreLab. Analysis of the second batch of samples was completed in October 2020 and the final report was submitted to the DOE in March 2021.

The identification of the radiolarian fossils present in some of the chert samples lead to its age restriction from Late Permian to Middle Jurassic. Total Organic Carbon analysis of mudstone and shale samples resulted to an organic richness ranging from poor to excellent. Samples with good amount of organic matter may characterize them as possible source horizon, however, further geochemical tests suggest that these rocks have low hydrocarbon generative potential.

In March 2020, the DOE approved PXP's request for a one-year extension of SP 3 from December 13, 2019 to December 13, 2020 to allow the completion of G&G studies prior to entering the next SP. The 2020 Work Program & Budget (WP&B), as approved by the DOE on December 20, 2019, focuses on the continuation of the current G&G studies that include the conduct of the Phase 2 of the QI study and the completion of the 'Biostratigraphic Age Dating Program and Geochemical Analyses' of samples collected from the Calamian Islands.

On July 14, 2020, the DOE approved PXP's application for *force majeure* over SC 74 Block for nine months starting from March 13, 2020 to December 13, 2020 because of delays in the implementation of some G&G activities following the imposition of business, health, and travel restrictions in the country due to the COVID-19 pandemic.

A gravity modelling exercise write-up was submitted by Cosine Global Limited (Cosine) in September 2019. The report was reviewed by the Parent Company's geologists alongside with the ongoing leads and prospect generation using the gravity model and was submitted to the DOE in July 2020.

As part of SC 74 work commitment under SP 3, an in-house seismic interpretation of the 3D data is being conducted, since July 2020, which incorporates the results of Ikon's QI study. The technical evaluation could be divided into the mapping of time structural horizons, mapping of porous zones, time to depth conversion, and resource calculation. The interpretation work was completed in April 2021, while the resource calculation was finalized in August 2021. PXP's study indicates the Linapacan "A" and "B" Fields contain 43.16 and 27.43 million barrels (MMbbls) of contingent oil resources (P50), respectively. Additionally, PXP was able to identify two leads namely South Linapacan and Edapacan, located on the Southwest and North Eastern part of the Linapacan Field, respectively.

On May 4, 2021, PXP requested for another 12 months *force majeure* starting from April 2021 due to delays in the implementation of certain G&G activities following continuing COVID-19 restrictions and software fault. This was approved by the DOE on October 29, 2021, with the official letter received by PXP on November 10, 2021. In view of the *force majeure*, the third sub-phase will now expire on September 13, 2022.

The WP&B for 2022 was submitted to the DOE on December 1, 2021. It includes the conduct of an Independent Technical Evaluation and Resource Assessment of the Linapacan A and B Fields and South Linapacan Lead by ERC Equipoise Limited (ERCE) who is also doing an evaluation study in the SC 14C-2 West Linapacan Block. The SC 74 study is expected to start in the first quarter of 2022 or as soon as the West Linapacan study is completed.

<u>SC 75 (Northwest Palawan)</u>

On January 3, 2014, the duly executed copy of Petroleum SC 75 was granted to the bid group comprising PXP, PNOC EC, and PetroEnergy Resources Corporation (PERC) with operating interest of 50%, participating interests of 35% and 15%, respectively. It covers an area of 6,160 square kilometers in the NW Palawan Basin.

The work commitment for SP 1 had been fulfilled in 2015 following the completion of the acquisition of 2,235 line-kilometers of 2D seismic data over SC 75 and simultaneous acquisition of marine magnetic and gravity data, broadband processing of the 2D seismic data, processing and interpretation of gravity and magnetic data, and G&G studies, including 2D seismic interpretation.

In 2015, the DOE advised the SC 75 Consortium of its decision to place the area under *force majeure* effective from the end of SP 1 on December 27, 2015. In view of this, all exploration activities in the block have been suspended until such time that the DOE informs the consortium of the lifting of the *force majeure*. All activities in SC 75, except for administration, remained suspended throughout 2019.

On October 30, 2019, PXP submitted to the DOE the proposed WP&B for 2020 consisting mainly of license administration costs and a contingent 3D seismic survey of at least 1,000 square kilometers that will be conducted once the *force majeure* is lifted.

Similar with SC 72, a letter from the DOE dated October 14, 2020 which was received on October 16, 2020 stated that the *force majeure* over SC 72 has been lifted effective immediately and that exploration activities were to resume over the block.

On December 28, 2020, the WP&B for 2021 was submitted to the DOE with the acquisition of a minimum of 1,000 square kilometers of 3D seismic data as a firm commitment, subject only to occurrence of *force majeure* that could delay, curtail, or prevent the peaceful undertaking and completion of the work program. The activity could also be affected by the COVID-19 pandemic that may cause delays in securing permits as well as restrict the movement of personnel and equipment.

In July 2021, PXP sent out invitations to seismic acquisition companies to submit proposals for a 1,100 sq. km 3D survey to be conducted in early April 2022. The seismic survey is estimated to take 30 days to complete, including vessel mobilization and demobilization periods.

In September 2021, Shearwater Geoservices (Shearwater) conducted a Survey Evaluation and Design (SED) Study which aimed at finalizing the acquisition parameters to be used in the survey. The SED was completed in November 2021 and the results were incorporated in the seismic data acquisition contract.

As at December 31, 2021, preparations for the seismic survey are progressing accordingly. The WP&B and Annual Procurement Plan for 2022 were submitted to the DOE on December 31, 2021.

10. Trade and Other Payables

	2021	2020
Advances from affiliates (Note 15)	**₱66,298,700**	₱313,038
Accrued expenses	**16,993,354**	11,013,741
Trade payables	**1,359,964**	3,345,801
Other payables	**324,134**	413,453
	₱84,976,152	₱15,086,033

Accrued expenses pertain to accrual of utilities, professional and consultancy fees and are normally payable within 30 days. It also includes accrued retirement benefits of the Company’s key management personnel.

Trade payables pertain to the accountability of the Parent Company to its consortium partners for the advances made by the latter which shall be disbursed to settle the consortium’s exploration expenditures subsequently. These are normally settled within 30 to 90 days.

Other payables pertain to withholding taxes of professional fees and compensation expenses.

11. General and Administrative Expenses

	2021	2020
Personnel costs	**₱17,527,028**	₱17,026,513
Insurance	**3,933,586**	3,243,121
Professional fees	**3,217,720**	3,471,111
Taxes and licenses	**1,914,569**	1,486,087
Stockholders’ meeting expenses	**1,498,023**	1,370,253
Depreciation (Note 8)	**585,838**	522,685
Association dues	**412,274**	412,275
Fuel, oil and lubricants	**385,043**	256,002
Repairs and maintenance	**323,993**	300,069
Utilities and supplies	**234,354**	161,411
Travel and transportation	**163,745**	114,656
Communications	**115,721**	58,063
Seminar and trainings	**10,800**	26,099
Others	**924,403**	1,589,856
	₱31,247,097	₱30,038,201

Personnel costs consist of the following:

	2021	2020
Salaries and wages	**₱15,822,034**	₱16,291,671
Other employee benefits	**1,704,994**	734,842
	₱17,527,028	₱17,026,513

12. **Other Charges** - net

	2021	2020
Provision for impairment of investment in a subsidiary (Note 7)	**(₱1,418,711,771)**	₱–
Foreign exchange gains (losses) - net (Note 17)	**25,083,493**	(18,995,710)
Interest income (Notes 4 and 15)	**8,938,127**	11,495,334
Reversal of allowance for ECL on receivables (Note 5)	**1,500,000**	–
Loss on sale of investments in subsidiaries (Note 7)	–	(155,069,346)
Miscellaneous income	**15,465,443**	–
	(₱1,367,724,708)	(₱162,569,722)

13. **Equity**

Capital Stock

On September 12, 2011, the 1,700,000,000 common shares of the Parent Company were listed and traded on the PSE at an initial offer price of ₱1.20 per share. After the said initial listing, there were no subsequent listings of shares made by the Parent Company.

Details of the Parent Company's capital stock follow:

	Number of Shares	
	2021	2020
Common stock - ₱1 par value Authorized	**6,800,000,000**	6,800,000,000
Issued and fully paid	**1,960,000,000**	1,700,000,000
Subscribed capital stock	–	260,000,000
Capital stock	**1,960,000,000**	1,960,000,000

On October 26, 2018, PXP, PMC, and DHC signed a subscription agreement wherein PMC and DHC subscribed to 260,000,000 and 340,000,000 common shares of PXP, respectively, for a total consideration of ₱3,081,000,000 and ₱4,029,000,000, respectively. Each share is valued at ₱11.85, which represents a 20% discount to the 90-day volume weighted average price (VWAP) of PXP shares. The agreement was approved by the BOD on October 25, 2018. The subscription is payable in two tranches.

On December 26, 2018, PXP and DHC agreed to reschedule and accelerate the full payment of its subscription agreement to not later than March 31, 2019. DHC shall also pay a downpayment equivalent to 1% of the total subscription on or before January 7, 2019.

On December 27, 2018, PMC paid the 25% downpayment of ₱770,250,000. As a result of the transaction, PMC's total ownership interest in PXP increased from 19.76% to 30.40% as at December 31, 2018.

PMC paid subscription payable to PXP amounting to ₱121,114,000 and ₱63,186,000 in 2021 and 2020, respectively. The balance of subscription payable in relation to the subscription agreement with PXP amounted to nil and ₱121,114,000 as at December 31, 2021 and 2020, respectively.

On January 7, 2019, DHC paid an initial downpayment of ₱40,290,000, with the remaining balance due on March 31, 2019. However, DHC failed to pay the remaining balance, thereby forfeiting its downpayment in favor of PXP.

On March 31, 2019, PXP and DHC mutually agreed to terminate the subscription agreement. All rights of DHC to subscribe to the aforesaid common shares of PXP, and any obligation of PXP to issue such shares to DHC, are terminated without any residual rights of any kind remaining with DHC. Accordingly, all other rights of PXP under the agreement are terminated, including the right to receive payment of the remaining balance of the subscription price. Consequently, the Parent Company recognized ₱40,290,000 as gain on termination of the subscription agreement.

The related subscription receivable arising from the equity transactions and its related movements in 2021 and 2020 are as follows:

	2021	2020
Beginning balance	**₱121,114,000**	₱184,300,000
Less collection of subscription receivable	**121,114,000**	63,186,000
	₱–	₱121,114,000

As at December 31, 2021 and 2020, PXP's number of stockholders totaled to 38,599 and 38,677, respectively.

14. **Income Taxes**

The provision for current income tax represents the Parent Company's MCIT in 2021 and 2020 amounting to ₱109,271 and ₱552,261, respectively.

The components of the Parent Company's net deferred tax liabilities as at December 31, 2021 and 2020 are as follows:

	2021	2020
Deferred tax assets:		
Impairment loss on deferred oil and gas exploration costs	**₱13,585,814**	₱16,302,976
MCIT	**1,378,230**	1,662,713
	14,964,044	17,965,689
Deferred tax liabilities:		
Unrealized gain on dilution of interest	**(105,512,359)**	(126,614,831)
Unrealized foreign exchange gain	**(21,333,925)**	(16,664,150)
	(126,846,284)	(143,278,981)
Net deferred tax liabilities	**(₱111,882,240)**	(₱125,313,292)

A reconciliation of the Parent Company's benefit for income tax computed at the statutory income tax rate based on loss before income tax to the benefit from the income tax follows:

	2021	2020
Benefit from income tax computed at the statutory income tax rate of 25% and 30% in 2021 and 2020, respectively	**(₱349,742,951)**	(₱57,782,377)
Additions to (reductions in) income tax resulting from:		
Movement in unrecognized deferred tax assets	**357,159,239**	1,655,601
Effect of changes in tax rate	**(21,162,668)**	–
Expiration of excess MCIT	**393,754**	600,157
Nondeductible expense	**37,420**	77,100
Interest income subjected to final tax	**(6,575)**	(69,593)
Nondeductible loss on sale of investment in subsidiaries	**–**	46,520,804
	(₱13,321,781)	(₱8,998,308)

The Parent Company did not recognize deferred tax assets on the following temporary differences since management believes that it is not probable that sufficient taxable profit will be available against which the benefits of the deferred tax assets can be utilized in the future:

	2021	2020
Allowance for impairment losses on:		
Investments in subsidiaries	**₱1,463,711,771**	₱45,000,000
Advances to affiliates	**736,315,120**	737,815,120
NOLCO	**16,943,852**	5,518,669
	₱2,216,970,743	₱788,333,789

The Parent Company's NOLCO incurred before taxable year 2020 can be claimed as deductions from the regular taxable income for the next three (3) consecutive taxable years from the year incurred. On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for the 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.

As at December 31, 2021, the Parent Company's NOLCO that can be claimed as deduction from future taxable income and excess MCIT that can be deducted against income tax due are as follows:

	Year of Expiration			
Year Incurred	NOLCO	Excess MCIT	NOLCO	Excess MCIT
2019	2022	2022	₱–	₱716,698
2020	2025	2023	5,518,669	414,196
2021	2026	2024	11,425,183	247,336
			₱16,943,852	₱1,378,230

The following are the movements of the Parent Company's NOLCO and excess MCIT for the years ended December 31, 2021 and 2020:

	NOLCO		Excess MCIT	
	2021	2020	**2021**	2020
Beginning balance	**₱5,518,669**	₱–	**₱1,524,648**	₱1,710,609
Additions	**11,425,183**	5,518,669	**247,336**	414,196
Expirations	**–**	–	**(393,754)**	(600,157)
Ending balance	**₱16,943,852**	₱5,518,669	**₱1,378,230**	₱1,524,648

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law
The CREATE Law was signed into law on March 26, 2021 to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Law introduces reforms to the corporate income tax and incentives systems. It took effect on April 11, 2021.

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

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

Applying the provisions of CREATE Law, the Parent Company have been subjected to lower RCIT of 25% or the reduced MCIT of 1% of gross income effective July 1, 2020. Likewise, the impact on the December 31, 2020 parent company financial statements had the CREATE Law been substantially enacted as of then, were adjusted in 2021, as follows:

	Increase (decrease)
Benefit from deferred tax	₱21,024,603
Deferred tax liabilities - net	(21,024,603)
Current income tax	(138,065)
Prepaid tax	90,936
Income tax payable	(47,129)

15. Related Party Transactions

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders.

In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

The Parent Company's significant related party transactions, which are under terms that are no less favorable than those arranged with third parties, are as follows:

	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
Advances from affiliates					
FEL	**2021**	**₱–**	**₱–**	On demand;	Unsecured,
	2020	(₱1,584,216)	₱–	noninterest-bearing; payable in cash	no guarantee
FEC	**2021**	**(313,038)**	**–**	On demand;	Unsecured,
	2020	313,038	313,038	noninterest-bearing; payable in cash	no guarantee
FGL	**2021**	**66,298,700**	**66,298,700**	On demand;	Unsecured,
	2020	–	–	noninterest-bearing; payable in cash	no guarantee
Total	**2021**	**₱65,985,662**	**₱66,298,700**		
	2020	(₱1,271,178)	₱313,038		
Advances to affiliates					
BEMC	**2021**	**(₱1,500,000)**	**₱736,315,120**	On-demand;	Unsecured,
	2020	₱–	₱737,815,120	noninterest-bearing; payable in cash	no guarantee; impaired
FEPCO	**2021**	**116,260,447**	**200,627,902**	On-demand;	Unsecured,
	2020	23,408,136	84,367,455	noninterest-bearing; payable in cash	no guarantee; no impairment
FEL	**2021**	**90,739,205**	**93,273,850**	On-demand;	Unsecured,
	2020	2,534,645	2,534,645	noninterest-bearing; payable in cash	no guarantee; no impairment
FEI	**2021**	**(1,696,663)**	**–**	On-demand;	Unsecured,
	2020	943,650	1,696,663	noninterest-bearing; payable in cash	no guarantee; no impairment
PITKIN	**2021**	**98,677**	**278,379**	On-demand;	Unsecured,
	2020	(1,835,543)	179,702	noninterest-bearing; payable in cash	no guarantee; no impairment
	2021	**203,901,666**	**1,030,495,251**		
	2020	25,050,888	826,593,585		
Less allowance for ECL	**2021**	**(1,500,000)**	**736,315,120**		
	2020	–	737,815,120		
Total	**2021**	**₱205,401,666**	**₱294,180,131**		
	2020	₱25,050,888	₱88,778,465		
Loan to a subsidiary					
FGL	**2021**	**₱31,777,080**	**₱259,646,311**	Payable in 1 year at interest rate of prevailing US LIBOR on the interest date plus 3.5% margin	Unsecured, guaranteed; no impairment
	2020	(₱51,751,270)	₱227,869,231	Payable in 2 years at interest rate of prevailing US LIBOR on the interest date plus 3.5% margin	Unsecured, guaranteed; no impairment
Accrued finance income					
FGL	**2021**	**(₱6,475,757)**	**₱–**	Payable quarterly	Unsecured,
	2020	(₱37,975,588)	₱6,475,757	starting April 16, 2020	no guarantee; no impairment
Overhead allocation related to rent					
FEPCO	**2021**	**₱1,284,511**	**₱1,284,511**	On-demand;	Unsecured,
	2020	₱1,284,511	₱1,284,511	noninterest-bearing; payable in cash	no guarantee; no impairment

(Forward)

	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
PITKIN	**2021**	**₱428,170**	**₱428,170**	On-demand;	Unsecured,
	2020	₱428,170	₱428,170	noninterest-bearing;	no guarantee;
				payable in cash	no impairment
Total	**2021**	**₱1,712,681**	**₱1,712,681**		
	2020	₱1,712,681	₱1,712,681		

a. *PMC made cash advances to be used as additional working capital of the Parent Company and acquisition of investments.*

On August 11, 2015, the BOD has agreed that a pledge agreement with PMC (pledgee) be entered into by PXP (pledgor). In order to secure the balance of ₱2,200,000,000 as of pledge date, the Parent Company has pledged its shares in its subsidiaries, Pitkin and Forum to PMC. The contract was formally executed on August 17, 2015.

In 2018, the PXP paid PMC amounting to ₱781,334,501, while in 2019, PXP fully paid the cash advances from PMC. As a result, the related pledge was extinguished.

As at December 31, 2021 and 2020, advances from PMC amounted to nil.

b. *Loan receivable from a subsidiary*
On November 24, 2010, PMC, as lender, entered into a US$10,000,000 facility agreement with Forum Philippine Holdings Limited (FPHL), a wholly-owned subsidiary of FEL and ultimately a 48.76% subsidiary of PXP. The facility agreement will be available for a three-year period and funds can be borrowed at an interest rate of US London Interbank Offered Rate (LIBOR) + 4.5% margin. All loans made are to be paid lump sum at repayment date; and accrued interest on the loans shall be paid on the last day of each interest period. The facility agreement will enable FPHL to fund its 70% share of a first SP work program over SC 72. Obligations arising from funds drawn under this facility agreement are not convertible into FEL's or FPHL's ordinary shares but are guaranteed by FEL for repayment to PMC.

In June 2012, an amendment to the original loan agreement has been made to extend the loan facility to US$15,000,000.

On November 21, 2013, PMC assigned its rights and obligations under the facility agreement to the Parent Company. On the same date, the loan facility was increased to US$18,000,000 and has been extended for an additional three years. The loan receivable from FPHL and loan payable to PMC recorded in the Parent Company amounted to ₱674,804,000 in 2013.

In 2015, a transfer agreement has been entered into by FPHL (the "Original Borrower") and FGL (the "New Borrower"). This states that all the rights and obligations under the Finance Documents of the Original Borrower will be transferred by way of novation to the New Borrower and the Original Borrower will be released from its obligations and will cease to own any rights under the Facility Agreement.

On March 23, 2017, PXP, FEL and FGL agreed the partial conversion of US$11,805,276 of its overdue loan to equity, by subscribing to 39,350,920 new common shares of FEL. The loan payable consisted of total drawdowns from the loan facility of US$15,500,000 and interest accrued of US$2,827,553. Of the remaining balance, US$1,000,000 (or ₱50,180,000) was paid through cash.

On the same date, PXP and FGL entered into a new loan facility amounting to US$6,000,000 of which US$5,522,277 was drawn out to fully settle the remaining portion of the maturing long-term loan.

On April 16, 2020, FGL made a partial repayment of the maturing loan principal amounting to US$431,073 together with the full payment of accrued interest from March 16, 2017 to April 15, 2020 amounting to US$950,023. In addition, a further extension of the then reduced outstanding loan principal of US$5,091,204, was made from April 16, 2020 to December 31, 2021 and quarterly payments of accrued interest is to be made from April 16, 2020 onwards.

On August 7, 2020, FEC has agreed to purchase 6.8% of the loan currently due by FGL to PXP amounting to US$346,202 plus accrued interest. This loan is unsecured, due on December 31, 2021 and bears interest at an annual rate of 3.5% plus LIBOR which is payable on a quarterly basis.

On October 28, 2021, the BOD approved to repurchase from FEC the 6.8% of the loan currently due by FGL to PXP amounting to US$346,202 plus accrued interest, with all other terms of the loan remaining unchanged.

On February 23, 2022, the BOD approved the extension of maturity date of the loan from December 31, 2021 to March 31, 2022. All other terms of the loan remain unchanged.

Total outstanding loan facility amounted to US$5,091,204 and US$4,745,002 as at December 31, 2021 and 2020, respectively. Interest income earned in 2021 and 2020 amounted to ₱8,911,826 and ₱11,263,358, respectively.

Loan receivable of PXP as at December 31, 2021 and 2020 amounted to ₱259,646,311 and ₱227,869,231, respectively.

c. *Assignment of advances of BEMC*
BEMC has significant transactions with related parties involving advances to provide funding for BEMC's exploration and development activities.

On August 5, 2019, a deed of assignment was entered by BEMC and PXP transferring BEMC's advances from PMC to PXP amounting to ₱737,815,120. On December 19, 2019, PXP paid the advances from PMC amounting ₱737,815,120.

In 2019, the Parent Company recognized full provision for ECL on its receivables from BEMC. In 2021, the Parent Company received partial payment from BEMC amounting to ₱1,500,000.

d. *Advances to affiliates*
PXP provides unsecured non-interest bearing cash advances to its subsidiaries for working capital requirements, which are settled in cash.

e. *Operating lease commitment between PXP and Silangan Mindanao Mining Corporation (SMMC)*
On February 1, 2019, the Parent Company entered into a contract of lease with SMMC covering an office space, for one year commencing on February 1, 2019 up to January 31, 2020. The lease agreement is renewable at the option of either party subject to mutually agreed upon terms and conditions. The lease agreement was renewed for one (1) year in 2021 and 2020. The Parent Company's lease payments were passed to its related parties as part of overhead allocation.

As at December 31, 2021 and 2020, the Parent Company has security deposits related to the said agreement amounting to ₱637,158.

f. *Compensation of key management personnel.*
The compensation of key management personnel pertaining to short-term and other long-term employee benefits follows:

	2021	2020
Short-term employee benefits	**₱8,436,000**	₱8,436,000
Other long-term employee benefits	**3,024,000**	2,376,000
	₱11,460,000	₱10,812,000

g. *Approval requirements and limits on the amount and extent of related party transactions*
Material related party transactions (RPT) refer to any related party transaction/s, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual material RPT shall be endorsed by the Corporate Governance and Related Party Transactions committee for approval by at least two-thirds vote of the BOD, with all independent directors voting to approve the material RPT. The material RPT may be further submitted to the stockholders and final approval when the BOD deems it necessary.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require endorsement by the same committee for approval of the BOD.

16. Leases

The Parent Company has certain leases of office space and machinery and equipment with lease terms of 12 months or less and leases of machinery and equipment with low value. The Parent Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemption for the leases.

Lease expenses charged to the Parent Company's related parties amounted to ₱1,712,681 in 2021 and 2020. The breakdown of the expenses is as follows:

	2021	2020
Expenses relating to short-term leases	**₱1,284,511**	₱1,284,511
Expenses relating to low-value assets	**428,170**	428,170
	₱1,712,681	₱1,712,681

17. Financial Instruments, Financial Risk Management Objectives and Policies

The carrying values of the Parent Company's assets and liabilities appropriate their fair values as at December 31, 2021 and 2020.

There were no transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurement as at December 31, 2021 and 2020.

The Parent Company's financial instruments consist of cash, receivables, security deposits under 'Other current assets', loan receivable, trade payables and accrued expenses and advances from affiliates, which arise directly from its operations. The main purpose of these financial instruments is to maintain and generate funds for the Parent Company's operations.

Risk Management Structure
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Parent Company.

Financial Risks
The main risks arising from the Parent Company's financial instruments are credit risk, liquidity risk and market risk. The market risk exposure of the Parent Company can be further classified to foreign currency risk and interest rate risk. The BOD reviews and approves on policies for managing these risks.

Credit risk
Credit risk is such risk where the Parent Company could incur a loss if its counterparties fail to discharge their contractual obligations. The Parent Company manages credit risk by doing business mostly with affiliates and recognized creditworthy third parties.

With respect to credit risk arising from the financial assets of Parent Company, which comprise of cash in banks, receivables and loan receivables, the Parent Company's exposure to credit risk could arise from the default of the counterparty, having a maximum exposure equal to the carrying amount of these instrument.

The table below summarizes the Parent Company's maximum exposure to credit risk for its financial assets:

	2021	2020
Cash in banks	**₱39,388,391**	₱67,337,047
Receivables	**1,030,580,669**	833,147,680
Loan receivable	**259,646,311**	227,869,231
Security deposits under 'Other current assets'	**955,737**	955,737
	₱1,330,571,108	₱1,129,309,695

Set out below is the information about the credit risk exposure on the Parent Company's advances to affiliates and loan and interest receivable using a provision matrix:

As at December 31, 2021:

		Past due			
	Current	**0 to 90 days**	**Over 90 days**	**Credit impaired**	**Total**
ECL rate	**0.00%**	**0.00%**	**100%**	**–**	
Estimated total gross carrying amount at default	**₱553,548,063**	**₱278,379**	**₱736,315,120**	**₱–**	**₱1,290,141,562**
ECL	**₱–**	**₱–**	**₱736,315,120**	**₱–**	**₱736,315,120**

As at December 31, 2020:

		Past due			
	Current	0 to 90 days	Over 90 days	Credit impaired	Total
ECL rate	0.00%	0.00%	100%	–	
Estimated total gross carrying amount at default	₱322,943,751	₱179,702	₱737,815,120	₱–	₱1,060,938,573
ECL	₱–	₱–	₱737,815,120	₱–	₱737,815,120

Credit Quality per Class of Financial Assets
The credit quality of financial assets is managed by the Parent Company using internal credit ratings. Accordingly, the Parent Company has assessed the credit quality of the following financial assets that are neither past due nor impaired:

The Parent Company has assessed the credit quality of the above financial instruments as follows:
- Cash in banks are assessed as high-grade since these are deposited in reputable banks, which have a low probability of insolvency.
- Receivables, which are amounts loaned to and owed by affiliates and other receivables were assessed as standard grade based on past collection experience and debtors' ability to pay.
- Security deposits were assessed as standard grade based on the discounted expected cash flows using effective interest rate.

Liquidity risk
Liquidity risk is the risk where the Parent Company is unable to meet its payment obligations when they fall due under normal and stress circumstances. The Parent Company's objective is to maintain a balance between continuity of funding and flexibility, and addresses its liquidity concerns through advances from PMC.

The Parent Company reviews its cash requirements and a cash forecast is presented to the audit committee, board risk and resource oversight committee and the board of directors on a quarterly basis.

The following tables summarize the maturity profile of the Parent Company's financial liabilities, based on contractual undiscounted repayment obligations:

	2021			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Payables and accrued expenses:				
Trade and other payables*	**₱–**	**₱18,353,318**	**₱–**	**₱18,353,318**
Advances from affiliates	**66,298,700**	**–**	**–**	**66,298,700**
Total undiscounted financial liabilities	**₱66,298,700**	**₱18,353,318**	**₱–**	**₱84,652,018**

**Excluding statutory payables*

	2020			
	On Demand	Within 1 Year	More than 1 Year	Total
Payables and accrued expenses:				
Trade and other payables*	₱–	₱14,359,542	₱–	₱14,359,542
Advances from affiliates	313,038	–	–	313,038
Total undiscounted financial liabilities	₱313,038	₱14,359,542	₱–	₱14,672,580

**Excluding statutory payables*

Market Risk
Foreign currency risk
Foreign currency risk is the risk where the value of the Parent Company's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from cash in banks and loan receivable. The corresponding foreign exchange gain amounting to ₱25,083,493 and loss amounting to ₱18,995,710 arising from the translation of these foreign currency-denominated financial instruments were recognized by the Parent Company in 2021 and 2020, respectively. As at December 31, 2021 and 2020, the exchange rates of the Peso to US Dollar were ₱50.99 and ₱48.02 to US$1, respectively.

The Parent Company's foreign currency-denominated monetary assets as at December 31 follow:

	2021		2020	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Cash in banks	**US$544,874**	**₱27,788,035**	US$1,239,763	₱59,537,159
Accrued finance income	**–**	**–**	134,847	6,475,757
Loan receivable	**5,091,204**	**259,646,311**	4,745,002	227,869,231
Net monetary assets	**US$5,636,078**	**₱287,434,346**	US$6,119,612	₱293,882,147

The tables below summarize the impact on income (loss) before income tax of reasonably possible changes in the exchange rates of US Dollar against the Peso:

US Dollar Appreciates (Depreciates)	Effect on Income (Loss) Before Income Tax
2021	
Appreciate by 4%	**₱11,497,374**
Depreciate by (4%)	**(11,497,374)**
2020	
Appreciate by 4%	₱11,755,286
Depreciate by (4%)	(11,755,286)

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

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. The Parent Company's exposure to the risk in changes in the market interest rates relates primarily to loan receivable as at December 31, 2021 and 2020.

The Parent Company relies on budgeting and forecasting techniques to address cash flows concerns. The Parent Company also keeps its interest rate risk at a minimum by not borrowing when cash is available or by prepaying, to the extent possible, interest-bearing debt using operating cash flows.

The sensitivity to a reasonably possible change in the interest rate (in basis points), with all other variables held constant, of the Parent Company's income (loss) before income tax in 2021 and 2020 are as follows:

	Change in interest rate (in basis points)	Effect on income (loss) before income tax
December 31, 2021	**+100**	**₱2,596,463**
	-100	**(2,596,463)**
December 31, 2020	+100	₱2,278,692
	-100	(2,278,692)

18. Capital Management

The Parent Company maintains a capital base to cover risks inherent in the business. The primary objective of the Parent Company's capital management is to optimize the use and earnings potential of the Parent Company's resources, ensuring that the Parent Company complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Parent Company's activities. No significant changes have been made in the objectives, policies and processes of the Parent Company from the previous year.

The table below summarizes the total capital considered by the Parent Company:

	2021	2020
Capital stock (Note 13)	**₱1,960,000,000**	₱1,700,000,000
Subscribed capital (Note 13)	–	260,000,000
Additional paid-in capital	**2,816,544,913**	2,816,544,913
Subscription receivable (Note 13)	–	(121,114,000)
Deficit	**(2,424,322,383)**	(1,038,672,359)
	₱2,352,222,530	₱3,616,758,554

19. Supplementary Information Required Under Revenue Regulation (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued RR No. 15-2010, amending certain provisions of RR No. 21-2002, implementing Section 6 (H) of the Tax Code of 1997, prescribing the manner of compliance with the preparation and submission of the Parent Company's financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the parent company financial statements, particularly on taxes, duties and licenses paid or accrued during the year. The Parent Company reported and/or paid the following types of taxes for the year ended December 31, 2021:

a. Net Sales/Receipts and Output VAT declared in the Parent Company's VAT returns for the year 2021

   The Parent Company does not have reportable sales/revenues for year 2021

   Input VAT

Balances as at January 1, 2021	₱10,937,248
Current year's domestic purchases/payments or importations for goods other than for resale or manufacture	1,620,142
Balances as at December 31, 2021	₱12,557,390

b. Information on the Parent Company's Importations

   The Parent Company does not have importations and/or purchases from which input taxes may be derived.

c. Documentary Stamp Tax (DST)

   The Parent Company has no DST payment in 2021.

d. Other Taxes and Licenses

   Taxes and licenses, local and national, include licenses and permit fees. The taxes and licenses that are included as part of general and administrative expenses in 2021 are as follows:

PSE maintenance fee	₱1,870,000
License and permit fees	44,069
BIR registration fee	500
	₱1,914,569

e. Withholding Taxes
Withholding taxes paid and accrued by the Parent Company in 2021 are as follows:

Withholding taxes on compensation and benefits	₱3,895,018
Expanded withholding taxes	332,014
Final withholding taxes	254,405
	₱4,481,437

f. Tax Assessments and Cases
The Parent Company did not receive any final tax assessments in 2021, nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of BIR. The Parent Company does not have any on-going tax examination.

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
PXP Energy Corporation
2/F LaunchPad
Reliance corner Sheridan Streets
Mandaluyong City

We have examined the parent company financial statements of PXP Energy Corporation as at and for the year ended December 31, 2021, on which we have rendered the attached report dated February 23, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Parent Company has a total number of thirty thousand six hundred twenty-eight (30,628) stockholders owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
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. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854392, January 3, 2022, Makati City

February 23, 2022

Annex A: Reporting Template

Contextual Information

Company Details	
Name of Organization	PXP Energy Corporation
Location of Headquarters	2F Launchpad, Reliance corner Sheridan Streets, Mandaluyong City, Philippines 1550
Location of Operations	Headquarters in the Philippines with Exploration Service Contracts in Northwest Palawan and Cebu, Philippines and Peru.
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	PXP Energy Corporation and its subsidiaries, Forum Energy Limited and Pitkin Petroleum Limited.
Business Model, including Primary Activities, Brands, Products, and Services	PXP is an upstream oil and gas company incorporated in the Philippines to carry on businesses related to any and all kinds of petroleum and petroleum products, mineral oils, and other sources of energy.
Reporting Period	January 1, 2021 to December 31, 2021
Highest Ranking Person responsible for this report	President

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
PXP Energy Corporation (PXP or the Company) acknowledges that, with a growing interest from shareholders and other stakeholders in corporate sustainability, it is increasingly important to formally disclose how PXP integrates sustainability into its business practices, decision-making strategy, and culture over time. This report can assist with both informing and reassuring employees, shareholders, investors, regulators, and other stakeholders about the Company's commitment to the environment and the community. Over the financial year, PXP has engaged with both internal and external stakeholders to gain a better understanding of the information that is most relevant and meaningful to report. This section of the Annual Report now provides greater insight into PXP's risk management and governance practices and the work it does to manage social, environmental, and economic sustainability. **Philosophy and Management** As part of the oil and gas industry, PXP recognizes the challenges and opportunities facing its business and the importance of operating responsibly. The Company is committed to the health and safety of its employees, contractors, and the local community, as well as the preservation of the environment where it has petroleum operations. Social, environmental, and economic sustainability are core principles of PXP's business culture and growth strategy. To ensure these principles are embedded in the business, PXP developed a

[1] See *GRI 102-46* (2016) for more guidance.

management framework and governance system that both promotes sustainability and provides clear guidelines for decision-making throughout the Company.

The Company's key priorities for corporate sustainability have been identified through the risk management process overseen by the Risk and Governance Committee. Risks are assessed in four (4) core business categories:

1. Operations;
2. Finance;
3. Legal and Compliance; and
4. People and Culture.

The highest priority sustainability risks identified in each category are described below, along with how they have been managed and will continue to be managed in the future.

- **OPERATIONS**

The Company and its subsidiaries adhere to international health and safety standards, promote loss prevention, and uphold preservation of the environment as its core value.

Safety

PXP's approach to health, safety, and environment is proactive, with workforce training at all levels within the organization. Even before the pandemic, the Company ensures that the health and overall well-being of the employees are being prioritized. Additional safety and health protocols were strictly implemented in connection with the emergence of a global pandemic due to COVID-19.

Respect for Communities

PXP recognizes the importance of working with people in communities where it operates to facilitate close working relationships and achieve the best possible outcomes for those communities and local economies.

PXP, together with its subsidiary, Forum Energy Limited (Forum) and Joint Venture (JV) Partners, have undertaken community assistance programs in Palawan, especially in the Calamian Islands, and Cebu, its host provinces. These are mainly education, livelihood, and health projects which aim to help the community.

The Company's community assistance and corporate social responsibility programs are available at the Company's website: https://www.pxpenergy.com.ph/corporate-governance/corporate-social-responsibility/.

Healthcare

Healthcare initiatives have been expanded in recent years from the provision of much needed basic equipment and supplies, to a more sustainable focus on training and education of local health workers.

Environment

A commitment to undertake activities without endangering the environment and the health and safety of people is key to maintaining the Company's license to operate.

- **FINANCE**

Oil and gas exploration is a high cost/reward industry requiring significant liquidity to establish and implement drilling programs and potentially move assets from development to production. Many external factors may influence this, such as volatility in global commercial markets, and the price of crude oil. PXP understands that such volatility requires careful planning to anticipate changes in the commercial environment and flexibility to manage commitments to protect the financial interests of the Company.

The Board of Directors and higher management officials are responsible for establishing and maintaining a business strategy, including risk identification and assessment, which facilitates responsible decision-making. Since incorporation, PXP has adopted a business plan to ensure it operates ethically and responsibly.

Although PXP has no financial lenders at the moment, it has noted that in recent times, financial lenders have become more focused on sustainable best practices as part of their corporate lending criteria. While the Company takes great pride in its commitment to corporate sustainable practices, it acknowledges that this has not been a part of its formal reporting since financial year 2019. The Company will continue to report more fully on corporate sustainability to assist financial lenders in their assessments in the future.

- **LEGAL AND COMPLIANCE**

Key legal and compliance sustainability risks are bribery, corruption, and the potential impacts on PXP's business and the communities and economies in areas where it operates.

The Company has always conducted its business ethically, with zero tolerance for bribery or corruption. PXP recognizes the impacts poor business practices can have, not just on the Company and its shareholders, but also on the local communities and economies where it has petroleum operations.

PXP has always demonstrated its opposition to both bribery and corruption through its conduct and operations, and publicly via its Code of Conduct. To further emphasize its commitment to ethical business operations, Anti-Corruption Programs and Procedures have been established and implemented throughout the Company, as can be found in its website at https://www.pxpenergy.com.ph/corporate-governance/company-policy/code-of-business-conduct-and-ethics/.

- **PEOPLE AND CULTURE**

The key sustainability risk relating to people and culture within the organization is having appropriate governance systems in place to facilitate the embedding of policies and procedures in its business practices.

The success of the Company business relies on it having talented and dedicated employees and contractors by providing them with the environment they need to produce their best work. It recognizes not just the importance of having policies and procedures in place to govern its operations and provide clear direction for employees and contractors, but also the importance of ensuring it develops and nurtures a culture within the Company that embraces those policies and their implementation.

All of the Company's publicly available written policies are updated to ensure they are in accordance with the latest regulations and guidelines, including the PSE Corporate Governance guidelines, appropriately reflecting the business practices and culture of the Company. These policies include the following:

- Code of Business Conduct and Ethics;
- Supplier Contractor Relations;
- Whistle Blowing;
- Diversity;
- Dealings in Company Shares;
- Gifts, Entertainment, and Sponsored Travels;
- Conflict of Interest; and
- Related Party Transactions.

The above policies will be regularly reviewed by the Company to ensure that these represent best industry practice, are compliant with local regulations and guidelines, and demonstrate the Company's commitment to its employees, contractors, local community and environment in which it operates. The Company will also monitor any updates and/or new laws to ensure these are reflected in its business policies. The policies are publicly available and accessible under the Corporate Governance tab on the Company's website at https://www.pxpenergy.com.ph/corporate-governance/company-policies/.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount in thousand	Units
Direct economic value generated (revenue)		
a. Petroleum revenue	64,198	Php
b. Other income	-	Php
Direct economic value distributed:		
a. Operating costs	(40,586)	Php
b. Employee wages and benefits	(16,854)	Php
c. Payments to suppliers, other operating costs	(3,138,460)	Php
d. Dividends given to stockholders and interest payments to loan providers	-	Php
e. Taxes given to government	(10,611)	Php
f. Investments to community (e.g. donations, CSR)	(962)	Php
Economic value retained	**(3,143,275)**	**Php**

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company derives revenue indirectly through its subsidiary Forum Energy Philippines Corporation through SC 14C-1	All Stakeholders	The Company ensures that the operations and financial affairs are managed in a sound and prudent manner. In addition, financial and internal controls are in place

(Galoc). Crude oil lifted from the Galoc Field were sold to customers from nearby South East and East Asian countries. The Company contributes to economic growth by paying taxes to local governments and supporting community projects that are based on the needs of local communities.		to ensure reliability and integrity of financial and operational information.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Financial lenders have been more focused on company's implemented sustainability programs as part of their corporate lending requirements.	All Stakeholders	The Company takes great pride in its commitment to corporate sustainable practices thus it will continue to report more fully on corporate sustainability to assist financial lenders, if any, in their assessments in the future.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Oil & Gas revenue contribution to the Philippine Gross Development Product (GDP). Encourage foreign investment that could result to increased revenue and local employment. Search for new venture projects within the Philippines to be explored and developed**.**	All Stakeholders	Farm out of participating interests in select service contracts to allow qualified foreign companies to invest. Review and evaluation of petroleum blocks for possible participation either through farm-in or application for a new contract. In March 2020, the Company participated in the Philippine Conventional Energy Contracting Program (PCECP) of the Department of Energy (DOE) for new exploration areas.

Climate-related risks and opportunities[2]

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	**Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material**	**Disclose how the organization identifies, assesses, and manages climate-related risks**	**Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material**
The highest level of responsibility for climate change within PXP is delegated by the Board of Directors to the Board Risk and Resource Oversight Committee (BRROC). The BRROC is responsible for a range of risk and governance matters, including identifying material exposures to economic, environmental, and social sustainability risks. This Committee is supported by the Risk Management Team, which involves senior management of the organization.	PXP views energy as of vital importance for economic and social development but also acknowledges that an energy transition to low carbon fuels and renewable energy sources is underway to reduce the impacts of climate change. As part of the oil and gas industry, successfully identifying and managing these challenges are necessary for the long-term success and sustainability of the Company's business. The Company looks to identify opportunities to expand existing programs and develop new activities that aim to increase operational efficiency and/or reduce carbon emissions during the transition planning process when the	Climate-related risks identified will include several measures of consequences relating to environmental, safety, financial, and reputational impact. The Company aims to minimize and mitigate risks through education, motivation, and involvement of all employees, consultants, and contractors.	The Company has not set targets for emissions reductions in recent years as most of its major assets are still in the exploration stage while Greenhouse Gas (GHG) emissions at the office has minimal impact to the environment. However, for the Galoc Operations, wherein Forum has a participating interest, GHG emission and gas flaring are being monitored and measured. The Company, once producing will actively engage in direct and indirect monitoring of GHG emissions.

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers, and asset owners.
[3] For this disclosure, impact refers to the impact of climate-related issues on the company.

	company will be on the development stage.		
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities	**a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term**	**a) Describe the organization's processes for identifying and assessing climate-related risks**	**a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process**
PXP stays true to its Vision and Values through the aligned objectives of its board members in becoming a world-class Philippine energy resource company while showing genuine concern to its communities and environment. BRROC meetings are conducted at least twice a year to discuss updates of Company assets which includes climate-related concerns. During these meetings, the committee is informed of salient issues that require board approval. The management assures that the impacts on the environment (i.e., climate change) are carefully considered in the recommendations presented to the board. Updates on policies implemented, actions undertaken, and effects of these decisions are discussed with the board in the	Most of PXP assets are still in the exploration stage thus bulk of the operation is conducted in the head office. Production of paper wastes is the most common short-term environmental risk the Company is facing. In early 2020, the Company stopped its subscription for printed newspapers. By going electronic, not only is the Company reducing paper wastes but also operational expenses. PXP has identified natural disasters to be affecting its employees in a short-term period based on the strong typhoons experienced by the country in the past years. The flaring of natural gases in SC 14C1 Galoc emits tonnes of GHG into the atmosphere thus causing medium-term health hazards to the employees	Every last quarter of the year, PXP holds management meetings to discuss the work program and budget (WP&B) plans for the succeeding year. The Exploration program such as Geological and Geophysical (G&G) activities are strategically scheduled all throughout the coming year. Alongside this, PXP identifies possible environmental (including climate-related) risks that may impede the accomplishment of the said activities. Usage of previously collected data such as rainfall quantity, ocean current pattern, and gas emissions helps in forecasting risks that may arise during the implementation of G&G activities. PXP also studies the occurrence probability of these risks and the object which it will directly and indirectly affect. Forward planning and	The Galoc JV had used the Dubai Fateh, recognized worldwide as the benchmark for quality and pricing of the extracted crude oil. This also sets the trend for commercial viability of processing the Galoc crude oil. Since 2018, however, the produced crude were sold using the arithmetic average of Arab Extra Light official selling price (OSP) and Upper Zakum OSP. The operating blocks are strict in complying with RA 8749 or the Philippine Clean Air Act of 1999 which has the Department of Environment and Natural Resources (DENR) as the lead agency. The quality and quantity of gas emissions during operations are compared to the standard limits set by the DENR. PXP adheres to the DOE standards concerning regulations in the energy industry. The Company regularly submits quarterly and annual operations reports and results of exploration activities of the

succeeding BRROC meeting.	onboard the platform and long-term effect on global warming.	assessment of each stages of the proposed projects are conducted.	Company's operated service contracts. Any plans of the Company are also aligned with the department's mission to be globally-competitive while improving the quality of life of Filipino communities.
b) Describe management's role in assessing and managing climate-related risks and opportunities PXP management bridges its employees and the host communities that are directly exposed to climate-related risks to the board which is the decision-making body of the Company. In more pressing instances, the management is responsible for providing sound decisions and actions toward these risks. Moreover, PXP management oversees all operations and assesses possible environmental impacts of the Company's activities. In the case of non-operated blocks, the management acquaints PXP board and employees to the activities undertaken by the JV Partners in	**b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.** The Company's approach in mitigating climate-related risks initially results to higher capital expenditures because of the acquisition of equipment and appropriate training of employees. On the other hand, a decrease in operational expenditures is expected with the efficient performance of the equipment. The conduct of company activities is also planned accordingly to lessen climate-related risks (e.g., weather pattern) that will incur additional expenses. An example of which is the temporary postponement of plug and abandonment activities in SC 14 during the typhoon season to minimize	**b) Describe the organization's processes for managing climate-related risks** The Company is proactive in ensuring the safety and well-being of the employees, stakeholders and community affiliated with its projects. Part of the strategic planning is the provision for accidental expenses associated with climate-related risks such as typhoon, flood, and drought. PXP has implemented regular office emergency drills, provided personal protective equipment (PPE) and medical insurance to its employees. Furthermore, additional insurances for the employee, contractor, and equipment are provided by the	**b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets** The primary target of the Company is to lessen carbon footprint and the negative environmental impact of its exploration activities without compromising the attainment of its objectives. Recycling has been a regular practice in the office premises. Reusable items such as papers, carton boxes, plastic bags, and plastic/glass bottles are either given new functions or sold that not only aids employees in work but also benefits the Company by lessening operational expenses and providing additional income, respectively. Conservation of electricity and water is also a constant practice. The Company is contributing less air pollutants with the efficient use of GHG-emitting equipment.

assessing climate-related risks, if any.	risks during operations and downtime due to inclement weather, in year 2020. In the same year, the Land Gravity Survey in SC 40 and geologic fieldwork in SC 74 were also scheduled during the dry season to avoid weather downtime.	Company prior to the execution of exploration activities. In this way, both the Company and end-users are protected. The Company and its JV Partners are updated with environmental laws governing water, air, and land pollution. Regular quality monitoring of these environmental aspects is implemented in the operational blocks.	The operators of producing oil fields ensure that its facilities are in best condition so that emissions of hazardous matters are at the minimum or within acceptable limits. One progress indicator is the performance comparison of the current year with the previous years. Examples of these indicators are measurements of hazardous emissions (kg or tonnes), effluents (m^3), solid wastes (kg or m^3), electricity (kWh), and water consumption (m^3).
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario Although the Company establishes plans prior to the conduct of different activities, unexpected issues may still arise that will impede the regular flow of work. The employees are well-trained to adapt to these situations and will continue to deliver the output needed by the Company. The Company's management and staff	**c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management** PXP management practices a holistic approach in doing the Company's overall risk management. After identification, assessment, and action preparation for the climate-related risks, integration with the other risks are done. A cause-and-effect relationship is established on the risks associated with each other.	

	plan and create scenario analysis prior to implementation of projects. A contingency plan is always included in the programs presented to the board. Usually, an additional 10-15% of the total project budget and total number of working days is allocated as contingent measures. Acquisition of additional service contracts is also a resilient move of the company to sustain its operation. PXP joined the DOE's PCECP aimed at diversifying its portfolio through the acquisition of new prospective areas for exploration and development. The Company, being a player in the Energy Sector, is mindful of the increasing global awareness about climate change. Though still far from the Company's immediate plans, a transition to a lower-carbon economy compliant with the 2°C or lower scenario may be considered in the future if an opportunity emerges.	Most of the G&G activities undertaken since 2015 (such as geologic fieldworks, seismic surveys, and drilling) are scheduled during the dry season. The chances of suspending the activity due to inclement weather is accounted in the assessment of financial and operational risks. During the planning stage, additional budget is being allocated to cover for the extension of field days in response to the non-working days associated with the suspension of activity. Moreover, schedule and scope of work of employees left in the office were adjusted to accommodate the length of time the deployed employee was unavailable to perform her usual tasks.	

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Php12,535,068	-

In 2021, PXP office had 30 suppliers, of which 27 were local (accounting for 76% of the total suppliers).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Localizing supply chain represents an opportunity to help reduce emissions and energy usage. Local supplies do not create large carbon footprints through overseas plane travel or long truck trips. This cuts down on fuel consumption and air pollution.	Suppliers	Foreign contractors are only engaged if there are no qualified or capable local suppliers available.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Inability of local suppliers to meet the demand.	Suppliers	Management assesses the availability and competency of local suppliers. Foreign contractors are only engaged if there are no qualified or capable local suppliers available.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company reduces shipping and storage cost while increasing revenue of the local economy by involving local suppliers. This presents opportunity to the Company to be more competitive in terms of providing services to other local oil and gas companies.	Suppliers and other oil and gas companies	The Company's policy on supplier contractor relation is available at the Company's website: https://www.pxpenergy.com.ph/corporate-governance/company-policy/supplier-contractor-relation/. The Company also seeks and maintains mutually beneficial relationships with Suppliers that uphold the Company's principles and core values.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%

Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Supply Chain Department of the Company's affiliate provides support by maintaining guidelines and by issuing necessary notices to Suppliers, including requiring Suppliers to declare their personal relationships (i.e. relatives, former classmates or coworkers, etc.) and/or previous business and official dealings (i.e. former business partner, broker, superior or subordinate) and relationships with any of the Company's Directors, Employees, or Consultants prior to the Supplier's participation in any bid or consideration for any transaction by the Company.	Suppliers, Board of Directors, Employees, and Consultants of PXP	The Company formulated a Code of Business Conduct and Ethics, which upholds professionalism, and ethics in business dealings and transactions. Moreover, the Company has a Vendor Relations Policy, and a Policy on Gifts, Entertainment, and Sponsored Travel that are available on the Company's website through the following links: https://www.pxpenergy.com.ph/corporate-governance/company-policy/policy-on-gifts/ and https://www.pxpenergy.com.ph/corporate-governance/company-policy/supplier-contractor-relation/.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The following are examples of procurement situations that reveal unethical conduct by an Employee and/or Supplier. The areas and situations enumerated are illustrative only and not exhaustive. An Employee manipulating his evaluation of the contract proposals in exchange for bribes. A Supplier seeking internal (within the Company) and/or external (i.e. political/government) connections	Suppliers, and Board of Directors, Employees, and Consultants of PXP	Proper investigation and resolution of each reported event are made by the appropriate business units and the results are forwarded to the Chairman of the Board, the President, or respective executive-level superior, and other relevant groups or bodies, in accordance with the procedure stated in the Whistleblowing Policy. The Board of Directors, Officers, and Executives ensure that any Director, Employee, or Consultant who reports a suspected violation of this policy by

to increase chances of contract award. Suppliers submitting false documents for accreditation and other procurement-related transactions or processes. Employees developing unreasonable or over specific technical requirements such that award of contract intentionally goes to a particular or preferred Supplier. Employees giving priority or informing preferred Suppliers in advance before actual request such that other Suppliers are caught unprepared or with too little time to plan. Products and/or services that have not undergone official procurement procedure since these were tested or evaluated beforehand through product demonstrations with particular Suppliers thus limiting chances for other Suppliers to compete. Undisclosed conflict of interest situations on business dealings resulting to giving undue advantage to another party. Disclosure of confidential and proprietary information by Employees to Suppliers. Incorrect payment of government taxes due to manipulation of documents by Suppliers. Suppliers not remitting the correct SSS, PhilHealth, Pag-Ibig, and other employee contributions to their employees.		fellow Director, Employee, or Consultant is protected from any form of retaliation.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

A sound Supply Chain management provides opportunities for vendor interaction to further improve products and services and negotiates for more competitive prices through open bidding.	Employees, Consultants, and vendors of PXP	PXP upholds the highest professional standards of business practices, core values, and ethics as enshrined in its Code of Business Conduct and Ethics in its business dealings with its Suppliers in the procurement of products and services.

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	None	#
Number of incidents in which employees were dismissed or disciplined for corruption	None	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Avoid activities and interests that could significantly affect the objective or effective performance of duties and responsibilities in the Company, including business interests or unauthorized employment outside the Company, receiving and/or giving of gifts to persons or entities with whom the Company relates, as well as insider dealing.	Board of Directors, Officers, Employees, and Vendors	The Company has clear rules on anti-bribery and corruption and these are included in the Code of Conduct for all employees. There is no place for bribery or corruption at PXP. Read more about the Company's values at https://www.pxpenergy.com.ph/corporate-governance/company-policy/code-of-business-conduct-and-ethics/.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Though the Company has no recorded incidents, risks of corruption are always present within the business environment.	Board of Directors, Officers, Employees, Suppliers, and Vendors	To mitigate this risk, the Company has clear rules on anti-bribery and corruption and these are included in the Code of Conduct for all employees. There is no place for bribery or corruption at PXP. Read more about the Company's values at https://www.pxpenergy.com.ph/corporate-governance/company-policy/code-of-business-conduct-and-ethics/.

		After conducting proper investigation of an incident, PXP shall enforce disciplinary actions against violators, which may include measures such as suspension, dismissal, and/or filing of appropriate civil and/or criminal actions.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Procurement should be done through open competitive bidding, except on unavoidable circumstances. Seek ways for further employee development such as seminars against corruption.	Board of Directors, Officers, Employees, Suppliers, and Vendors	Communicate the PXP business policies regularly to stakeholders.

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units/Year
Energy consumption (renewable sources)	None	GJ
Energy consumption (gasoline)	None	GJ
Energy consumption (LPG)	None	GJ
Energy consumption (diesel)	200,300*	liters
Energy consumption (electricity)	1782**	kWh/yr
Energy consumption (Natural gas)	47.50*	mmscf

*Data are from SC 14C-1 (Galoc) Floating Production Storage and Offloading (FPSO) Vessel for the year 2021 as provided by the Operator, NPG Pty Ltd. PXP Energy produces oil through its subsidiary, Forum Energy Philippines Corporation which has a 3.2103% stake in SC 14C-1.

**Electricity consumption at PXP headquarters.

Reduction of energy consumption

Disclosure	Quantity	Units/Year
Energy reduction (gasoline)	Minimal	GJ
Energy reduction (LPG)	Not applicable	GJ
Energy reduction (diesel)	Minimal	GJ
Energy reduction (electricity)	Minimal	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
In the office, continuous reduction of energy consumption is being done through implementation of energy conservation measures.	Employees	The Company has been implementing cost-cutting measures since 2015 resulting to the proper monitoring of and reduction in general & administrative expenses.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Inefficient use of office equipment resulting to higher energy consumption.	Employees	Continuous monitoring and constant reminder to company employees of efficient use of office equipment. Orient maintenance staff on the schedule of switching on and off of lights, aircon, workstations, and other electrical equipment, specifically during the work-from-home set up, wherein employees

		are accessing their workstations remotely.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company to assess the impact of implementing an option to work from home to decrease operational costs and increase employees' productivity by minimizing travel time.	Employees	With the emergence of COVID-19, the Company implemented a work-from-home scheme wherein employees are only required to report onsite from two (2) to three (3) business days in a week. Inter-Agency Task Force (IATF) guidelines were followed such as allowing a maximum of 50% operational capacity inside the office. These new working arrangements resulted to a decline in electricity consumption.

Water consumption within the organization

Disclosure	Quantity	Units/Year
Water withdrawal	None	Cubic meters
Water consumption	48*	Cubic meters
Water recycled and reused	None	Cubic meters

*Water consumption at PXP headquarters in 2021. Water use pertains only to pantry and toilets.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
At the office, PXP prioritizes water management, in response to the national water scarcity experienced back in year 2019. At the FPSO, continuous application of reverse osmosis in seawater desalination is being done to produce clean water that can be used for drinking, bathing, food preparation, and other general purposes.	Community, Employees, and Marine Crew at the FPSO	The Company educates its employees on the efficient use of water. Since 2012, the FPSO has been reprocessing seawater to produce clean, safe, and fresh water to be self-sufficient, instead of relying on water tank refilling by supply vessels, which will entail additional logistical processes.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

Within the office premises, some personnel are unaware that they irresponsibly use water facilities resulting to higher consumption.	Employees	The Company instills water conservation practices to employees. Management lowered the water pressure in the comfort rooms, to control water flow and avoid spillage. Also, management ensures that there are no faucet and toilet leaks to avoid water wastage by conducting regular inspection every month and replacing damaged parts immediately.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Efficient water consumption leads to financial savings, which can be appropriated by the Company for other purposes. Additionally, water conservation helps the community as a whole in prolonging the water supply especially during dry seasons from March to May wherein the water in reservoirs falls below normal level.	Employees and Building Management	The Company emphasizes to employees to use water responsibly. The work-from-home scheme also resulted to a decline in water consumption in the office as the days spent by the employees onsite were also reduced in 2021.

Materials used by the organization

Disclosure	Quantity	Units/Year
Materials used by weight or volume		
• Renewable • Water • Wood/Paper	▪ 5,060,215.32* ▪ 27.50*	cubic meter cubic meter
• Non-Renewable • Metals • Plastics • Diesel • Natural Gas	▪ 42* ▪ 120* ▪ 200,300* ▪ 47.50*	cubic meter cubic meter liter million standard cubic feet
Percentage of recycled input materials used to manufacture the organization's primary products and services	None	%

*Data from SC 14C-1 Galoc for the year 2021. The volume of water only includes produced formation water, wash water, cooling water for the engine room, and cooling water for the process area. This does not include the potable water produced during osmosis.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Platforms built on top of the seabed are made up of non-renewable metals such as steel alloyed with other elements like nickel, iron, chromium, carbon, and molybdenum which are also non-renewable. In offshore operations, water produced from the target formation during production is either recycled for platform/vessel/engine use, stored in stock tanks or discharged back to the sea. Plastics are non-renewable materials that use oil/fossil fuel as raw materials. The Company, through the Galoc operations, produce tonnes of plastic, wood, and paper wastes annually.	Employees onboard the platform/FPSO, Nearby Community, and Environment	Although platforms are built far from the community, a portion or all of these structures are permanently left offshore. The DOE may opt to take over these structures after cessation of all petroleum-related activities of the Company, as what happened in SC 14 in 2020 when the DOE donated the Nido and Matinloc platforms to the Armed Forces of the Philippines to be used for national defense purposes. The decommissioned platforms were first stripped of equipment and materials which were sold to third party contractors through bidding. Platforms are furnished with equipment that can process formational water from the subsurface. Recycling and waste segregation are implemented in the Company premises and Galoc platform and FPSO. Papers, carton boxes, plastic bags, and plastic bottles in the office are given new functions or sold, while in offshore operations, these are properly collected and disposed on the shore as per MARPOL guidelines.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Possible improper maintenance of the platform may lead to fast deterioration of metals that may result to injuries or accidents. Deteriorated metals may also pose health and environmental risks to the marine flora and fauna where the platform was constructed.	Employees onboard the platform/FPSO, Nearby Community, and Environment	PXP, through its JV partners, assisted the DND-AFP by providing training on proper care and maintenance procedures. The platforms were also refurbished prior to the turnover. Inspection, care, and maintenance of water-processing equipment are regularly implemented to ensure their efficiency and to avoid untoward

Accidental discharge of oil/diesel-contaminated water into the sea may cause life and health hazards to the marine ecosystem and nearby community that depends their livelihood in fishing. Improper waste disposal of used plastic and paper materials may result to pollution of the sea.		accidents. Oil content of overboard and subsea water discharges are strictly monitored per MARPOL guidelines. The management encourage employees to practice recycling and proper waste management. Tree planting activities were also conducted in lieu of the wood-based materials exhausted by the Company and as part of its obligation (ECC) to the government.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The platforms act as artificial reefs for the aquatic organisms that had attached to the steels in the subsurface. The abundant marine resources can be of use to the community and current owners of the platforms. With the full support provided to DND-AFP, PXP and its JV partners may still request to use the platforms in case a need arises. Clean water discharge will not harm the marine ecosystem that had thrived in the subsea structures. Penalties and fines will be avoided if water discharge is not contaminated with oil/diesel. Recycling benefits the Company by lessening operational expenses and providing additional income.	Employees onboard the platform/FPSO, Nearby Community, Environment, and Management	Technical support from the company and JV partners was provided during the turnover of the Nido and Matinloc platforms. In the Galoc Block, the Consortium guarantees that it complies with the environmental laws governing water/sea. Used plastic and paper wastes are sold by the Company. Some were repurposed to a new item and were used by employees. Since the lockdown in March 2020, the Company ended its newspaper-print subscription and opted to access newspapers online, which somehow decreased cost incurred by the Company and reduced its environmental impact.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None*	ha
Habitats protected or restored	None	ha
IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations	None	ha

*Prior to the awarding of SCs, the DOE carves out protected areas as per the National Integrated Protected Areas System of the DENR.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company faithfully ensures strict compliance with environmental laws and policies by securing required permits from the DOE, DENR, and Mines and Geosciences Bureau (MGB). Further, PXP promotes environmental awareness to the community prior to and after G&G activities.	Employees and Communities adjacent or within the SCs	PXP and its subsidiary Forum have acquired Certificates of Non Coverage (CNC) and Environmental Compliance Certificates (ECC) from the Environmental Management Bureau (EMB) of the DENR to cover all its exploration activities, as summarized below. 1. SC 14C-1 – An ECC was issued on August 30, 2006 to cover the Galoc Field development. 2. SC 72 – A CNC was issued on December 22, 2010 for the 2D and 3D seismic surveys conducted in the Recto Bank. Another CNC was issued on May 23, 2012 to cover all exploration and appraisal activities, which includes the drilling of exploration wells. 3. SC 40 – An ECC was issued on February 19, 2010 for the extraction of natural gas in Barangay Libertad, Bogo City, Cebu. CNCs were issued in 2009 and 2012 for the land gravity surveys.

[4] International Union for Conservation of Nature

		4. SC 75 – On February 28, 2014, a CNC was issued to PXP to cover all exploration activities. 5. SC 74 - On March 22, 2016, a CNC was issued to cover all exploration activities. 6. SC 74 – In June 2018, a permit to transport rock samples from the fieldwork in the Calamian Islands to Manila was requested from the MGB-MIMAROPA, in accordance with the DENR Administrative Order 2010-21, the IRR of RA 7942 otherwise known as the Philippine Mining Act of 1995. Conducted Information, Education, and Communication (IEC) campaign in the communities prior to the exploration activities.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
For the fieldworks, marine and land seismic and gravity surveys, drilling and production activities, the risk include the disturbance of local ecosystem in the area (i.e. cutting of trees, oil spill, improper disposal of large volumes of saline water, and gas flaring).	Employees, Marine Crew onboard the Seismic Vessel or FPSO, and Local Communities adjacent or within the SCs	The Company, its Subsidiaries, and JV partners continue to strictly abide with Environmental laws and policies. The exploration, production and development activities are being accomplished with minimum or no detrimental impacts to flora and fauna, marine and onshore environment, soils, surface, ground, and marine waters. Daily Health, Safety, Security and Environment (HSSE) meetings are being conducted during onshore and offshore operations. The Company conducts Bathymetric Surveys to determine the shallow water areas or pinnacles to be avoided during seismic surveys. During the seismic surveys in SC 75 and SC 74 in 2014 and 2016, respectively, Marine Mammal Observers (MMOs) were assigned onboard the seismic ships to monitor the surveys' effect on

		sensitive wildlife species such as dolphins, turtles, and whales; and to ensure that the Company adheres to the environmental guidelines set by the Philippine government. In 2017, the SC 40 Libertad Field L95-1 well was safely and properly plugged and abandoned. The installed production and office facilities were removed and the project site was restored to its original state. The P&A of production wells in SC 14A and SC 14B from 2018 to 2020 were accomplished with no significant impact to the environment and offshore waters. Some of the platforms were stripped of equipment and materials that were transported onshore for later recycling or disposal. With regard to the SC 14C-1 Galoc field operations, Oil Spill Contingency Plans are in place in case of any untoward incidents. Produced water and petroleum wastes are being monitored in compliance with the standard acceptable amount defined by the DENR. Used diesel is being monitored to ensure that there is no spillage.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Decrease of negative environmental impact while minimizing incurred operational cost by partnering with other companies that provide exploration services within adjacent areas. In the office, decrease environment impact and CO_2 imprint by going paperless/electronic.	Local communities adjacent or within the SCs, Employees, and Third Party Contractors	In 2016, the Company participated in the Multi-Client Seismic Survey of CGG, which acquired seismic data over the SC 74 in coordination with other Service Contractors. This eliminated the need to conduct a separate survey for the Company, thus saving on operational expenses and disturbance to the environment. During the 2020 gravity survey in SC 40 northern Cebu, Forum inspected the Maya storage site where Radioactive

In offshore operations, JV partners devise ways to repurpose old platforms (i.e. defense outpost of the government) instead of building or manufacturing a new one.		Materials were stored before transport to the Philippine Nuclear Research Institute (PNRI), for proper disposal. The Maya area will be restored to its original state by disposing the old pipes and other equipment used from previous drilling operations. The rehabilitation will start upon acquisition of a certificate stating that the site is cleared from any radioactive materials and once travel restrictions related to the pandemic have been eased. As much as possible, PXP is implementing paperless transactions. The SC 14 JV turned over the Nido and Matinloc platforms to the DOE last December 2019 so that they can be used by the DND-AFP for national defense, instead of creating a new outpost.

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units/Year
Direct (Scope 1) GHG Emissions (CO_2 ,CH_4, N_2O, and Fluorinated Gases)	260,571.62*	Tonnes
Energy indirect (Scope 2) GHG Emissions	None*	Tonnes
Emissions of ozone-depleting substances (ODS) [CO, NOx, and non-methane VOCs (i.e. ethane, propane, butane)]	920.55*	Tonnes

* The Company produces oil through its subsidiary Forum through its 3.2103% stake in SC 14C-1 Galoc. Data is from the Floating Production Storage and Offloading (FPSO) Vessel gas flaring and fuel combustion for the year 2021.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
At the office, usage of air conditioning (AC) systems that release chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HFCs)	Employees of PXP and onboard the platform, FPSO, and nearby communities	The Company regulates its AC systems to lessen its power consumption. Out of sixteen (16) AC systems pre-installed in the office, only four (4) are in operation during work hours (8:00-17:00). The

which are GHGs that trap heat and cause depletion of the ozone layer. Natural gases (i.e. methane (CH_4), ethane, propane, butane, and other heavier components), which are GHG and VOCs, produced in the Galoc field are flared out as these are not economical to be developed and also pose safety and health hazards (i.e. major blowout accident leading to destruction and fatality) if not managed properly. Flaring natural gases results to by-products or GHGs such as CO, CO_2, VOCs, NO_X, SO_X, and other air pollutants.		operating ACs were further reduced from seven (in 2019) to four due to the decreased workforce in the office associated with the implementation of a work-from-home scheme since March 2020. These units are those near work desks occupied by the Company's employees and consultants. As an alternative, Management opts to utilize or purchase AC systems with HFCs refrigerants instead of CFCs, since the former have lesser detrimental effects to the environment.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Emission of GHG into the environment. HFCs represent only a small portion of the total GHG emissions. However, they trap heat in the atmosphere as much as CO_2. Although flaring/burning of natural gases emits a number of pollutants in the environment, it is less hazardous as compared to venting which is directly releasing natural gases into the atmosphere. Large amounts of released natural gases/GHGs may cause health hazards to the platform's crew and contribute to ozone destruction and global warming.	Employees of PXP and onboard the platform, FPSO, and nearby communities	Together with the reduced usage of AC units in the office, routine check and maintenance are also being implemented to ensure efficiency of the AC systems. To prevent major blowout accidents, flaring is favored by the management than venting off natural gases.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
In the office, decrease environment impact and CO_2	Employees	The Company is practicing energy conservation measures. PXP is

footprint by going electronic. Less electricity consumption brought about by the minimal use of AC units and the cost-effective performance resulting from the regular maintenance will lead to savings that can be allocated to other company expenses.		implementing paperless approach to certain transactions to minimize paper consumption and CO_2 emission during printing and photocopying. In November to December 2021, the Company's newly hired employee availed of the free shuttle service being offered by an affiliate company of PXP. In 2020, the Company provided a shuttle service that catered to employees during the first few weeks of the General Community Quarantine in Metro Manila. This somehow limited the number of vehicles that emitted GHGs, such as carbon dioxide, to the environment. Although the abovementioned energy conservation measures can be considered basic with minimal effect to the environment, PXP believes that this effort will still be beneficial to the community and environment in the long run.

Air pollutants

Disclosure	Quantity	Units/Year
NO_x	116.97*	Tonnes
SO_x	0.011*	Tonnes
Persistent organic pollutants (POPs)	None*	Tonnes
Volatile organic compounds (VOCs)	184.55*	Tonnes
Hazardous air pollutants (HAPs)	None*	Tonnes
Particulate matter (PM)	0.328*	Tonnes

*Data is from SC 14C-1 FPSO gas flaring and fuel combustion for the year 2021. No measured/reported POPs and HAPs in SC 14C-1.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
NOx, SOx, VOCs, and PMs are products of fuel combustion and ship emissions. These are released into the atmosphere and affect the	Employees onboard the platform, FPSO, and nearby communities	In SC 14C-1 operations offshore, International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are strictly enforced.

ozone layer and contribute to global warming. In SC 14C-1, flaring of natural gases (i.e. methane (CH_4), ethane, propane, butane and other heavier petroleum components) results to by-products or air pollutants such NOx, SOx, VOCs, and PM. Ethane and propane are the most abundant non-methane hydrocarbon compounds found in natural gas.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Abundant NO_X and SO_X released into the environment from ship emission/fossil fuel combustion causes acid deposition. These gaseous pollutants are the major components of acid rain and smog apart from its contribution to greenhouse effect and global warming. Although flaring/burning of gases emits certain pollutants in the environment, it is less hazardous as compared to venting which is directly releasing natural gases into the atmosphere. Large amounts of released natural gases may cause health hazards to the platform crew.	Employees onboard the platform, FPSO, and nearby communities	Strict implementation of the MARPOL guidelines to decrease ship emissions. FPSO/Ship engines are also properly maintained to avoid machine failures that could increase the ship's intake of fossil fuel which in turn leads to an increase in combusted fuel. The management opted to do gas flaring rather than venting to minimize health hazards and accidents.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Strict compliance with the laws governing air and seas/water will enable the Company and Galoc JV to operate without interruption. Fines and penalties will also be avoided. A healthier and more conducive environment for the employees onboard the platform and FPSO.	Employees onboard the platform/FPSO and nearby communities	Strict compliance with the International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines.

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units/Year
Total solid waste generated		kg
Reusable	None	kg
Recyclable Total for CY 2021	298,520	kg
1. PXP Office	20	kg
2. SC 14C-1 Operations (MARPOL Guidelines)	298,500	kg
Composted	None	kg
Incinerated	None	kg
Residuals/Landfilled	None	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Proper solid waste disposal regulations prevent contamination to the environment (i.e., air, soil, and water) that could pose health risks to the community, and cause harmful effects to the ecosystem such as mutation and extinction.	Employees and adjacent Community	The Company, together with its subsidiaries and JV Partners, are in strict compliance with the proper solid waste disposal regulations. In addition, proper waste management is implemented in the head office. Biodegradable food wastes are being segregated from non-biodegradables and recyclables. The backs of collected scratch papers are being re-used. Recyclable materials such as cartons, and bottles are collected then sold as scrap materials. Although the abovementioned waste management can be considered basic with minimal effect to the environment, PXP believes that this effort will still be beneficial to the community and environment in the long run. In SC 14C-1 operations offshore, International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are strictly enforced.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Improper waste management poses adverse effects in the environment with health implications to the community.	Employees and adjacent Community	The Company maintains and improves solid waste management policies of its subsidiaries and JV Partners, which are adherent to international health, safety, and environment standards.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
In the office, decrease environment impact and CO_2 imprint by minimizing paper printouts and going electronic. Also, decrease the usage of one-time use plastics. Business transactions, both internal and external, were done via online/electronic.	Employees and adjacent Community	As much as possible, PXP is implementing paperless transactions to minimize CO_2 emission during printing and photocopying. The Company is more conscious in doing business through online transactions. Internal memorandums and announcements are circulated through email blasts. Submission of necessary permits, reports, disclosures, and other documents are made through online portals hosted by the government and other participating agencies. These resulted to less use of papers and other office supplies. PXP employees are encouraged to bring their own reusable containers for food to minimize paper and plastic wastes.

Hazardous Waste

Disclosure	Quantity	Units/Year
Total weight of hazardous waste generated in Year 2021	**45,562.76**	**Tonnes**
1. SC 14C-1	45,562.76	Tonnes
Total weight of hazardous waste transported and disposed in Year 2021	**29.62638**	**Tonnes**
1. SC 14C-12021	**29.62638**	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

The Company, together with its subsidiaries and JV Partners, is in strict compliance with the proper hazardous waste disposal regulations to prevent contamination of the environment (i.e. air, soil, and water), that could pose health risks to the community, and cause harmful effects to the ecosystem (i.e. mutation and extinction). For the SC 40, ensure and maintain proper storage of Radioactive Materials (RAM).	Employees and adjacent Community	In SC 14C-1 and other operations offshore, International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are strictly enforced. In 2020, the Company hired a Radiation Safety Officer (RSO) in charge of renewing the Company's Radioactive Materials License as well as monitoring radioactivity under SC 40.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Improper storage, handling, and disposal of hazardous wastes have adverse effects to the public health, safety, and environment. Leakage from the stored radioactive materials in SC 40 can affect people living nearest the area. Radioactive leaks, by nature, are not simple to clean up and contain.	Personnel in charge of security and maintenance at the storage site and Adjacent Community	Maintain and improve hazardous waste management policies of the Company, subsidiaries and JV Partners, in concurrence with international health, safety and environment standards. The radioactive materials are sealed within their original container and placed inside a wooden crate. The crate is stored inside a padlocked container van. The company hired a RSO to regularly conduct swipe tests and ensure that radioactivity is within safe limits. There is also a security guard assigned to prevent trespassing and theft of any of the equipment in the SC 40 Maya storage site.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
At the office, policies on the disposal of hazardous wastes like batteries, which contain lead, used containers with toxic substances, and expired medicines are prepared and implemented. In SC 40, it was deemed necessary to dispose of the RAM because indefinite storage is not advisable.	Employees and Community nearest the Maya storage site, where the RAM are located.	At the office, additional guidelines on proper hazardous waste disposal should be formulated and applied. The PNRI was contacted by the RSO for advice on proper disposal of the RAM. PNRI has the facilities for radioactive waste management, thus, it was decided to transport the RAM from the SC 40

Accidental leakage of the RAM is being prevented to ensure safety of people living within the areas nearest the storage site.		Maya site in Cebu City to PNRI's facility in Quezon City. The transport of RAM was done in early 2020 using a third party contractor and following PNRI's guidelines. No untoward incidents occurred during this activity and the RAM was turned over to the PNRI for proper waste management. Following the disposal of the RAM, Forum has requested for the termination of its license to possess such radioactive materials.

Effluents

Disclosure	Quantity	Units/Year
Total volume of water discharges	5,060,215.32*	Cubic meters
Percent of wastewater recycled	None	%

*Data is from the SC 14 C-1 Galoc FPSO for the year 2021.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Offshore International and National Guidelines for Wastewater Discharges to the surface and bottom of the sea should be followed, as to control pollution and to have minimal impact to the marine environment and ecosystem. Maximum defined contamination levels should be followed.	Marine crew at the FPSO, Fishermen, and Community	In offshore petroleum operations of the Company, subsidiaries, and JV partners, the International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are and will be strictly enforced.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The effluents with oil and other toxic waste contents exceeding the acceptable amount set by the MARPOL guidelines will contaminate the sea and sea bottom. This will cause damage to marine flora and fauna and can	Marine crew at the FPSO, Fishermen, and Community	Strict implementation of safety and environmental standards of the JV consortium. In case of untoward incidents, mitigation procedures are in place. At the FPSO vessel and platforms, produced water is analyzed and discharged overboard if it has less than

possibly cause related health implications to the community.		15 ppm of oil content. If the produced water exceeds the 15 ppm allowable limit, procedures under the Oil Spill Contingency Plan are carried out to treat the water before disposal.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Some produced formation water or effluent is being reprocessed and used onboard.	Marine crew at the FPSO, Fishermen, and Community	Reprocessed or treated water discharges onboard by Galoc consortium can be utilized for other general purposes in the vessel or platform.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	None	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	None	#
No. of cases resolved through dispute resolution mechanism	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As mentioned in the Ecosystems Section, PXP is actively complying with Environmental Laws and Policies.	Employees and Community adjacent or within the SCs	PXP and its subsidiary Forum have acquired CNC and ECC from EMB-DENR to cover all its exploration activities, as summarized below. 1. SC 14C-1 – An ECC was issued on August 30, 2006 to cover the Galoc Field development. 2. SC 72 – A CNC was issued on December 22, 2010 for the 2D and 3D seismic surveys conducted in the Recto Bank. Another one was issued on May 23, 2012 to cover all exploration activities, which includes the drilling of exploration wells. 3. SC 40 – An ECC was issued on February 19, 2010 for the extraction of

		natural gas in Barangay Libertad, Bogo City, Cebu. For the land gravity surveys, CNCs were issued in 2009 and 2012. 4. SC 75 – On February 28, 2014, a CNC was issued to PXP to cover all exploration activities. 5. SC 74 - On March 22, 2016, a CNC was issued to cover all exploration activities. 6. SC 74 – In June 2018, a permit to transport rock samples from the fieldwork in the Calamian Islands to Manila was requested from the MGB-MIMAROPA, in accordance with the DENR Administrative Order 2010-21, the IRR of RA 7942 known as the Philippine Mining Act of 1995. Conducted IEC campaigns to the communities prior to the exploration activities.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Non-compliance with environmental laws and regulations might lead to imposition of penalties and fines, or to the cancellation of the SC.	Employees and Company	PXP and subsidiaries strictly adhere to environmental laws and regulations.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
PXP consistently maintains an environmentally, ergonomically, and legally compliant operations	Employees and Community	The Company continues adherence to environmental laws and regulations.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[5]		
a. Number of female employees	7	#
b. Number of male employees	2	#
Attrition rate[6]	1	11%
Ratio of lowest paid employee against minimum wage[7]	None	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	11%	-
PhilHealth	Y	-	-
Pag-Ibig	Y	22%	-
Parental leaves	Y	-	-
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth)	Y	100%	100%
Housing assistance (aside from Pag-Ibig)	N	-	-
Retirement fund (aside from SSS)	N	-	-
Further education support	N	-	-
Company stock options	N	-	-
Telecommuting	N	-	-
Flexible-working Hours	N	100%	100%
(Others)		-	-

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Provides assistance in facilitating and processing of the applications. The Company ensures regular and timely remittance of the employee's monthly premiums. PXP provides assistance to employees in	The Company considers its people its greatest asset. Employees are provided with benefit packages (i.e. Maternity Benefit, Sickness Benefit, Salary Loans, and Calamity Fund) along with a wide range of learning and professional

[5] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary). Figures do not include the employees of SC operators in which PXP and Forum are members.
[6] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year).
[7] All employees of PXP are paid above the minimum wage rates.

facilitating and processing of the applications when availing other SSS and Pag-Ibig benefits.	development opportunities to help them achieve their full potential. Benefits provided for the employees are as follows: Base Salary; Medical Coverage for Employees and their spouses/children; Free COVID-19 vaccine for Employees; Employees' Annual Medical Check-Ups; Life and Accident Insurance; Continuing Education; Annual Vacation Leave – 15 days; and Annual Sick Leave – 15 days. Historically, PXP follows the standard "five-days-work and two-days-off pattern" and eight-hour working day. However, in adherence with the IATF guidelines, from March to May 2020, work-from-home policy was implemented during the Enhanced Community Quarantine and in 2021 reporting onsite was resumed and reduced to 2 to 3 days per week to limit exposure from the coronavirus disease The Company also promotes work-life balance and the welfare of the employees. PXP advocates the rights of female workers in the office without bias and discrimination. In years 2016 and 2019, SSS Maternity Leave benefit was availed by a female employee in accordance with RA 11210. In 2017, another female employee availed special leave with full pay after undergoing gynecological surgery, which is in compliance with the Magna Carta of Women (RA 9710). Additionally, the Company adheres to the Solo-Parent Welfare Act of 2000 (RA 8972) and the Magna Carta for Disabled Persons (RA 7277).
What are the Risk/s Identified?	**Management Approach**
Non-adherence to providing benefits mandated by the government is a violation of the law and will	All employees enter into labor contracts for legal employment with the Company. The Company

subject the Company to civil and criminal liabilities in addition to revocation of license to operate.	exercises check-and-balance practices to ensure that various policies are properly implemented.
What are the Opportunity/ies Identified?	**Management Approach**
The Company is considering telecommuting or work from home arrangements. Work from home arrangement decreases operational expenses of the Company and increases employees' work efficiency.	The Company prioritizes management of its employees to ensure that it maintains a high-performing workforce that is at par with the best in the industry. The Company implemented work-from-home arrangements in compliance with the government's mandate on reducing the spread of COVID-19.

Employee Training and Development

Disclosure	Quantity	Hours/Year
Total training hours provided to employees		
a. Female employees	128	hours
b. Male employees	48	hours
Average training hours provided to employees		
a. Female employees	24 to 64	hours/employee
b. Male employees	16	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
The onshore and offshore petroleum competency requirement is quite complex as it requires high standard of safety and proficiency. PXP greatly believes that employees are the main asset of the Company and continuous training and development should be implemented.	Technical personnel are attending SEAPEX meetings/seminars here and abroad, as well as annual Philippine Geological Conferences (GEOCON) since 2015. In 2016, a Basin Analysis training course was attended by a PXP geologist, together with other geoscientists from local petroleum operators. The technical team attended the first virtual GEOCON and GEOSEA in years 2020 and 2021, respectively. The Company's staff have attended webinars on topics related to their fields that were organized by government agencies, petroleum service companies, and other professional organizations and societies. HSSE trainings such as Basic Occupational Safety and Health Training (BOSH) by DOLE and First Aid and Basic Life Saving Trainings by Philippine Red Cross was attended by assigned PXP personnel in third quarter of 2021.

	Earthquake and fire drills are implemented by the Company.
What are the Risk/s Identified?	**Management Approach**
Globally, the petroleum industry is experiencing a downturn, which caused a slowdown in overall operations and sustenance of personnel training and development. Due to COVID-19, face to face trainings and seminars became sparse and were limited to online teleconferences because of the suspension of physical social gatherings mandated by the Philippine Government.	The training and development budget will be re-aligned in response to the oil price crash. Encourage personnel to take advantage of free webinar courses provided by technical experts. Despite less trainings offered in 2021, the Company availed of online seminars for the advancement of expertise of its employees.
What are the Opportunity/ies Identified?	**Management Approach**
While petroleum operations are slowing down, the Company should take this opportunity to avail training which is much cheaper if done locally with other petroleum operators. Also, online trainings are cheaper as they will not require travel and accommodation costs. HSSE trainings should be attended by all personnel with different definitions of safety standards.	In 2016, PXP together with other petroleum operators availed an international training course and conducted it locally. Two PXP personnel attended free online BOSH training of DOLE in third quarter of 2021. First aid training by the Red Cross should be attended by all PXP employees, in compliance with the DOE requirement to assign 1 to 2 safety officers on site and during field operations. A PXP personnel attended the said training in November 2021. The Company looks for opportunities for inexpensive local or online training if available given the health and travel restrictions being imposed due to COVID-19. Additionally, technical personnel are participating on free online courses offered by petroleum experts.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	Not Applicable	%
Number of consultations conducted with employees concerning employee-related policies	Not Applicable	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company has no collective bargaining agreements with any of its employees.	The Company creates a working environment that is conducive to open discussion and collaboration, with the goal of enabling everyone to work together towards improving its working conditions and enhancing the overall productivity
What are the Risk/s Identified?	**Management Approach**
The Company has no reported issues on labor-management relations during the year.	The Company upholds the values of integrity and accountability. Therefore, it expects the members of its workforce to comply with pertinent rules and regulations and hold them accountable for any violations that may occur in the conduct of their duties.
What are the Opportunity/ies Identified?	**Management Approach**
Maintaining a harmonious professional relationship between the management and staff as it helps ensure employee engagement and business continuity.	The Company encourages open communications between management and staff through various formal and informal channels, especially during this health crisis that the overall wellbeing (i.e., mental and physical health) of the employees is being regarded with utmost importance Continue to engage the employees in a non-business-relaxing environment to foster team spirit and bonding.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	78%	%
% of male workers in the workforce	22%	%
Number of employees from indigenous communities and/or vulnerable sector*	1	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Company activities such as hiring, promotion, and compensation are conducted without regard to race, color, ethnicity, religion, national origin, gender, gender identity or expression, sexual orientation, marital status, dependents, genetics, disability, age, social class, or political views.	The management is committed to respecting people's differences and creating an inclusive workplace culture. It does not tolerate any kind of harassment or prejudice. In order to respect and value the diversity of the employees and all with whom the Company do business, managers are required to ensure that the working environment is free from any form of harassment and discrimination. PXP advocates the rights of female workers in the office without bias and discrimination. Additionally, the Company adheres to the Solo-Parent Welfare Act of 2000 (RA 8972) and the Magna Carta for Disabled Persons (RA 7277). The company's board diversity policy can be found in the Company's website through this link: https://www.pxpenergy.com.ph/corporate-governance/company-policy/board-diversity-policy/.
What are the Risk/s Identified?	**Management Approach**
The Company has not identified any violation relating to diversity and equal opportunity.	All employees are provided with equal career opportunities and recognize that people bring different skill qualities to the work place.

What are the Opportunity/ies Identified?	Management Approach
As at October 31, 2021, the Company has 9 employees comprising 7 females and 2 males. The Company continues to encourage: - greater female participation; and - executive senior professional employees to look for mentoring opportunities for more junior employees to gain valuable insights into PXP and the oil & gas industry, generally. Diversity creates goodwill within the community and within the industry.	The Company will continue to promote inclusiveness to help break down barriers and reduce the fear of being rejected, not only for who the employees are, but also for the ideas they voice. Continuous hiring of both local and foreign consultants for the company's exploration projects.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	207,543*	Man-hours
No. of work-related injuries	None	#
No. of work-related fatalities	None	#
No. of work related ill-health	None	#
No. of safety drills	1	#

*Data is from the SC 14 C-1 Galoc FPSO for the year 2021.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company and its Subsidiaries consistently foster a safe working environment. PXP implements employee health and safety measures and training programs that protect people from occupational hazards by preventing injury, illness, and fatality. The onset of the global pandemic due to COVID-19 disease had greatly impacted several businesses and industries including the petroleum and energy sectors.	The Company strictly complies with all relevant occupational health and safety laws and regulations. PXP aims to achieve zero injury and fatality rate for its entire staff. The same is true with offshore operations of subsidiaries, which adhere to international HSSE policies. At the work site, first aid kits and fire extinguishing equipment are conspicuously located and properly maintained. To ensure emergency preparedness, staff participates in regular fire and earthquake evacuation drills. Regular first aid and lifesaving trainings are being attended by the Company's designated safety officer. Precautionary measures were implemented at the PXP office before workers can return to site like undergoing self-quarantine for 14 days or

	rapid and RT-PCR tests. If not feeling well at the office, employees are encouraged to stop work, report this to management, and seek medical care. After availing sick leave for more than 2 days or undergoing quarantine, employees are required to acquire medical certificates for clearance before they are allowed to go back to the office. Management is updated and in compliance with all government mandates with regard to COVID-19. The plug and abandonment of the remaining Nido A1 & A2 wells was moved from April 2020 to October 2020 due to the enhanced community quarantine placed in the entire island of Luzon in March 2020. Additionally, during the same period, the SC 14C-1 Operator implemented an FPSO lockdown, wherein the fly-in fly out roster of the staff onboard was temporarily put on hold.
What are the Risk/s Identified?	**Management Approach**
No fatal cases, occupational injuries or incidents were recorded during the year at the office as well as in the field. Failure to manage workplace safety would negatively impact employee health and productivity. The employees are highly at risk of contracting the coronavirus disease.	The Company enforces occupational health and safety protocols for the benefit of the employees, contractors, and host communities. The Company implements additional health and safety protocols in accordance with IATF Guidelines for the management of Emerging Infectious Diseases. The COVID-19 disease had prompted the Company to conduct rapid and RT-PCR tests in June and August 2020, to ensure the safety of its employees and prevent the untoward spreading of the disease in the office premises. In addition, face masks, face shields, and alcohol were supplied to all its employees. Minimum health and safety standards such as social distancing, body temperature reading, and constant handwashing are strictly practiced in the office. Since 2020, employees reporting on-site are also required to fill out online daily health declaration forms within 30 minutes upon their arrival at the office. Procurement and inoculation of COVID-19 vaccines for most of the employees were done in September 2021.
What are the Opportunity/ies Identified?	**Management Approach**
By properly managing and implementing health and safety trainings, employees and contractors can	The Company will continue to provide the necessary equipment, training, and resources to

handle their jobs safely for the benefit of the organization and all stakeholders. The Company aims to be up-to-date with current best practices in HSSE.	enable employees and contractors to work safely. PXP will consistently encourage and empower employees by letting them attend safety trainings and retake training sessions, if necessary, to refresh their memory. Employees were also encouraged to attend webinars which tackled COVID-19 vaccines and what to do when the virus strikes at home.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	None	# of cases

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace? **Yes, the Company has.**

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	As provided by the Philippine labor law and regulations. The Company also has a policy for Code of business conduct and ethics and that of whistleblowers under https://www.pxpenergy.com.ph/corporate-governance/company-policy/code-of-business-conduct-and-ethics/ and https://www.pxpenergy.com.ph/corporate-governance/company-policy/whistle-blowing/.
Child labor	Y	As provided by the Philippine labor law and regulations. The Company also has a policy for Code of business conduct and ethics and that of whistleblowers under https://www.pxpenergy.com.ph/corporate-governance/company-policy/code-of-business-conduct-and-ethics/ and https://www.pxpenergy.com.ph/corporate-governance/company-policy/whistle-blowing/.
Human Rights	Y	As provided under the Philippine Constitution and the Universal Declaration of Human Rights. The Company also has a policy for Code of business conduct and ethics and that of whistleblowers under https://www.pxpenergy.com.ph/corporate-

		governance/company-policy/code-of-business-conduct-and-ethics/ and https://www.pxpenergy.com.ph/corporate-governance/company-policy/whistle-blowing/.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company follows the principle of fairness and openness in its recruitment process. The Company employs people who choose to work and the Company does not use forced or compulsory labor. Also, PXP does not use child labor or employ people under minimum employment age limit.	The Company values the dignity of every individual and have strict compliance to the basic human rights as provided under the Philippine Constitution and the Universal Declaration of Human Rights. In case of violations, the Company has a policy for whistleblowers.
What are the Risk/s Identified?	**Management Approach**
Risk that subcontractors have violations of labor laws and human rights.	The Company values the dignity of every individual and have strict compliance to the basic human rights as provided under the Philippine Constitution and the Universal Declaration of Human Rights. Any violation of laws is encouraged to be reported as indicated in the whistleblower policy of the Company.
What are the Opportunity/ies Identified?	**Management Approach**
The Company aims to be up-to-date with current Labor Laws and Human Rights policies which protect both the stakeholders and the Company.	The Company values the dignity of every individual and have strict compliance to the basic human rights as provided under the Philippine Constitution and the Universal Declaration of Human Rights. Any violation of laws is encouraged to be reported as indicated in the whistleblower policy of the Company.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers? Yes

Topic	Y/N	If Yes, cite reference in the supplier policy

Environmental performance	Y	https://www.pxpenergy.com.ph/corporate-governance/company-policy/supplier-contractor-relation/
Forced labor	Y	https://www.pxpenergy.com.ph/corporate-governance/company-policy/supplier-contractor-relation/
Child labor	Y	https://www.pxpenergy.com.ph/corporate-governance/company-policy/supplier-contractor-relation/
Human rights	Y	https://www.pxpenergy.com.ph/corporate-governance/company-policy/supplier-contractor-relation/
Bribery and corruption	Y	https://www.pxpenergy.com.ph/corporate-governance/company-policy/supplier-contractor-relation/

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
The Company's relationships with suppliers, contractors, consultants, and advisers (collectively, "Suppliers") are based on lawful, efficient, and fair practices. All bidders are given equal opportunity to compete and their bids are evaluated fairly and in a transparent manner.	All Directors, Employees, and Consultants are encouraged to be vigilant against any irregular, illegal, or unethical conduct of Suppliers and/or fellow Directors, Employees, and Consultants (see Annex "A" for examples of Supplier/Contractor Relations Policy Violations). The Company encourages everyone to report any such violations based on the existing Whistleblowing Policy or equivalent policy. Directors, Employees, and Consultants may also report in writing their knowledge about any irregular, illegal, or unethical conduct of Suppliers and/or fellow Directors, Employees, and Consultants as follows: (a) Directors shall notify the Board of Directors through its Chairman of such conduct; (b) Officers shall report to the Company President [copy furnished the Corporate Governance Office (CGO)]; and (c) Employees and Consultants shall inform their respective Group Heads, copy furnished to the CGO. A proper investigation and resolution of each reported event shall be made by the appropriate business units and the results shall be forwarded to the Chairman of the Board, the President or respective executive-level superior, and the CGO and other relevant groups or bodies, in

	accordance with the procedure stated in the Whistleblowing Policy. The Board of Directors, Officers, and Executives must ensure that any Director, Employee, or Consultant who reports a suspected violation of this policy by fellow Director, Employee, or Consultant is protected from any form of retaliation. The Company's Policy on Vendor Relations is available for more details at the Company's website through this link: https://www.pxpenergy.com.ph/corporate-governance/company-policy/supplier-contractor-relation/.
What are the Risk/s Identified?	**Management Approach**
The Company has no reported violations on supply management during the year. The following are examples of procurement situations that reveal unethical conduct by an Employee and/or Supplier. The areas and situations enumerated are illustrative only and not exhaustive. 1. An Employee manipulating his evaluation of the contract proposals in exchange for Bribes. 2. A Supplier seeking internal (within the Company) and/or external (i.e. political/government) connections to increase chances of contract award. 3. Suppliers submitting false documents for accreditation and other procurement-related transactions or processes. 4. Employees developing unreasonable or over specific technical requirements such that award of contract intentionally goes to a particular or preferred Supplier. 5. Employees giving priority or informing preferred Suppliers in advance before actual request such that other Suppliers are caught unprepared or with too little time to plan.	The Company includes in the Supplier Contractor Relations policy the consequences for any violations: 1. Any Director, Employee, and Consultant found to have violated this Policy shall be liable to the extent of the damage/loss suffered by PXP, and/or may be subject to penalties and sanctions as may be determined by the appropriate authorities, whether or not damage is actually suffered by PXP, in accordance with the law and existing company policies. 2. Suppliers who violate the Company are also penalized. Sanctions include, but are not limited to, termination of business relationship with the Company and blacklisting.

6. Products and/or services that have not undergone official procurement procedure since these were tested or evaluated beforehand through product demos with particular Suppliers thus limiting chances for other Suppliers to compete. 7. Undisclosed conflict of interest situations on business dealings resulting to giving undue advantage to another party. 8. Disclosure of confidential and proprietary information by Employees to Suppliers. 9. Incorrect payment of government taxes due to manipulation of documents by Suppliers. 10. Suppliers not remitting the correct SSS, PhilHealth, Pag-Ibig, and other employee contributions to their employees.	
What are the Opportunity/ies Identified?	**Management Approach**
Responsible supply chain management can generate value to the Company. It improves collaboration with suppliers, attracts and retains employees, provide security for investors and creditors and can create new market opportunities.	PXP shall continuously uphold the highest professional standards of business practices, core values and ethics as enshrined in its Code of Business Conduct and Ethics (the "Code") in its business dealings with its Suppliers in the procurement of products and services.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Job opportunities	Cebu	Not Applicable	N	Land jurisdictions	Conducted IEC campaign prior to the gravity survey in 2020.
Job opportunities	Calamian Islands	Not Applicable	Y	Religious and cultural beliefs	Conducted IEC campaign prior to the field work in 2018.
Rental of land (Brgy. Maya)	Cebu	Not Applicable	N	Land jurisdictions	Timely and full payment of rental fee. Secure property. Proper land use according to agreement with the landowner.

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: **None**

Certificates	Quantity	Units
FPIC process is still undergoing	Not Applicable*	#
CP secured	Not Applicable*	#

**The FPIC and CP are not applicable to PXP and Forum since there are no IPs residing within their operated SCs. During the SC 74 Fieldwork in 2018, the team requested for permission from the Tagbanua Tribe to study rock outcrops in Coron Island. Please take note that Coron Island is not inside SC 74. The objective of the fieldwork is to correlate the geology of the offshore SC 74 with the onshore Calamian Island.*

What are the Risk/s Identified?	Management Approach
Misunderstanding between PXP and the local community might lead to issues which could affect the operations, as well as the health and safety of deployed personnel in the field.	PXP implements careful planning and consultation with the local communities. In June 2018, during a fieldwork in Coron Island, PXP properly coordinated with the Indigenous Peoples (IPs) Tagbanua Tribe prior, during, and after the fieldwork. The field team composed of PXP personnel and graduate students from the University of the Philippines complied with the tribe's directive to ask for permission before acquiring rock samples in the island, which the locals consider as a sacred place. Management of community tensions, grievances, and concerns through transparent formal grievance mechanism. Supporting and collaborating with host local governments to encourage revenue good governance.
What are the Opportunity/ies Identified?	**Management Approach**
Involvement of the local community in the Company's project by hiring local residents.	The Service Contract states that the Company is committed to provide scholarship for deserving students residing within the area where the company operates and institutional assistance to state universities/colleges in the amount of five thousand United States dollars ($5,000) per year cumulative during the exploration/development phase, and a minimum amount of ten thousand United States dollars ($10,000) per year cumulative during the production phase. Management's strict adherence to the service contract ensures that the indigenous communities are protected.

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	N/A*	N

*PXP does not have customers except for being a member of the Galoc consortium which produces and sells crude oil to refining companies. The consortium adheres to the required quantity/quality required by the customers of these fields. There were no recorded complaints/disputes.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
In line with PXP's Code of Business Conduct and Ethics, the Company upholds fair and transparent dealings with its customers. All the transactions and business relationships with customers are covered by contracts and comply with existing laws and regulations in the country.	As part of the Company's commitment to the welfare of its customers, Company representatives and its customers meet annually to review and discuss the terms of the new or existing contract as well as identify areas for improvement in operations and other related aspects. The Company's policy is available at the Company's website: https://www.pxpenergy.com.ph/corporate-governance/company-policies/.
What are the Risk/s Identified?	**Management Approach**
There were no identified customer satisfaction risk during the year.	PXP will continuously review, update, and improve Company's policy with customers.
What are the Opportunity/ies Identified?	**Management Approach**
PXP shall determine the level of satisfaction of the Company's stakeholders and customers once its exploration fields are converted to production stage.	The Company shall regularly conduct Stakeholder's/Customer's Satisfaction Survey by third-party contractors to determine and improve actual performance/service rendered and quality of its operations once its exploration fields are converted to production stage.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	None	#
No. of complaints addressed	None	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Customer health and safety is important for all businesses and remains an utmost priority for PXP.	PXP will continuously review, update, and improve Company's policy with customers.
What are the Risk/s Identified?	**Management Approach**
There were no identified risks on health and safety to customers as PXP does not yet have customers. Risks	PXP does not yet have customers. Risks shall be identified once its exploration fields are converted to production. PXP shall consistently

shall be identified once its exploration fields are converted to production	promote safe and healthy working environment, not only to employees but also to customers.
What are the Opportunity/ies Identified?	**Management Approach**
PXP does not yet have customers. Opportunities shall be identified once its exploration fields are converted to production	The Company should regularly conduct Stakeholder's/Customer's Satisfaction Survey by third-party contractors to determine and improve health and safety working environment of PXP once its exploration fields are converted to production.

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	None	#
No. of complaints addressed	None	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Although the Company has mainly exploration assets at this time, marketing and labelling efforts are evident through maintenance of its website at www.pxpenergy.com.ph, which caters to its stakeholders, clients, and future investors.	The Company consistently updates and improves its website.
What are the Risk/s Identified?	**Management Approach**
Security and falsification of posted information on website	PXP ensures that all data uploaded on the website are secured, accurate, and up to date.
What are the Opportunity/ies Identified?	**Management Approach**
Study digital marketing.	The market is evolving, thus, the Company should improve its marketing and labelling strategies by being involved with digital marketing.

Customer Privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	None	#
No. of complaints addressed	None	#
No. of customers, users and account holders whose information is used for secondary purposes	None	#

***Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.**

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
For customer privacy, PXP respects every stakeholder's right to privacy and commits to protect all personal data. Collection, retention and use of sensitive of information are utilized only for its intended use.	The Company strictly complies with Republic Act No. 10173 otherwise known as the Data Privacy Act of 2012 and implements its own internal control on data security. As a personal information controller/processor, the Company has put protocols to protect the personal information of the data subject.
What are the Risk/s Identified?	**Management Approach**
Disclosures of stakeholders personal data are limited only to what is required by law or to comply with legal or regulatory requirements, the Company has no control as soon as the information is shared externally (i.e. PSE/SEC)	The Company adheres with RA 10173 otherwise known as the Data Privacy Act of 2012 and implements its own internal control on data security. PXP adopts risk management and control measures to deter any breach of data security. Certain levels of data security are in place.
What are the Opportunity/ies Identified?	**Management Approach**
Compliance to customer privacy can build customer trust and loyalty.	In this digital age, compliance with the Data Privacy Act strengthens the integrity and security of the Company in relation to its electronic database and records.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company has an updated and effective security software to protect the Company data and can provide real time visibility of any threat activities to stop a breach before it happens. Daily data backup is also in place. The Company consistently ensures security of technical classified G&G data of its operated and non-operated SCs.	The Company takes precautions and educate the employees not to share any sensitive and confidential information. Preventive security measures like data backup, recovery, and firewall are in place. To ensure security of data, a File Transfer Protocol (FTP) server is being utilized by the Technical Team. The corporate emails of employees handling technical data are equipped with additional security features wherein electronic messages are encrypted to prevent data theft during exchange of emails within the company or with third party contractors.
What are the Risk/s Identified?	**Management Approach**
Out of date cyber security software will make the server vulnerable to third-party access, data loss, and additional operational expenses to the Company. Information breach will lead to loss of confidential data.	Anti-virus and cyber security software are continuously upgraded for data security. Immediately notify the person/company involve in the event of any breach or use of any sensitive data.
What are the Opportunity/ies Identified?	**Management Approach**
Strong data security will result to financial savings and avoidance of any reputational damage. Technical data which is a detrimental asset to the company will be securely stored and unwanted leakage will be prevented.	The Company ensures continuous update of its data security programs. Additional Network-Attached-Storage (NAS) with security feature was procured by the company to contain more technical data which can only be accessed by a selected number of employees.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Oil & Gas Exploration & Production	Economic growth	Environmental damage associated with field operations.	Strict compliance to government laws and regulations on health and environmental safety.

Oil & Gas Exploration & Production	Decent work	Health & Safety	Conduct IEC campaign prior to the fieldwork.

Oil & Gas Exploration & Production	Welfare of vulnerable groups	Traditional lifestyle of indigenous people are affected	Careful planning, consultation management, accommodation and negotiation with the local community and indigenous groups.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*