

RISKS	STRATEGIES
<p><b>1. The Company derives a significant amount of its revenues and income from a single project, the Malampaya Gas Project.</b></p> <p>The Company derives its revenue primarily from its 10% stake in the Malampaya Deep Water Gas-to-Power Project (the "Malampaya Gas Project") in SC-38 located in offshore Northwest Palawan. The Company's rights to revenues from the Malampaya Gas Project are set out in its contractual arrangements under the terms of the SC-38.</p>	<ul style="list-style-type: none"> <li>Accelerate exploration and development to replace and add the petroleum and coal reserves produced</li> </ul>
<p><b>2. Prices for oil, gas and coal products in the Philippines are referenced to international prices and are vulnerable to wide fluctuations; a substantial or extended decline in prices would have a material adverse effect on the Company's business and financial condition.</b></p>	<ul style="list-style-type: none"> <li>Supply coal to clients under a long-term supply agreement</li> <li>Maintain a balanced portfolio of projects and businesses</li> </ul>
<p><b>3. Oil, gas and coal reserves data are only estimates and are inherently uncertain.</b></p> <p>Oil, gas and coal resource estimation is a subjective process in calculating its quantity, which depend upon several variables and assumptions. Consequently, earlier calculations made may differ when new data is generated or available. This may affect value of the asset, quantity of economically recoverable reserves, rates of production and net present value of future cash flows.</p>	<ul style="list-style-type: none"> <li>Regular reserves estimates revisions/updating based on the results of further drilling, testing and reservoir performance</li> </ul>
<p><b>4. The Company's exploration and development activities require substantial expenditures and investments, and the Company's plans for, and the Company's ability to make, such expenditures and investments are subject to various risks.</b></p> <p>The exploration and development of oil, gas and coal resources are capital intensive. The Company's strategy for managing these costs is to work with joint venture partners that can assume a substantial share of project capital expenditures. However, the Company's ability to obtain or retain joint venture partners and the joint venture partners' ability to carry out their exploration and development activities are subject to a number of risks.</p>	<ul style="list-style-type: none"> <li>Pursue joint venture arrangements for projects to share the costs and associated risks</li> <li>Insurance coverage</li> </ul>
<p><b>5. Many of the Company's projects are conducted through joint ventures, which may reduce the Company's degree of control over operations.</b></p> <p>The Company holds six SCs in conjunction with its joint venture partners. In four of these SCs, including the Malampaya Gas Project, the Company does not act as the operator and depends on its partners for their operational abilities, financial commitment and technical expertise.</p>	<ul style="list-style-type: none"> <li>Ensure control mechanisms in Joint Operating Agreements</li> <li>Choose technically and financially capable partners to ensure that operations are effectively managed</li> </ul>

<p><b>6. <i>The Company's operations are dependent on the Company's ability to obtain, maintain and renew leases, licenses and approvals from the Government for its SCs and COCs.</i></b></p> <p>The Company's rights for the exploration and development of oil, gas and coal resources depend on its ability to satisfy its contractual obligations under its SCs and COCs, including the payment of fees and taxes to the Government stipulated therein and the satisfaction of certain mining, environmental, labor and employment and health and safety requirements.</p> <p>In addition, the Company requires various licenses, permits and approvals from the Government and local governments units ("LGU") to operate its businesses.</p>	<ul style="list-style-type: none"> <li>• Continue performance of obligation and work commitments with the DOE</li> <li>• Continue conduct of Corporate Social Responsibility programs</li> </ul>
<p><b>7. <i>The Company may incur material costs to comply with, or as a result of, health, safety and environmental laws and regulations in the Philippines.</i></b></p> <p>The Company incurs, and expects to continue to incur, capital and operating costs in order to comply with increasingly complex health, safety and environmental laws and regulations in the Philippines.</p>	<ul style="list-style-type: none"> <li>• Strict compliance to key statutes/regulations governing worker health/safety standards applicable to PNOEC and adherence to key policies implemented by the Company</li> <li>• Institutionalize an effective safety culture in the Company</li> </ul>
<p><b>8. <i>The Company must comply with certain restrictions and guidelines when engaging contractors and/or suppliers, which may result in delays and adversely impact the Company's operations.</i></b></p> <p>When engaging contractors and/or suppliers, the Company must comply with Republic Act No. 9184 (the "Procurement Law") and the restrictions and guidelines promulgated thereunder. Compliance with the Procurement Law impedes the Company from promptly engaging with contractors and/or suppliers, which may result in delays in the Company's exploration, development and production operations.</p>	<ul style="list-style-type: none"> <li>• Pursue joint venture arrangements for projects, with PNOEC holding minority interest</li> <li>• Seek to amend or repeal executive orders that restrict the Company in looking for partners</li> </ul>