

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 20-F**

REGISTRATION STATEMENT PURSUANT TO SECTION 12 (b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Fiscal Year ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-17729

**FEC RESOURCES INC.**

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's Name into English)

Canada

(Jurisdiction of incorporation or organization)

Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC, V6C 2B5

(Address of principal executive offices)

Paul Wallace, +61447296715, Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC, V6C 2B5

(Name, Telephone, E-mail, and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12 (b) of the Act: None

Securities registered or to be registered pursuant to Section 12 (g) of the Act:

Common Stock, without par value

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:  
861,082,371 Common Stock.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405, of the Securities Act Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, and accelerated filer, or a non accelerated filer. See definition of "large accelerated filer," "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Emerging growth company

Accelerated filer   
Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

**Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.** Not Applicable

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FEC RESOURCES, INC.  
FORM 20-F ANNUAL REPORT FISCAL YEAR 2022

TABLE OF CONTENTS

**PART I**

	<u>Page</u>
<a href="#">Item 1. Identity of Directors, Senior Management and Advisers</a>	4
<a href="#">Item 2. Offer Statistics and Expected Timetable</a>	4
<a href="#">Item 3. Key Information</a>	4
<a href="#">Item 4. Information on the Company</a>	14
<a href="#">Item 4a. Unresolved Staff Comments</a>	27
<a href="#">Item 5. Operating and Financial Review and Prospects</a>	27
<a href="#">Item 6. Directors, Senior Management and Employees</a>	32
<a href="#">Item 7. Major Shareholders and Related Party Transactions</a>	37
<a href="#">Item 8. Financial Information</a>	38
<a href="#">Item 9. The Offer and Listing</a>	38
<a href="#">Item 10. Additional Information</a>	38
<a href="#">Item 11. Quantitative and Qualitative Disclosure About Market Risk</a>	41
<a href="#">Item 12. Description of Securities other than Equity Securities</a>	41

**PART II**

<a href="#">Item 13. Defaults, Dividend Arrearages and Delinquencies</a>	42
<a href="#">Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds</a>	42
<a href="#">Item 15. Controls and Procedures</a>	42
<a href="#">Item 16A. Audit Committee Financial Expert</a>	43
<a href="#">Item 16B. Code of Ethics</a>	44
<a href="#">Item 16C. Principal Accountant Fees and Services</a>	44
<a href="#">Item 16D. Exemption from the Listing Standards for Audit Committee</a>	45
<a href="#">Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchaser</a>	45
<a href="#">Item 16F. Changes in Registrant's Certifying Accountant</a>	45
<a href="#">Item 16G. Corporate Governance</a>	45
<a href="#">Item 16H. Mine Safety Disclosure</a>	45

**PART III**

<a href="#">Item 17. Financial Statements</a>	46
<a href="#">Item 18. Financial Statements</a>	46
<a href="#">Item 19. Exhibits</a>	47
<a href="#">Signatures</a>	48

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the information in this prospectus contains forward-looking statements. Forward-looking statements represent our current expectations or forecasts of future events and are based on our management's beliefs, as well as assumptions made by and information currently available to them. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements may include the words "anticipate," "believe," "budget," "estimate," "expect," "intend," "objective," "plan," "probable," "possible," "potential," "project" and other words and terms of similar meaning in connection with any discussion of future operating or financial performances. Any references to we, our, us, Company, Corporation, or FEC refer to FEC Resources Inc.

Any or all of our forward-looking statements in this Form 20-F may turn out to be incorrect. They can be affected by inaccurate assumptions, or by known or unknown risks and uncertainties. Many of these factors, including the risks outlined under "Risk Factors," will be important in determining our actual future results, which may differ materially from those contemplated in any forward-looking statements. These factors include, among others, the following:

- oil and natural gas price volatility affecting companies we invest in;
- uncertainties in the estimates of proved reserves, and in the projection of future rates of production and timing of development expenditures from companies we invest in;
- the ability of companies we invest in to find and acquire additional reserves;
- risks associated with investments, acquisitions, exploration, development and production directly or by companies we invest in;
- risks associated with owning minority interests in unlisted investments whose shares are not readily traded nor for which there is a quoted market price;
- operating hazards attendant to the oil and natural gas business for companies we invest in;
- potential constraints on the ability of companies we invest in to market reserves due to limited transportation space;
- climatic conditions faced by companies we invest in;
- availability and cost of labor, material, equipment and capital to us and companies we invest in;
- the ability of companies we invest in to employ and retain key managerial and technical personnel;
- international, national, regional or local political and economic uncertainties, including the territorial dispute between the Republic of Philippines and the People's Republic of China, changes in energy policies, foreign exchange restrictions and currency fluctuations faced by us and companies we invest in;
- adverse regulatory or legal decisions, including those under environmental laws and regulations affecting companies we invest in;
- environmental risks faced by companies we invest in;
- the strength and financial resources of competitors of companies we invest in;
- general economic conditions; and
- our ability to continue as a "going concern".

**When you consider these forward-looking statements, you should keep in mind these risk factors and other cautionary statements in this prospectus. Our forward-looking statements speak only as of the date made.**

Although we believe that the expectations reflected in the forward-looking statements are reasonable, they are subject to a variety of variables which could cause actual results or trends to differ materially. We cannot guarantee future results, levels of activity, performance or achievements. Except as otherwise required by United States securities laws, we are under no duty to update any of the forward looking statements after the date of this Form 20-F to conform them to actual results or to changes in our expectations. All forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement.

### CURRENCY

Unless otherwise stated, "\$", when used in this Form 20-F, refers to US dollars.

[Table of Contents](#)

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS.**

Not applicable to Form 20-F filed as annual report.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable to Form 20-F filed as annual report.

**ITEM 3. KEY INFORMATION.**

The following is a summary of key information about our financial condition, capitalization and the risk factors pertaining to our business.

**Currency Exchange Rates**

Table No. 3(A)(1) below sets forth the rate of exchange for the Canadian Dollar at the end of each of the five (5) most recent fiscal years ended December 31, the average rates for each year, and the range of high and low rates for each year. Table 3(A)(2) sets forth the high and low exchange rates for each month during the previous six (6) months. The rate of exchange means the noon buying rate as posted by the Bank of Canada. The Tables set forth the number of Canadian Dollars required under that formula to buy one (1) US Dollar. The average rate means the average of the exchange rates on the last day of each month during the year.

Table No. 3(A)(1)  
U.S. Dollar/Canadian Dollar  
Currency Exchange Table No. 1  
U.S. Dollar/Canadian Dollar

	<u>Average</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
Fiscal Year Ended 12/31/22	1.30	1.39	1.25	1.35
Fiscal Year Ended 12/31/21	1.25	1.29	1.20	1.27
Fiscal Year Ended 12/31/20	1.34	1.45	1.27	1.27
Fiscal Year Ended 12/31/19	1.33	1.36	1.30	1.30
Fiscal Year Ended 12/31/18	1.30	1.36	1.23	1.36

The current closing rate of exchange was 1.3610 on March 3, 2023.

Table No. 3(A)(2)  
U.S. Dollar/Canadian Dollar

	<u>9/22</u>	<u>10/22</u>	<u>11/22</u>	<u>12/22</u>	<u>1/23</u>	<u>2/23</u>
High	1.37	1.39	1.37	1.39	1.37	1.36
Low	1.30	1.35	1.33	1.34	1.33	1.33

[Table of Contents](#)

**A. Selected Financial Data**

The following financial data summarizes selected financial data for our company prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) for the five fiscal years ended December 31, 2022, 2021, 2020, 2019 and 2018. The information presented below for the five year period ended December 31, 2022, 2021, 2020, 2019 and 2018 is derived from our audited financial statements. The information set forth below should be read in conjunction with our audited annual financial statements and related notes thereto included in this annual report, and with the information appearing under the heading “Item 5 – Operating and Financial Review and Prospects”.

	Year Ended 12/31/22 ('000) - except per share data	Year Ended 12/31/21 ('000) - except per share data	Year Ended 12/31/20 ('000) - except per share data	Year Ended 12/31/19 ('000) - except per share data	Year Ended 12/31/18 ('000) - except per share data
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Net (Loss) Income	\$ (193)	\$ (168)	\$ (187)	\$ (212)	\$ (218)
Net (Loss) Income Per Share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Diluted Net (Loss) Income Per Share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Dividends Per Share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Weighted Avg. Shares O/S ('000)	861,082	861,082	598,069	409,144	409,144
Working Capital	\$ 140	\$ 109	\$ 501	\$ (69)	\$ 182
Resource Properties	\$ -	\$ -	\$ -	\$ -	\$ -
Long-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -
Shareholders' Equity	\$ 1,975	\$ 2,168	\$ 2,337	\$ 1,635	\$ 1,847
Share Capital	\$ 17,621	\$ 17,621	\$ 17,621	\$ 16,732	\$ 16,732
Capital Stock Shares ('000)	861,082	861,082	861,082	409,144	409,144
Total Assets	\$ 2,280	\$ 2,182	\$ 2,379	\$ 1,757	\$ 1,903

**B. Capitalization and Indebtedness**

This Form 20-F is being filed as an annual report under the U.S. Exchange Act and, as such, there is no requirement to provide any information under this item.

**C. Reason for the Offer and Use of Proceeds**

This Form 20-F is being filed as an annual report under the U.S. Exchange Act and, as such, there is no requirement to provide any information under this item.

**D. Risk Factors**

**GENERAL BUSINESS RISKS**

***We Have Had a History of Operating Losses Which May Affect Our Ability to Continue Operations.***

We had a net loss of (\$193,182) during the year ended December 31, 2022 (2021 – (\$168,208); 2020 – (\$187,052)). We have incurred operating losses in the previous fiscal years with our accumulated deficit totaling \$18,703,524 as at December 31, 2022. We also anticipate sustaining a loss from operations for the fiscal year ended December 31, 2023. We have no sources of revenue in the year ended December 31, 2022 and our only source of revenue has been from the sale of the Forum Energy Limited (“Forum Energy” or “FEL”) shares and, historically, have only shown net income as a result of accounting for our equity share of profits in other companies in which we hold equity investments. The last sale of FEL shares was in 2015.

On July 31, 2020, we closed a Rights Offering and received net proceeds of approximately \$718,117. On the same date we also settled a Rights Offering Advance of \$170,111 previously received from PXP Energy Corporation (“PXP”) by issuing 75,605,066 shares to PXP at the same price of \$0.00225.

On August 7, 2020, we purchased 6.8% of the \$5,091,204 loan currently due by FEL to PXP amounting to \$346,202 plus accrued interest of \$939. This loan was unsecured, due on December 31, 2021, and bore interest at an annual rate of 3.5% plus LIBOR which was payable on a quarterly basis. On November 10, 2021, the Company sold the FEL loan to PXP at face value plus accrued interest. The proceeds of the sale were used to fund FEC’s \$224,400 share of FEL’s pre-drilling costs for two exploratory wells on SC 72 and for working capital. There has been no determination to date on the repayment or renewal of the \$5,091,204 term loan. In the event that this loan facility will be not be renewed, FEL may issue new shares to settle the amounts outstanding. Terms of the loan agreement do not include a provision for PXP to convert any unpaid amount into new shares of FEL and FEC does not have the funds to purchase 6.8 percent of the outstanding loan should a conversion to shares of FEL take place.

On March 10, 2022, the Company announced that it agreed to fund an additional cash call for pre-drilling costs received from FEL in the amount of \$198,620 bringing the total to \$423,020. The advance to FEL was via non-interest bearing loans. In order to be able to fund the \$198,620, the Company accepted a loan from PXP for the same amount (“PXP Loan”). The PXP loan bears interest of Libor plus 3.5% and both interest and principal are repayable on the earlier of a) December 31, 2023 or b) any equity issuance by us or c) any sale of FEL shares by us or d) any third party borrowing by us. We also received an additional \$80,000 for working capital from PXP during the year ended December 31, 2022 under the same terms and conditions as the PXP Loan. As at December 31, 2022 the outstanding PXP Loan balance was \$289,262 which included accrued interest of \$10,642.

Should FEL require additional financing requiring us to advance funds in order to maintain our 6.8% interest, there can be no guarantee that we will be able to provide the necessary funds and as a result our interest in FEL may be diluted.

[Table of Contents](#)

Management considers the Company to be a going concern because of the support of PXP in the short term but there is no certainty that the Company will be able to continue as a going concern past 2023 without additional debt or equity financing.

***Unless We Are Able To Invest in Companies That Discover Economically Recoverable Reserves in the Future, There is Substantial Doubt We Will Be Able to Continue Operations as a Going Concern in the Long Term.***

Our business success is dependent upon our ability to benefit from the discovery of economically recoverable reserves by companies we invest in, and for those companies to bring such reserves into profitable production. The companies we invest in are subject to a number of risks, including environmental risks, contractual risks, legal and political risks, fluctuations in the price of oil and gas, and other factors beyond our control.

The consolidated Financial Statements included herein have been prepared by management on the basis of accounting principles applicable to a “going concern”. Management believes the “going concern” basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future, is appropriate. We have experienced significant operating losses and cash outflows from operations in the years ended December 31, 2022, 2021 and 2020 and have no income other than that generated from interest on cash balances, interest on a loan to FEP, and the sale of FEP shares. Our ability to continue as a “going concern” in the long term is dependent on benefiting from our investments and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time.

***We Believe We Don't Have Sufficient Working Capital to Support Our Business beyond 2023. We Will Need Additional Funds in Order to Sustain our Operations in Order to See if Our Investments Will be Successful and There is No Assurance that Such Funds Will Be Available As, If, and When, Needed.***

Funds used in operations for the fiscal years ended December 31, 2022 and 2021 were \$(180,930) and \$(191,796), respectively. We have been dependent upon the proceeds of the sale of FEL shares, equity and debt financing in addition to the disposition of assets to fund operations. No assurances can be given that our actual cash requirements will not exceed our budget, that anticipated revenues will be realized, that, when needed, lines of credit will be available if necessary or that additional capital will be available to us. There is no assurance that we will be able to obtain such additional funds on terms and conditions we may deem acceptable. Failure to obtain such additional funds may materially and adversely affect our ability to acquire interests directly or indirectly in producing oil and gas and mineral properties.

On July 31, 2020, we closed a Rights Offering and received net proceeds of approximately \$718,117. On the same date we settled a Rights Offering Advance of \$170,111 previously received from PXP by issuing 75,605,066 shares to PXP at the same price of \$0.00225.

On August 7, 2020, we purchased 6.8% of the \$5,091,204 loan currently due by FEL to PXP amounting to \$346,202 plus accrued interest of \$939. This loan was unsecured, due on December 31, 2021 and bore interest at an annual rate of 3.5% plus LIBOR which was payable on a quarterly basis. On November 10, 2021, the Company sold the FEL loan to PXP at face value plus accrued interest. The proceeds of the sale were used to fund FEC's \$224,400 share of FEL's pre-drilling costs for two exploratory wells on SC 72 and for working capital. There has been no determination to date on the repayment or renewal of the \$5,091,204 term loan. In the event that this loan facility will be not be renewed, FEL may issue new shares to settle the amounts outstanding. Terms of the loan agreement do not include a provision for PXP to convert any unpaid amount into new shares of FEL and we do not have the funds to purchase 6.8 percent of the outstanding loan should a conversion to shares of FEL take place.



## [Table of Contents](#)

On March 10, 2022, the Company announced that it agreed to fund an additional cash call for pre-drilling costs received from FEL in the amount of \$198,620 bringing the total to \$423,020. The advance to FEL was via non-interest bearing loans. In order to be able to fund the \$198,620, the Company accepted a loan from PXP for the same amount ("PXP Loan"). The PXP loan bears interest of Libor plus 3.5% and both interest and principal are repayable on the earlier of a) December 31, 2023 or b) any equity issuance by us or c) any sale of FEL shares by us or d) any third party borrowing by us. We also received an additional \$80,000 for working capital from PXP during the year ended December 31, 2022 under the same terms and conditions as the PXP Loan. As at December 31, 2022 the outstanding PXP Loan balance was \$289,262 which included accrued interest of \$10,642.

Should FEL require additional financing requiring us to advance funds in order to maintain our 6.8% interest, there can be no guarantee that we will be able to provide the necessary funds and as a result our interest in FEL may be diluted.

Since PXP has agreed to fund our business until only December 31, 2023, there is no certainty that we will be able to continue operations past December 31, 2023.

***As of Now We Do Not Intend to Pay Dividends In the Foreseeable Future, and thus, You Should Not Expect to Receive Dividends.***

We have paid no dividends on our common shares since inception, and do not plan to pay dividends in the foreseeable future. See "**Description of Common Shares.**"

***The Market Price of Our Common Shares Has Been, and Will Likely Continue to Be, Volatile.***

The market price of our common shares has fluctuated over a wide range, and it is likely that the price of our common shares will fluctuate in the future. Further, announcements regarding acquisitions, the status of corporate collaborations, regulatory approvals or other developments by us or our competitors could have a significant impact on the market price of our common shares.

***The Value and Transferability of Our Shares May Be Adversely Impacted By the Limited Trading Market For Our Shares and the Penny Stock Rules.***

There is only a limited trading market for our shares on the Pink Sheets. There can be no assurance that (a) we will be able to be listed again on the OTCQB, due to enhanced listing requirements that were implemented by OTC Markets in 2014, (b) this market will be sustained, or (c) that we will be able to satisfy any future trading criteria that may be imposed by the Financial Industry Regulatory Authority ("FINRA").

In addition, holders of our common shares may experience substantial difficulty in selling their securities as a result of the "penny stock rules" which apply to our common shares. Under the penny stock rules, the Securities and Exchange Commission imposes additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally institutions with assets in excess of \$5,000,000 or individuals with net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse). For transactions covered by the rules, a broker-dealer must make a special suitability determination for the purchaser and transaction prior to the sale. Consequently, the rules may affect the ability of broker-dealers to sell our securities, and also may affect the ability of purchasers of our stock to sell their shares in the secondary market. It may also cause fewer broker-dealers to make a market in our common shares.

***The Large Number of Shares Eligible For Future Sale By Existing Shareholders May Adversely Affect the Market Price For Our Common Shares.***

Future sales of substantial amounts of common shares in the public market, or the perception that such sales could occur, could adversely affect the market price of our common shares. At March 3, 2023, we had 861,082,371 common shares outstanding. We currently have 687,507,135 shares eligible to be resold pursuant to Rule 144. We do not intend to include these common shares in a future Registration Statement to be filed with the United States Securities and Exchange Commission (“SEC”) pursuant to the Securities Act of 1933, registering the common shares for sale. If a decision was made to file a Registration Statement for these common shares, no prediction can be made as to the effect, if any, that sales of common shares or the availability of such shares for sale will have on the market prices of our common shares prevailing from time to time. The possibility that substantial amounts of our common shares may be sold under SEC Rule 144 into the public market may adversely affect prevailing market prices for our common shares and could impair our ability to raise capital in the future through the sale of equity securities.

***Your vote may not affect the outcome of any shareholder vote since our principal stockholder currently retains approximately 78% of our outstanding stock.***

Specifically, PXP Energy Corporation (“PXP”) may be able to control the outcome of all stockholder votes, including votes concerning director elections, charter and by-law amendments and possible mergers, corporate control contests and other significant corporate transactions which may not be in the interests of all shareholders.

As of the record date, based on the information available to us, PXP beneficially owned 674,999,986 Common Shares which represents approximately 78% of the total number of our Common Shares issued and outstanding.

***Foreign Laws, Rules and Environmental Regulations to Which Companies We Invest In May Adversely Affect Our Business Operations As Well As the Market Price For Our Stock.***

The production of oil and gas and the extraction of minerals by companies we invest in or by ourselves is generally subject to extensive laws, rules, orders and regulations governing a wide variety of matters, including the drilling and spacing of wells, allowable rates of production, prevention of waste and pollution and protection of the environment. In addition to the direct costs borne in complying with such regulations, operations and revenues may be impacted to the extent that certain regulations limit oil and gas and mineral production to below economic levels. Although the particular regulations applicable in each jurisdiction in which operations are conducted vary, such regulations are generally designed to ensure that oil and gas operations are carried out in a safe and efficient manner, and to ensure that similarly-situated operators are provided with reasonable opportunities to produce their respective fair share of available crude oil, natural gas, and mineral reserves. However, since these regulations generally apply to all oil and gas producers, we believe that these regulations should not put us at a material disadvantage to other oil, gas and mineral producers.

**OPERATING RISKS - OIL AND GAS EXPLORATION INVESTMENT ACTIVITIES**

***We Do Not Currently Directly Own Assets That Provide Cash Flow and Our Failure to Find or Acquire Available Assets May Adversely Impact Our Business Operations.***

We do not own any properties or investments that provide cash flow. Our cash flow and income, as well as our success are highly dependent on success in finding or acquiring cash flow through our investments and obtaining the financing necessary to acquire such investments. We cannot assure shareholders that we will be able to acquire such investments, if any.

***Exploring For and Producing Oil and Natural Gas and Minerals Are High-Risk Activities With Many Uncertainties That Could Adversely Affect Our Business, Financial Condition or Results of Operations.***

Exploration and development of oil and gas and mineral resources involve a high degree of risk, and few properties which are explored are ultimately developed into producing properties. There is no assurance that exploration and development activities of companies that we invest in will result in any discoveries of commercial bodies of oil, gas or minerals. The long-term profitability of our operations will be, in part, directly related to the cost and success of exploration programs of companies we invest in which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources, and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit of oil, gas or minerals, no assurance can be given that natural resources will be discovered in sufficient quantities by companies we invest in to justify commercial operations or that the funds required for development can be obtained on a timely basis.

***If Companies We Invest In Are Unable to Continue to Identify, Explore and Develop New Properties, Our Business Operations May Be Adversely Affected.***

We expect that to be successful companies we invest in must continually acquire or explore for and develop new oil and gas reserves to replace those, if any, being depleted by production. Without successful drilling or acquisition ventures, our indirect oil and gas assets, mineral assets and properties and the revenues derived therefrom, if any, will decline over time. To the extent we engage in drilling activities indirectly, such activities carry the risk that no commercially viable oil or gas production or mineral extraction will be obtained. The cost of drilling, completing and operating oil and gas wells is often uncertain. Moreover, drilling for oil and gas and minerals may be curtailed, delayed or cancelled as a result of many factors, including shortage of available working capital, title problems, weather conditions, environmental concerns, government prohibitions, shortages of or delays in delivery of equipment, as well as the financial instability of well operators, major working interest owners, and drilling and well servicing companies. The availability of a ready market for oil and gas and minerals will depend on numerous factors beyond our control, including the demand for and supply of oil and gas and minerals, the proximity of natural gas reserves to pipelines, the capacity of such pipelines, the proximity of any smelting facilities in relation to any minerals found, fluctuations in seasonal demand, the effects of inclement weather, and government regulation. New gas wells may be “shut-in” for lack of a market until a gas pipeline or gathering system with available capacity is extended into an area.

***The Exploration and Development of Oil and Gas and Mineral Properties are Subject to Operating Hazards and Risks for Which We Will Be Uninsured.***

Exploration for natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which we have an interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. These include the possibility of fires, earthquake activity, coastal erosion, explosions, blowouts, oil spills or seepage, gas leaks, discharge of toxic gas, over-pressurized formations, unusual or unexpected geological conditions and the absence of economically viable reserves. These hazards may result in cost overruns, substantial losses, and/or exposure to substantial environmental and other liabilities.

***Fluctuating Resource Prices May Adversely Impact Our Operations and Activities.***

The price of natural resources has traditionally been subject to wide fluctuations, particularly in recent years, and is affected by numerous factors beyond our control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of oil and gas and minerals, and therefore, the economic viability of any investments we have or make in exploration projects, cannot accurately be predicted.

***If We Fail to Fulfill Our Obligations Under Our Purchase Option and Joint Venture Agreements, Not Only Will Our Operations Be Adversely Affected, But We May Lose Our Interest In the Property in Question.***

We may, in the future, be unable to meet our share of costs incurred under joint venture agreements or other option or joint venture agreements to which we are, or may become a party, and we may have our interest in properties, in which we may acquire interests subject to such agreements, reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, we may be unable to finance the cost required to complete recommended programs.

***It Is Possible that Our Title for the Claims in Which We Have a Direct or Indirect Interest in Will Be Challenged By Third Parties.***

Although we will attempt to ascertain the status of the title for any projects in which we have or will invest in, there is no guarantee that title to such concessions will not be challenged or impugned. In some countries, the system for recording title to the rights to explore, develop, and mine natural resources is such that a title opinion provides only minimal comfort that the holder has title. Also, in many countries, claims have been made and new claims are being made by aboriginal peoples, and other countries claiming rights that call into question the property rights granted by the governments of those countries. An example of this is the force majeure declared on SC 72 because this contract area falls within the territorial disputed area of the West Philippine Sea which was the subject of an United Nations arbitration process between the Republic of Philippines and the People's Republic of China. On July 12, 2016, the Permanent Court of Arbitration in the Hague ruled in favor of the Philippines against China over territorial disputes in the South China Sea. China has rejected the ruling. It is uncertain whether this ruling will resolve the dispute between the parties.

***Reserve Estimates for Resources That May Be Reported By Companies We Invest In Are Dependent On Many Assumptions that May Ultimately Turn Out to Be Inaccurate.***

Reserve estimates are imprecise and may be expected to change as additional information becomes available. Furthermore, estimates of reserves of natural resources, of necessity, are projections based on engineering data and there are uncertainties inherent in the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is a subjective process of estimating underground accumulations of oil, gas and minerals that cannot be measured in an exact way and the accuracy of any reserve estimate is a function of the quality of available data of engineering and geological interpretation and judgment. Accordingly, there can be no assurance that the information regarding reserves of natural resources, if any, set forth herein will ultimately be produced.

***Any Resource Production of Companies That We Have Invested In May Be Adversely Affected By Factors Beyond Our Control.***

The production and marketing of resources are affected by a number of competitive factors which are beyond our control and the effect of which cannot be accurately predicted. These factors include crude oil and mineral imports, actions by foreign oil-producing nations and other mineral producers, the availability of adequate pipeline and other transportation facilities, the availability of equipment and personnel, the marketing of competitive fuels and minerals, the effect of governmental regulations, and other matters affecting the availability of a ready market such as fluctuating supply and demand.

***Operations of Companies We Invest In Will Be Subject to Numerous Environmental Risks***

Resource operations of companies we invest in, if any will be subject to compliance with applicable federal, state, and local laws and regulations controlling the discharge of materials into the environment, or otherwise relating to the protection of the environment. We believe that there is a trend toward stricter standards of environmental regulation which will in all probability continue. Compliance with such laws and standards may cause substantial delays and require capital outlays in excess of those anticipated, thereby adversely affecting our earnings and competitive position in the future.

***Since We May Acquire Holdings In Properties In Less Developed Countries and Have Indirectly Acquired Holdings in Properties In Less Developed Countries, Our Operations May Be Adversely Affected By Risks Associated With the Political, Economic and Social Climate of the Countries In Which We Will Operate or Have Indirect Holdings***

Since our indirect exploration and development activities will occur primarily in countries other than Canada and the United States, we may be affected by possible political or economic instability in those countries. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates, and high rates of inflation. Changes in resource development or investment policies or shifts in political attitude in these countries may adversely affect our business. Operations of companies we invest in may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The effect of these factors cannot be accurately predicted. Exploration and production activities in areas outside of the United States and Canada are also subject to the risks inherent in foreign operations, including loss of revenue, property and equipment as a result of hazards such as expropriation, nationalization, war, insurrection and other political risks.

***We Face Competition From Larger and Better Financed Companies Seeking to Acquire Properties In Our Sphere of Operation.***

The resource industry is highly competitive, and our business could be harmed by competition from other companies. Because resources are fungible commodities, the principal form of competition is price competition. We will strive to insure companies we invest in maintain the lowest exploration and production costs possible to maximize profits. In addition, we may compete for reserve acquisitions, exploration leases, licenses, concessions and marketing agreements against companies with financial and other resources substantially larger than we possess. Many of our competitors have established strategic long term positions and maintain strong governmental relationships in countries in which we may seek entry.

***We Currently Do Not Maintain Insurance Against Potential Losses and Unexpected Liabilities.***

As previously stated herein, exploration for and production of resources can be hazardous, involving natural disasters and other unforeseen occurrences such as “blowouts”, “cratering”, fires and loss of well control, which can damage or destroy wells or production facilities, injure or kill people, and damage property and the environment. We do not have such insurance coverage for companies we invest in; and, even if we were able to obtain such insurance coverage, there is no assurance that it would be adequate to protect against all operational risks, or subject to defenses or exclusions against insurance coverage.

***We Are Dependent On Retaining Our Senior Management and Key Personnel.***

To a large extent, we depend on the services of our senior management personnel. These individuals have critical and unique knowledge of the areas of operations that facilitate the evaluation and acquisition of potential properties in our intended sphere of operations. The loss of these experienced personnel, if that were to occur, could have a material adverse impact on our ability to compete in this region of the world. We do not maintain any insurance against the loss of any management personnel.

***Our Directors May Face Conflicts of Interest In Connection With Our Participation In Certain Ventures Because They Are Directors of Other Resource Companies.***

Some of our directors participate in other resource companies and to the extent that such other companies may participate in ventures in which we may participate, our directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. It is possible that due to our directors’ conflicting interests, we may be precluded from participating in certain projects that we might otherwise have participated in or we may obtain less favorable terms on certain projects than we might have obtained if our directors were not also the directors of other participating mineral resource companies. In their effort to balance their conflicting interests, our directors may approve terms that are equally favorable to all of their companies as opposed to negotiating terms that may be more favorable to us, but adverse to their other companies. Additionally, it is possible that we may not be afforded certain opportunities to participate in particular projects because such projects are assigned to our directors’ other companies for which the directors may deem the projects to have a greater benefit.

***Our Security Holders May Not Be Able to Enforce U.S. Civil Liabilities Claims Thereby Limiting Their Ability to Collect on Claims Against Us.***

We are incorporated in Canada and the majority of our directors and officers are nationals and/or residents of countries other than the United States. All or a substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. In addition, there is uncertainty as to whether the courts of Canada would recognize or enforce judgments of United States courts obtained against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or be competent to hear original actions brought in these countries against us or such persons predicated upon the securities laws of the United States or any state thereof.

***As a Foreign Private Issuer, We Are Exempt From a Number Of U.S. Securities Laws And Rules Promulgated Thereunder And Are Permitted To File Less Information With The SEC Than U.S. Companies Must. This Will Limit The Information Available To Holders Of Our Shares***

We currently qualify as a “foreign private issuer,” as defined in the SEC’s rules and regulations and, consequently, we are not subject to all of the disclosure requirements applicable to companies organized within the U.S. For example, we are exempt from certain rules under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act. In addition, our officers and directors are exempt from the reporting and “short-swing” profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. public companies. We are also not subject to Regulation FD under the Exchange Act, which would prohibit us from selectively disclosing material nonpublic information to certain persons without concurrently making a widespread public disclosure of such information. Accordingly, there may be less publicly available information concerning our company than there is for U.S. public companies.

**ITEM 4. INFORMATION ON THE COMPANY**

**A. Our Corporate History and Development.**

We were incorporated on February 8, 1982 in British Columbia, Canada under the name Tylox Corporation. Our continuance under the *Canada Business Corporation Act* resulted in, among other things, our name change, first in December 1991, to Tracer Petroleum Corporation, followed in July 2003, to Forum Energy Corporation. On May 18, 2005, we changed our name to FEC Resources, Inc. We have no subsidiaries. We currently hold 6.80% of the issued and outstanding capital of FEL and, in addition, we hold a 35% interest in Metalore Mining Corporation (“MMC”), a Philippine-based company that holds the rights to a 64 hectare license, which has been abandoned. We also own a 1.08% interest in Lascogon Mining Corporation which owns the Mineral Production and Sharing Agreement 148 (“MPSA 148”), a gold exploration project in the Philippines.

We are engaged in investment into companies in the natural resource sector.

Our head office is located at Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC, V6C 2B5.

**The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is <http://www.sec.gov>. Our website can be viewed at the following address: [www.fecresources.com](http://www.fecresources.com).**

**B. Business Overview**

At this time, we do not have any significant revenue-generating assets, and as a result, we will rely upon issuance of new shares or debt to fund ongoing operations.

## **Recent Developments**

In October 2019, the Philippines' Department of Foreign Affairs ("DFA") announced that the Philippines and China had officially convened an Intergovernmental Steering Committee that will supervise projects under the two countries' joint oil and gas exploration in the West Philippines Sea. The DFA further announced that the Steering Committee held its first meeting in Beijing on October 28, 2019. 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's government has appointed China National Offshore Oil Corporation ("CNOOC") as its representative to the Working Group(s). FEL will be the Philippine government's representative to the Working Group that will be created for SC 72. This indicates continuing participation of private companies on the Philippine side and provides protection to existing service contractors such as FEL, which holds and operates SC 72.

On October 16, 2020, FEL received notice from the Philippine Department of Energy ("DOE") that the force majeure ("FM") imposed on SC 72 on December 15, 2014 was lifted with immediate effect and that FEL was to resume exploration activities on SC 72. FEL 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 FEL and CNOOC in relation to SC 72.

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, were undertaken for the conduct of geophysical and geotechnical surveys, and the drilling of wells Sampaguita 4 and Sampaguita 5 starting second quarter of 2022.

On April 6, 2022, FGL as operator under SC 72, received a directive from the DOE to put on hold all exploration activities for SC 72 until such time that the Security, Justice and Peace Coordinating Cluster ("SJPC") has issued the necessary clearance to proceed. On April 11, 2022, as a result of not receiving the necessary clearance, force majeure was once again declared on SC 72.

In June 2022, media outlets reported that the MOU between China and the Philippines had been terminated although media outlets also reported that discussions would continue on joint exploration of SC 72.

On October 11, 2022 the DOE granted PXP and Forum the following: (i) the Declaration of Force Majeure for SC 75 and SC 72 from 6 April 2022 until such time as the same is lifted by the DOE, (ii) the inclusion of total expenses incurred as a result of the DOE directive to suspend activities as part of the approved recoverable costs, subject to DOE audit, and (iii) in addition to the period in item (i) above, PXP and Forum will be entitled to an extension of the exploration period under SC75 and SC72 corresponding to the number of days that the contractors actually spent in preparation for the activities that were suspended by the DOE's suspension order on 06 April 2022.

On March 10, 2022, we announced that we agreed to fund an additional cash call for pre-drilling costs received from FEL in the amount of \$198,620 bringing the total to \$423,020. The advance to FEL was via non-interest bearing loans. In order to be able to fund the \$198,620, the Company accepted a loan from PXP for the same amount ("PXP Loan"). The PXP loan bears interest of Libor plus 3.5% and both interest and principal are repayable on the earlier of a) December 31, 2023 or b) any equity issuance by FEC or c) any sale of FEL shares by FEC or d) any third party borrowing by FEC. We also received an additional \$80,000 for working capital from PXP during the year ended December 31, 2022 under the same terms and conditions as the PXP Loan. As at December 31, 2022 the outstanding PXP Loan balance was \$289,262 which included accrued interest of \$10,642.



## [Table of Contents](#)

On March 20, 2023, the DOE further affirmed that the entire period from October 14, 2020 (when the Force Majeure was lifted) to April 6, 2022 (when the same was re-imposed) will be credited back to SC 72. Thus, once the Force Majeure is lifted in the future, FGL will have 20 months to drill the two commitment wells, which is equivalent to the remaining term of Sub-Phase 2 of SC 72 prior to October 14, 2020.

### **The Philippines**

We are currently a holding company with an interest in FEL, in which we own a 6.80% equity interest. FEL owns the oil and gas rights over an 8,800 square-kilometer block located in the West Philippine Sea. This block is subject to a dispute between The Republic of the Philippines and the People's Republic of China. In addition, FEL holds interests in various other concessions located in the Philippines.

### **Forum Energy Plc. ("FEP")/Forum Energy Limited ("Forum Energy" or "FEL")**

We currently own 6.80% of Forum Energy. Forum Energy was established through the consolidation in 2005 of the Philippine assets of FEC Resources, Inc. of Canada, and Sterling Energy Plc of the UK, into one corporate entity. Forum Energy is a private company, which has participating interests in six (6) oil and gas blocks in the Philippines through various subsidiaries. Forum Energy's subsidiaries are Forum Energy Philippines Corporation ("FEPC"), Forum (GSEC 101) Limited ("FGL"), and ForumPH SC72 Holdings, Inc. ("ForumPH").

Forum Energy and ourselves are both ultimately under the control of PXP Energy Corporation ("PXP") and are therefore affiliates.

On March 23, 2017, PXP announced that it had increased its shareholdings in Forum Energy from 48.8% to 69.5% through a debt conversion involving the issuance of 39,350,920 Forum Energy shares at a decreased price of US\$0.30 per share. On the same day, an independent third party purchased 6,666,667 newly issued Forum Energy shares at a price of US\$0.30 per share for a total cash payment of US\$2,000,000. We did not participate in this financing transaction. These two transactions resulted in the dilution of our interest in Forum Energy from 18.42% to 8.03%. As a result of this dilution, the Company's investment in Forum Energy ceased to be an equity investment. As a result of the loss of significant influence, we recognized an unrealized gain of \$1,965,000 in the statement of operations and comprehensive income for the revaluation and reclassification of the investment as available for sale during the year. On December 6, 2017, we sold 1,000,000 Forum Energy shares to our parent company, PXP, for \$0.30 per share. As a result of the sale of the shares our interest in Forum Energy was reduced to 6.80%.

The following information related to PXP or Forum Energy has been provided to us by PXP or Forum Energy, as we do not have direct knowledge of such information.

PXP holds a 79.13% controlling interest in FEL, with 72.33% held directly and 6.80% held indirectly through its 78.39% shareholding of the Company. FEL is a company incorporated under the laws of England and Wales with focus on the Philippines and has: (a) a 70% operating interest in Service Contract ("SC") 72 Recto Bank, which covers the Sampaguita natural gas discovery in offshore West Palawan, held through FGL; (b) minority interests in the SC 6 and SC 14 sub-blocks in offshore Northwest Palawan, including a 3.21% interest in the producing Galoc Field, held through FEPC; and (c) a 100% operating interest in SC 40 North Cebu held through FEPC's 66.67%-held subsidiary, Forum Exploration Inc. ("FEI").

[Table of Contents](#)

A summary of Forum Energy's interests are as follows:

SC Block	% interest	Currently Producing
SC 72 Recto Bank	70%	No
SC 40 North Cebu	66.67%	No
SC 14C-1 Galoc	3.21%	Yes
SC 6A Octon <sup>(1)</sup>	6.72%	No
SC 6B Bonita	2.45%	No
SC 14A Nido <sup>(2)</sup>	8.47%	No
SC 14B Matinloc <sup>(2)</sup>	12.41%	No
SC 14B-1 North Matinloc <sup>(2)</sup>	19.46%	No
SC 14C-2 West Linapacan	9.10%	No
SC 14D Retention Area <sup>(2)</sup>	8.16%	No
SC 14 Tara <sup>(2)</sup>	10%	No

<sup>(1)</sup> The block was surrendered to the DOE on March 31, 2021 and was approved by the DOE on September 5, 2022. The area will be nominated for a new SC.

<sup>(2)</sup> A Notice to Surrender of the blocks were issued by Operators Philodrill and AC Energy (for Tara) on February 16, 2021. This was approved by the DOE on May 18, 2022.

Following is a brief description of the properties of Forum Energy together with production details where appropriate.

[Table of Contents](#)

*SC 72 Recto Bank*

FEL's principal asset is a 70% participating interest in SC 72 (previously Geophysical Survey and Exploration Contract No. 101 ("GSEC 101")), a petroleum license located in the Recto Bank, offshore west of Palawan Island, the Philippines. The remaining 30% of SC 72 is owned by Monte Oro Resources & Energy Inc., a company incorporated in the Philippines, who is involved in a joint venture with FEL with respect to SC 72.

On February 15, 2010, the GSEC 101 license was converted to SC 72 and FEL immediately conducted geological and geophysical works to further evaluate the block and to fulfill its commitment to the government. SC 72 covers 8,800 square kilometers, which is 85% of the area covered by GSEC 101.

Exploration in the area began in 1970, and in 1976, gas was discovered in the Sampaguita structure following the drilling of a well. To date, a total of three wells have been drilled at the southwest end of the structure. Two of the wells tested gas at rates warranting further exploration.

In early 2011, FEL acquired 2,202 line-km of 2D seismic, gravity, and magnetic data over SC 72 to further define leads. Also, 565 square kilometers of 3D seismic data were acquired over the Sampaguita Field (the "Sampaguita 3D"). These fulfilled the Consortium's minimum work obligation under Sub-Phase ("SP") 1.

Based on a technical evaluation conducted by Weatherford Petroleum Consultants in 2012, the Sampaguita Field is estimated to contain 2.6 trillion cubic feet (TCF) of in-place contingent gas resources and 5.4 TCF of prospective gas resources.

The 2D seismic data were reprocessed in 2013 and were subsequently interpreted, aided by gravity-magnetics data that were interpreted by Fugro and Cosine Ltd. ("Cosine") in 2012 and 2015, respectively. In 2015, Arax Energy produced a report on the North Bank area, located northwest of the Sampaguita Field, and estimated the prospective resources to be significant enough to continue with exploration of the concession.

Also in October 2018, FEL started the Broadband Pre-Stack Depth Migration ("PSDM") reprocessing of the Sampaguita 3D seismic data with DownUnder GeoSolutions ("DUG"), a company based in Perth, Australia, as contractor. The reprocessing work was completed in June 2019.

In October 2019, the Philippines' Department of Foreign Affairs ("DFA") announced that the Philippines and China had officially convened an Intergovernmental Steering Committee that will supervise projects under the two countries' joint oil and gas exploration in the West Philippine Sea. The DFA further announced that the Steering Committee held its first meeting in Beijing on October 28, 2019. Under the Memorandum of Understanding ("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 ("CNOOC") as representative to the Working Group(s). FEL will be the representative to the Working Group that will be created for SC 72.

On October 16, 2020, FEL received notice from the Philippine Department of Energy ("DOE") that the force majeure ("FM") imposed on SC 72 on December 15, 2014 was lifted with immediate effect and that FEL was to resume exploration activities on SC 72. FEL 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 FEL and CNOOC in relation to SC 72.

## [Table of Contents](#)

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, were undertaken for the conduct of geophysical and geotechnical surveys, and the drilling of wells Sampaguita 4 and Sampaguita 5 starting second quarter of 2022.

A Technical Services Agreement (“TSA”) with AWT International, a third-party upstream petroleum consultancy company, was signed on June 28, 2021, with July 01, 2021 effective date. AWT will provide drilling management and manpower support services to FGL to deliver the latter’s two-well commitment in 1H 2022.

On April 6, 2022, FGL as operator under SC 72, received a directive from the DOE to put on hold all exploration activities for SC 72 until such time that the Security, Justice and Peace Coordinating Cluster (“SJPC”) has issued the necessary clearance to proceed. On April 11, 2022, as a result of not receiving the necessary clearance, force majeure was once again declared on SC 72.

In June 2022, media outlets reported that the MOU between China and the Philippines had been terminated although media outlets also reported that discussions would continue on joint exploration of SC 72.

On October 11, 2022 the DOE granted PXP and Forum the following: (i) the Declaration of Force Majeure for SC75 and SC72 from 6 April 2022 until such time as the same is lifted by the DOE, (ii) the inclusion of total expenses incurred as a result of the DOE directive to suspend activities as part of the approved recoverable costs, subject to DOE audit, and (iii) in addition to the period in item (i) above, PXP and Forum will be entitled to an extension of the exploration period under SC75 and SC72 corresponding to the number of days that the contractors actually spent in preparation for the activities that were suspended by the DOE’s suspension order on 06 April 2022.

On March 20, 2023, the DOE further affirmed that the entire period from October 14, 2020 (when the Force Majeure was lifted) to April 6, 2022 (when the same was re-imposed) will be credited back to SC 72. Thus, once the Force Majeure is lifted in the future, FGL will have 20 months to drill the two commitment wells, which is equivalent to the remaining term of Sub-Phase 2 of SC 72 prior to October 14, 2020.

### *SC 40 North Cebu*

A 100% operating interest in SC 40 is held by FEPC’s 66.67% owned subsidiary FEI.

SC 40 is located in the Visayan Basin in the central part of the Philippine Archipelago and covers an area of 340,000 hectares in the northern part of Cebu Island and adjacent offshore areas. It contains the Libertad Gas Field and several other prospects.

A land gravity survey was conducted in the municipalities of Daanbantayan and Medellin from April 2 to 27, 2018. A total of 94 gravity stations were acquired at a spacing of 200m to 500m. The processing and interpretation of the gravity data was carried out in two (2) stages. The first stage is a 3D inverse grid depth modelling which was undertaken by contractor Cosine. This was completed in early 2019. The second stage is a detailed stratigraphic 3D multi-sectional model done in-house by the FEI technical team under Cosine’s quality control supervision. During this stage, a number of possible carbonate bodies were identified in certain areas of the block. Delineation of these features required additional data; thus a gravity survey was conducted in the first quarter of 2020.

## [Table of Contents](#)

On November 21, 2019, FEI submitted the WP&B for 2020, which includes the continuation of the Gravity Interpretation – Stage 2, Radioactive Waste Management, and the conduct of a Land Gravity Survey. This was approved by the DOE on December 2, 2019. The radioactive wastes, which were part of FEI's wireline logging tools, were safely transported from Daanbantayan, Cebu and turned over to the Philippine Nuclear Research Institute in February 2020. Thereafter, FEI 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.

The 2020 Land Gravity Survey is for 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 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 Ltd in early December 2020 and submitted to the DOE in February 2021 after its review by FEI's technical team. 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 results of the gravity modelling Stage 2 was reviewed by Cosine and an initial feedback was received by FEI in Q4 2021. The report was finalized in June 2022 and was submitted to the DOE on July 7, 2022.

In 2019, FEI engaged the services of an operations geologist to prepare the geological program and prospect montage for the Dalingding Prospect, a reefal structure located in onshore Cebu defined by seismic which has the 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 FEI's 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.

In June 2022, FEI contracted a drilling consultant to prepare drilling programs and budgets for two wells, one of which will be located in the Dalingding Prospect.

In August 2022, FEI contracted a third-party for the disposal of the Hycalog Rig and ancillary equipment stored in Brgy. Maya, Daanbantayan, Cebu Province. The sale process started on September 13, 2022 of which the highest bid was offered by a Luzon-based company. The pull-out of items started in December 2022.

On December 16, 2022, FEI submitted the SC 40 WP&B for 2023 with a firm program consisting of an Independent Technical Evaluation of the Maya and Dalingding Prospects to be carried out in the first quarter of 2023.

[Table of Contents](#)

*SC 14 C-1 Galoc*

Block C-1 Galoc has an area of 164 square kilometers and contains the producing Galoc Oil Field.

On July 12, 2018, Tamarind Galoc Pte Ltd, a subsidiary of Singapore-based Tamarind Resources Pte Ltd (“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.

Gross production for 2020 averaged 1,900 barrels of oil per day (“BOPD”) [2019 – 2,045 BOPD]. FEPC’s share is approximately 48.4 BOPD [2019 – 46 BOPD]. This represents a slight increase of 5.4% associated with the increase in participating interest of FEL in Galoc from 2.28% to 3.21% due to the withdrawal of one of the Consortium members, Galoc Production Company 2 (“GPC 2”) in September 2020, and the distribution of GPC 2’s participating interest of 26.84% to the remaining members on the same month.

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. However, in September 2020, the Galoc Joint Venture (“JV”) was able to negotiate with ROI for the sale of the Rubicon Intrepid that allowed Galoc Field to continue to be in production beyond the original cessation schedule of September 24, 2020. Tamarind, 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 (6) months. Finally, GPC entered into an O&M contract with Three60 Energy, an energy services provider, that will take over FPSO operations after the transition period. The contract will be for 24 months.

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 01, 2021, Three60 Energy formally assumed operational control of the Intrepid FPSO following a transition period with Rubicon Offshore that lasted for 4-1/2 months from September 2020 to January 2021.

From January to December 2021, Galoc Field produced a total of 630,250 bbls, or an average of 1,727 BOPD. Three liftings with a total cargo of 632,000 bbls were delivered in April, July, and November.

Upon the DOE’s request, NPG prepared a new decommissioning plan (“DP”) that will be implemented once Galoc Field reaches its end of life. The June 2021 DP updated the 2016 Abandonment Plan as well as the 2020 Suspension & Abandonment Plan, both of which had already received DOE approval. The DP was submitted to the DOE on July 30, 2021. It documents the scope and associated cost of final field decommissioning, including the plans for the FPSO, subsea equipment, and production wells. The decommissioning activity will cost around US\$ 24 million, with US\$ 9.5 million allocated for FPSO disconnection and subsea equipment abandonment, and US\$ 14.5 million for permanent P&A of the production wells. The Galoc Field is forecasted to remain viable to operate even beyond the expiry date of SC 14C-1 in December 2025.

From January 1 to December 31, 2022, the Galoc Field produced a total of 565,084 barrels, or an average of 1,549 BOPD. Three (3) liftings with a total cargo of 479,955 bbls were delivered in February, June, and October 2022. Cumulative production from October 8, 2008 to December 31, 2022 stood at 23.98 million barrels of oil (MMbbls). For 2023, three (3) liftings are anticipated with a parcel size per lifting of 170,000 barrels +/- 10%.

[Table of Contents](#)

*SC 6A Octon*

SC 6A Octon covers an area of 1,080 square kilometers and contains the Octon Field.

In 2018, The Philodrill Corporation (“Philodrill”) completed the seismic interpretation/mapping work on the northern sector of the block using the PSDM volume. The evaluation focused on the Malajon, Salvacion, and Saddle Rock prospects. The Malajon and Saddle Rock closures were previously tested by wells which encountered good oil shows in the Galoc Clastic Unit (“GCU”) interval. However, no drill stemtests were conducted in this interval due to operational constraints.

The 2019 work program included the completion of seismic attribute analysis of the North Block 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 the 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 (4) sand packages within the GCU after generating several elastic properties (P-impedance, Vp/Vs, etc.).

A Quantitative Interpretation (“QI”) study was approved by the JV aimed at generating pay probability maps and identifying prospective zones that could be targets for any future wells. It also includes detailed attribute analysis as several channelized sands within the GCU have been identified during the pilot study. An amended WP&B for 2020 to cover this additional study was approved by the DOE in July 2020. The LMKR report was submitted to the DOE in July 2021.

The current term of SC 6A is set to expire on February 28, 2024, which gives the JV 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 and, upon its approval by the DOE, apply for a new contract under the Philippine Conventional Energy Contracting Program (PCECP) on area nomination. The surrender of the SC was approved by the DOE on September 5, 2022. Philodrill and the partners are currently preparing the documents for the application for a new SC. PXP and FEL will each have a participating interest of 6.72% in the new SC after accepting their pro rata share of the participating interests of two oil companies that decided not to participate in the SC application.

*SC 6B Bonita*

SC 6B Bonita covers an area of 567 square kilometers and contains the Bonita discovery.

An in-house evaluation completed by Operator 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 outside SC 6B. In view of this, the JV 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 Cadlao Block to SC 6B.

## [Table of Contents](#)

The Cadlao Field was discovered in 1977 and produced about 11 million barrels (“MMbbls”) of oil from two (2) subsea production wells from 1981-1991. It has estimated recoverable reserves of 3.7 MMbbls (1P) and 5.7 MMbbls (2P) based on GCA (2012). The East Cadlao has estimated recoverable resources of 1.48 MMbbls (P10) and 1.17 MMbbls (P50) based on Philodrill Report (2016).

On October 17, 2019, the FIA, Deed of Assignment 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. Under the FIA, Manta will carry the JV up to First Oil to earn 70% interest. FEL’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 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.

Nido subsequently submitted a farm-in proposal to the JV to increase its participating interest in the Service Contract from 9.09% to 72.727% and take over the operatorship of the Service Contract. 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.

Nido proposes a two-phase re-development consisting of Phase 1: A 3 to 9-month Extended Well Test (EWT) using a new single deviated well (Cadlao-4), a mobile offshore production unit (MOPU), and either a floating storage and offloading (FSO) vessel or a shuttle tanker; and Phase 2: Further development of the EWT well and additional wells potentially substituting the MOPU for a small wellhead platform (WHP) and storage barge.

The Deed of Assignment (DOA) of Participating Interest to Nido and the revised 2022 WP&B were submitted to the DOE on April 11, 2022. The WP&B includes the drilling of Cadlao-4 by the 4<sup>th</sup> Quarter of 2022 at the earliest, to be followed by an EWT. The spud date of the well, however, will be dependent on final contracting, including rig and FSO unit availability.

The DOE approved the WP&B on May 26, 2022, while the documents related to the assignment of interest to Nido remain under review.

### *SC 14A [Nido], SC 14B [Matinloc] & SC 14B-1 [N. Matinloc]*

Production in the Nido and Matinloc Fields was terminated permanently on March 13, 2019, after producing 22,173 barrels (“bbls”) of oil from January to March 2019. The Nido Field accounted for 93.06% of the total while Matinloc Field contributed the remaining 6.94%. Shell Philippines was the sole buyer for the crude during the period.



## [Table of Contents](#)

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 of oil. The total production for the three (3) fields is 32,149,784 barrels.

Seven (7) production wells in Nido (3 out of 5), Matinloc (3), and North Matinloc (1) were successfully P&A from April to May 2019. The P&A of the two remaining Nido wells, A1 and A2, were only partially abandoned due to difficulties encountered during operations.

Following the suspension of field operations and the P&A of most of the wells in March 2019, 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. 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.

The P&A of the remaining Nido production wells, A-1 and A-2 wells was completed on October 5, 2020. This was originally scheduled in April 2020 but had to be deferred due to COVID 19-related health and travel restrictions.

With the completion of P&A of all production wells, a Notice to Surrender the SC 14A, 14B, 14B-1, Tara, and SC 14D blocks was sent to the DOE on February 16, 2021. This was approved by the DOE on May 18, 2022.

### *SC 14C-2 West Linapacan*

Block C-2 has an area of 176.5 square kilometers and contains the West Linapacan "A" and "B" structures. The Consortium headed by Philodrill continues with its evaluation of the viability of redeveloping the West Linapacan "A" Field, which was discovered in 1990 and produced over 8 MMBO from 1992 before being shut-in in 1996.

In 2018, Philodrill completed the mapping and interpretation work on the 3D seismic data that was reprocessed in 2014. The study focused on the West Linapacan "B" structure, which was drilled in 1991. The JV is studying options to develop the field.

In 2019, Desert Rose Petroleum Limited ("DRPL") expressed interest to re-develop the West Linapacan "A" Field through a farm-in process and through the purchase of participating interests from companies that are willing to divest. For the farming-out companies, DRPL will shoulder the cost of redevelopment of West Linapacan "A" Field up to First Oil. In return, the companies will further assign 75% of their remaining interest to the farminee, leaving them with a combined interest of 5%.

By the end of March 2021, the relevant closing conditions, which include regulatory approval in the Sale and Purchase Agreement (SPA) and the Farm-out Agreement (FOA) were not yet completed. The process of finalizing the documents, including the Deed of Assignment (DOA) arising out of the SPA and FOA, was severely delayed by the COVID-19 situation. DRPL was previously given until March 31, 2021 to finalize the agreements but it has requested an extension until June 30, 2021. DRPL eventually decided not to pursue its farm-in plans for the block. As a result of DRPL's exit, Philodrill re-assumed the block's operatorship and FEPC's participating interest in the block returned to its pre farm-in interest of 9.103%.

## [Table of Contents](#)

In 2019, the SC 14C-2 and SC 74 Consortia conducted 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. Only the SC 74 JV, however, decided to proceed with the second phase of the QI Study.

In September 2021, the JV commenced a technical study on the West Linapacan “B” Field 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. Philodrill 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. The results indicate a joint development of the fields is feasible provided certain conditions related to recoverable reserves, development costs, production rates, and oil price are met.

On October 20, 2022, Nido Petroleum, a current member of the SC 14C-2 Consortium, submitted a proposal to drill a well and conduct an EWT on West Linapacan “A” in 2023 in exchange for acquiring an additional 62.721% of the Filipino Partners’ current participating interest. On October 28, 2022, the Filipino partners submitted a counter-proposal related to sharing in the proceeds during production, which is now under Nido’s consideration.

## Forum Energy Objectives and Strategy

The core objective of FEL is to maximize the potential of its investments and its current licenses to generate income, whilst at the same time continuing to reduce administrative expenses.

FEL plans to achieve this by:

- Development of SC 72
- Continued review of exploration blocks to identify potential drilling targets
- Continued review of administrative expenses

For further details regarding Forum Energy, see its 2021 financial statement package at <https://find-and-update.company-information.service.gov.uk/company/05411224/filing-history>

Please note that FEL is not required to file its financial statement package with Companies House in the UK until September 30 following the end of its fiscal year which is December 31. Accordingly, the FEL financial statement package for 2022 is not expected to be available until Q3 of 2023.

## Risk factors specific to FEL

The Company is exposed to certain risk factors which are specific to its investment in Forum Energy. These include the following:

- On October 16, 2020, FEL received notice from the DOE that the FM imposed on SC 72 on December 15, 2014 was lifted with immediate effect and that FEL was to resume exploration activities on SC 72. Under the current work program commitments, FEL now has 20 months from the date of lifting of the FM to drill two 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 FEL and CNOOC in relation to the implementation of the MOU involving SC 72. The risk therefore exists that should FEL not be able to meet its commitments to the DOE, it may have to surrender its rights to SC 72 or pay a penalty equivalent to the minimum financial commitment of the current sub-phase.

## Table of Contents

On April 6, 2022, FEL as operator under SC 72, received a directive from the DOE to put on hold all exploration activities for SC 72 until such time that the Security, Justice and Peace Coordinating Cluster (“SJPC”) has issued the necessary clearance to proceed. On April 11, 2022, as a result of not receiving the necessary clearance, force majeure was once again declared on SC 72.

In June 2022, media outlets reported that the MOU between China and the Philippines had been terminated although media outlets also reported that discussions would continue on joint exploration of SC 72.

On October 11, 2022 the DOE granted PXP and Forum the following: (i) the Declaration of Force Majeure for SC75 and SC72 from 6 April 2022 until such time as the same is lifted by the DOE, (ii) the inclusion of total expenses incurred as a result of the DOE directive to suspend activities as part of the approved recoverable costs, subject to DOE audit, and (iii) in addition to the period in item (i) above, PXP and Forum will be entitled to an extension of the exploration period under SC75 and SC72 corresponding to the number of days that the contractors actually spent in preparation for the activities that were suspended by the DOE’s suspension order on 06 April 2022.

- FEL’s cash inflows is heavily dependent on the Galoc Field production, which continued to operate beyond the original cessation date of September 24, 2020 following an agreement the operator GPC signed with ROI, the owner of the FPSO Rubicon Intrepid. The viability of continued production depends on the consistent output of the producing wells as well as the price of oil.
- FEL’s operations do not generate sufficient cash to fund new exploration work in Galoc and its other blocks; therefore, in the event FEL issued new capital to fund these costs, the Company’s interest in Forum Energy may be diluted.
- FEL is a closely held private company and there is a limited population of potential buyers for FEL’s relatively small interest in FEL.
- FEL’s interest in its main asset SC 72 could be diluted depending on the agreement reached, if any, with potential farm partners in the future.
- Further exploration work has to be completed on SC 72 and SC 40 to confirm the value of the resources within these properties.
- In March 2017, FEL, through a subsidiary, entered into an unsecured loan agreement with PXP that provides for a loan facility of up to US\$6 million. The loan facility had an initial term of three years and bears interest at LIBOR + 3.5% per annum but was extended to April 16, 2020. On April 14, 2020, FEL completed a fund raising of US\$2,500,000 which was achieved by FEL issuing new shares at a price of US\$0.30 each. This resulted in all accrued interest being paid in full and the amount of the loan principal outstanding being reduced to US\$5,091,204. The term of this loan was extended to December 31, 2021 with interest at LIBOR + 3.5% payable quarterly. On August 7, 2020, FEL purchased \$346,202 (6.8%) of the loan principal plus accrued interest of \$939.

## Table of Contents

On November 10, 2021, we sold the FEL loan to PXP at face value plus accrued interest. The proceeds of the sale were used to fund our \$224,400 share of FEL's pre-drilling costs for two exploratory wells on SC 72 and for working capital.

On March 10, 2022, we announced that it agreed to fund an additional cash call for pre-drilling costs received from FEL in the amount of \$198,620 bringing the total to \$423,020. The advance to FEL was via non-interest bearing loans. In order to fund the \$198,620, we accepted a loan from PXP for the same amount ("PXP Loan"). The PXP loan bears interest of LIBOR + 3.5% and both interest and principal are repayable on the earlier of a) December 31, 2023 or b) any equity issuance by us or c) any sale of FEL shares by us or d) any third party borrowing by us. For the period ended December 31, 2022, PXP advanced an additional \$80,000 to us for working capital under the same terms and conditions as the PXP Loan. As at December 31, 2022 the outstanding PXP Loan balance was \$289,262 which included accrued interest of \$10,642.

There has been no determination to date on the repayment or renewal of the \$5,091,204 term loan. In the event that this loan facility will be not be renewed, FEL may issue new shares to settle the amounts outstanding. Terms of the loan agreement do not include a provision for PXP to convert any unpaid amount into new shares of FEL and FEC does not have the funds to purchase 6.8 percent of the outstanding loan should a conversion to shares of FEL take place.

### **C. Organizational Structure**

We are part of a group of companies with our parent company being PXP. We have no subsidiaries.

### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

N/A

### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.**

We have experienced significant operating losses over the last few years, and as a result, our ability to continue as a going concern is dependent on achieving profitable operations and/or upon obtaining additional financing.

Our audited financial statements were prepared in accordance with IFRS as issued by the IASB, which are different from US GAAP (refer to the Auditors' Report dated March 30, 2023).

The Company is exposed to foreign currency fluctuations for general and administrative transactions denominated in Canadian Dollars. The majority of the Company's cash is kept in U.S. dollars. Cash held in Canadian dollars is subject to exchange rate fluctuations between the Canadian dollars and the U.S. dollars.

The following discussion and analysis of financial results should be read in conjunction with our Audited Financial Statements for the year ended December 31, 2022, together with the notes related thereto. The discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered reasonable by our management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

***Fiscal year ended December 31, 2022 versus December 31, 2021***

Our accounts show a loss for the year ended December 31, 2022 of \$193,182, or \$0.00 per share, versus a loss of \$168,208 for the same period in 2021. General and administration expense were \$182,578 for the year ended December 31, 2022 versus \$179,161 for the same period in 2021. Overall expenses were slightly higher than those experienced in the previous year. Lower consulting fees, offset by a loss on foreign exchange and higher professional fees mainly accounted for the difference. Professional fees were \$31,080 for the year ended December 31, 2022 versus \$24,320 for the same period in the previous year as we engaged professional advice with respect to our strategic options going forward. Office and miscellaneous costs were \$23,861 for the year ended December 31, 2022 versus \$24,028 for the same period in the previous year. The difference was nominal. Consulting fees for the year ended December 31, 2022 were \$103,671 versus \$111,693 for the previous year due to the reduction of total fees paid from cost cutting measures which is also anticipated to be lower in 2023. Listing and filing fees were \$15,549 for the year ended December 31, 2022 versus \$16,041 for the same period in the previous year. The difference was nominal. For the year ended December 31, 2021, foreign exchange loss was \$4,712 versus a gain of \$892 for the same period in the previous year. The average foreign exchange for 2022 was 1.3013 versus 1.2535 in 2021. Interest income was \$38 for the year ended December 31, 2022 versus \$10,953 for the same period in the previous year. The difference was because we disposed of our interest bearing loan to FEL. Interest expense for the year ended December 31, 2022 was \$10,642 versus \$Nil for the same period in the previous year. The difference was due to interest on the loans from PXP in 2022.

***Fiscal year ended December 31, 2021 versus December 31, 2020***

Our accounts show a loss for the year ended December 31, 2021 of \$168,208, or \$0.00 per share, versus a loss of \$187,052 for the same period in 2020. General and administration expense were \$179,161 for the year ended December 31, 2021 versus \$211,677 for the same period in 2020. Overall expenses were slightly lower than those experienced in the previous year. Lower consulting fees, a gain on foreign exchange and lower office and miscellaneous costs mainly accounted for the difference. Professional fees were \$24,320 for the year ended December 31, 2021 versus \$22,388 for the same period in the previous. Office and miscellaneous costs were \$34,139 for the year ended December 31, 2021 versus \$24,028 for the same period in the previous year due to a one time cost in 2020. Consulting fees for the year ended December 31, 2021 were \$111,693 versus \$128,320 for the previous year due to the reduction of total fees paid to directors. Listing and filing fees were \$16,041 for the year ended December 31, 2021 versus \$18,370 for the same period in the previous year. The difference was not significant. For the year ended December 31, 2021, foreign exchange gain was \$892 versus a loss of \$4,333 for the same period in the previous year. Reversal of accounts payable for the year ended December 31, 2021 was \$Nil versus \$18,895 for the same period in the previous year as an amount due to Lascogon Mining Corporation was deemed to be extinguished and therefore was reversed.

***Balance Sheet***

Our current assets were \$444,677 at December 31, 2022 versus \$346,554 for the year ended December 31, 2021. The difference is mainly a result of the lower cash balance offset by the increase in due from FEL. Our investment in Forum Energy was reflected at a carrying value of \$1,835,111 in the financial statements as at December 31, 2022 (2021 - \$1,835,111). Our assets reflect our investment in Forum Energy on a fair value basis. The fair value of the investment in Forum Energy is reflected at \$1,835,111 or US\$0.30 per share based on the most recent arms' length financing completed by Forum Energy.

### **Liquidity and Capital Resources**

Our working capital at December 31, 2022 was \$140,053 versus \$333,235 at December 31, 2021 and shareholders' equity was \$1,975,164 at December 31, 2022 (December 31, 2021 \$2,168,346). On December 31, 2021 our cash balance was \$100,930 higher than on December 31, 2022 and our receivable from FEL was \$198,620 lower on December 31, 2021. In addition, on December 31, 2022, our short-term loans payable were \$289,262 versus \$Nil on December 31, 2021. These differences mainly accounted for the changes in working capital.

Cash used in operating activities for the year ended December 31, 2022 was \$180,930 versus \$191,796 for the same period in 2021 mainly as a result of the differences described in the results of operations above.

Cash provided by financing activities was \$278,620 for the year ended December 31, 2022 versus \$Nil for the year ended December 31, 2021. The difference was due to loans from PXP in 2022.

Cash used in investing activities was \$198,620 for the year ended December 31, 2022 versus cash provided by investing activities of \$124,557 for the previous year. In 2022, we advanced an additional \$198,620 to FEL for pre-drilling costs. In 2021, we sold our interest bearing loan to PXP and advanced \$224,400 to FEL for pre-drilling costs, the net result of which was cash for operating capital in the amount of \$124,557.

On August 7, 2020 the Company purchased 6.8% of the loan currently due by FEL to PXP amounting to \$346,202 plus accrued interest of \$939. This loan was unsecured, due on December 31, 2021 and bore interest at an annual rate of 3.5% plus LIBOR which is payable on a quarterly basis.

On November 10, 2021, the Company sold the FEL loan it owns to PXP Energy Corporation, at face value plus accrued interest. The proceeds from the sale were used to fund FEC's \$224,400 share of FEL's pre-drilling costs for two exploratory wells on Service Contract 72 and for working capital.

On March 10, 2022, we announced that we agreed to fund an additional cash call for pre-drilling costs received from FEL in the amount of \$198,620. The advance to FEL was via non-interest bearing loans. In order to be able to fund the \$198,620, the Company accepted a loan from PXP for the same amount ("PXP Loan"). The PXP loan bears interest of Libor plus 3.5% and both interest and principal are repayable on the earlier of a) December 31, 2023 or b) any equity issuance by us or c) any sale of FEL shares by us or d) any third party borrowing by us. During the year ended December 31, 2022, we received \$80,000 in additional working capital loans under the same terms and conditions as the PXP Loan. The total outstanding loan balance including accrued interest is \$289,262.

There has been no determination to date on the repayment or renewal of the \$5,091,204 term loan. In the event that this loan facility will be not be renewed, FEL may issue new shares to settle the amounts outstanding. Terms of the loan agreement do not include a provision for PXP to convert any unpaid amount into new shares of FEL and we do not have the funds to purchase 6.8 percent of the outstanding loan should a conversion to shares of FEL take place.

### **Capital Resources**

We currently own 6.80% of Forum Energy. If Forum Energy is required to raise additional funds through equity issuances then we would have to purchase our proportionate share of these equity issuances to maintain our current equity position.

We anticipate that we will require additional funds for working capital in 2023 and we are evaluating options in order to raise the additional funds. If we are unable to raise additional funds there is significant doubt that we will be able to continue as a going concern. Currently PXP has agreed to fund our operations until December 31, 2023 under the same terms and conditions as the PXP Loan.

## Table of Contents

Since the delisting of FEL from the London Stock Exchange, there is no liquidity via a public market for the FEL shares. As we are wholly reliant on the information disclosed by PXP concerning the business of FEL, we may not be able to obtain information necessary to facilitate a wider sales process and may be reliant on significant shareholders of PXP for the disposition of any of our FEL shares. We have looked at all options including raising funds to operate and participate in future FEL financings by way of debt or equity financings.

Given our current share price, and given that any external financings may have been extremely dilutive, we completed a rights offering to raise funds to sustain operations. We closed the rights offering on July 31, 2020 and raised approximately \$846,750 less transaction costs of \$128,633.

On January 22, 2020, we received \$150,000 from our parent company, PXP, as a working capital advance. The advance was non-interest bearing, unsecured and due on demand. The loan was repaid on July 31, 2020.

On April 14, 2020, FEL completed a fund raising of \$2,500,000 which was achieved by FEL issuing new shares at a price of US\$0.30 each.

In advance of our Rights Offering, PXP paid our share of FEL's financing thus allowing us to maintain our 6.8% interest in FEL at a cost of approximately \$170,111. On July 31, 2020 we settled this amount by issuing 75,605,066 shares to PXP at a price of \$0.00225.

On August 7, 2020, we purchased 6.8% of the \$5,091,204 loan currently due by FEL to PXP amounting to \$346,202 plus accrued interest of \$939. 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. As at December 31, 2020 accrued interest liability was \$2,755.

On November 10, 2021, we sold the FEL loan we owned to PXP Energy Corporation, at face value plus accrued interest. The proceeds from the sale were used to fund our \$224,400 share of FEL's pre-drilling costs for two exploratory wells on Service Contract 72 and for working capital. There has been no determination to date on the repayment or renewal of the \$5,091,204 term loan. In the event that this loan facility will be not be renewed, FEL may issue new shares to settle the amounts outstanding. Terms of the loan agreement do not include a provision for PXP to convert any unpaid amount into new shares of FEL and we do not have the funds to purchase 6.8 percent of the outstanding loan should a conversion to shares of FEL take place.

On March 10, 2022, we announced that we agreed to fund an additional cash call for pre-drilling costs received from FEL in the amount of \$198,620. The advance to FEL was via non-interest bearing loans. In order to be able to fund the \$198,620, we accepted a loan from PXP for the same amount ("PXP Loan"). The PXP loan bears interest of Libor plus 3.5% and both interest and principal are repayable on the earlier of a) December 31, 2023 or b) any equity issuance by us or c) any sale of FEL shares by us or d) any third party borrowing by us. During the year ended December 31, 2022, we received \$80,000 in additional working capital loans under the same terms and conditions as the PXP Loan. The total outstanding loan balance including accrued interest is \$289,262

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

### **Contractual Obligations**

None

## **Critical Accounting Policies and Estimates**

### ***Basis of preparation and accounting policies***

We have prepared our consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”). IFRS represents standards and interpretations approved by the IASB and are comprised of IFRS, International Accounting Standards (“IAS’s”), and interpretations issued by the IFRS Interpretations Committee (“IFRIC’s”) and the former Standing Interpretations Committee (“SIC’s”). The consolidated financial statements have been prepared in accordance with IFRS standards and interpretations effective as of December 31, 2022.

### **Critical Accounting Estimates**

The preparation of financial statements requires management to make certain judgments and estimates. Changes in these judgments and estimates could have a material impact on our reported financial result and financial condition.

We make estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The determination of the fair value of our investment in FEL is a significant accounting estimate.

### **Recent Accounting Related Pronouncements**

The Company has prepared its financial statements in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”). IFRS represents standards and interpretations approved by the IASB and are comprised of IFRS, International Accounting Standards (“IAS’s”), and interpretations issued by the IFRS Interpretations Committee (“IFRIC’s”) and the former Standing Interpretations Committee (“SIC’s”). The financial statements have been prepared in accordance with IFRS standards and interpretations effective as of December 31, 2022.

New IFRS standards and interpretations or changes to existing standards with future effective dates are either not applicable or not expected to have a significant impact on the financial statements of the Company.



**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.**

**A. Directors and Senior Management**

The following table lists, as of the date of this report, the names, ages, functions and areas of experience in our operations of all our directors and Senior Management. Each Director will serve until the next Annual General Meeting or until his/her successor is duly elected, unless his/her office is vacated in accordance with our charter documents. Our executive officers serve at the pleasure of the Board of Directors.

Name	Age	Position/Area of Experience/Function
Paul Wallace (1)(2)(3)	72	Director since November 2012, President and CEO from August 2015 to October 2020 and CFO from June 2015 to October 2020.
Claro Ramirez (1)(3)	62	Director since October 2011
Daniel Carlos (1)(2)	59	Director, President and CEO since October 2020
Mark Rilles	39	Chief Financial Officer since October 2020

- (1) Member of Audit Committee in 2022
- (2) Member of Compensation Committee in 2022
- (3) Member of the Corporate Governance Committee in 2022

**Information About our Directors and Officers**

**Mr. Daniel Carlos, Director, President, Chief Executive Officer**

Mr. Carlos is currently the President and a Director of the PXP Energy Corporation, the Company's majority shareholder. He obtained his Bachelor of Science (B.Sc.) degree in Geology from the University of the Philippines (1984) and holds a Master of Science (M.Sc.) 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). In February 2007, he joined Forum Energy Philippines Corporation as Vice President for Exploration and was appointed President since July 2013 to present. He was appointed President of PXP Energy Corporation in August 2015. He is also the Resident Agent in the Philippines of Forum (GSEC 101) Limited which operates Service Contract (SC) 72 or Recto Bank. He is also the President of Forum Energy Philippines Corporation, a subsidiary with non-operated holdings in SCs 6 and 14, and Forum Exploration, Inc., which operates SC 40 or North Cebu Block. He is a licensed Filipino Geologist (PRC No. 1027) and placed third in the 1985 Geologist Licensure Examinations.

**Mr. Mark Rilles, Chief Financial Officer**

Mr. Rilles is currently the Finance Controller of the PXP Energy Corporation, having joined the Group in 2012. He is the Corporate Secretary of Forum Energy Limited and Pitkin Petroleum Limited and Director and Treasurer of Forum Energy Philippines Corporation and Forum Exploration Inc. He obtained his Bachelor of Science degree in Accountancy from the University of Santo Tomas (2004) and holds a Master of Business Administration (M.B.A.) degree from the Ateneo Graduate School of Business (2014). He is a Certified Public Accountant (passed the CPA Licensure Examinations in 2004) and previously worked at SyCip Gorres Velayo & Co. (SGV & Co.) from 2004 to 2008.

[Table of Contents](#)

**Mr. Paul Wallace**

Mr. Paul Frederick Wallace is a Chartered Professional Accountant and member of the CPA Canada. He was appointed as the Chief Financial Officer of Hong Kong-based First Pacific Company Limited from 1995 to 1997, between 2003 and 2004, and between 2014 and 2015. He was appointed Group Finance Director to the Sanctuary Group plc between 2005 and 2008. Mr. Wallace was Chief Executive Officer of Blue Ocean Wireless Limited between 2009 and 2011, and a Non-Executive Director of JPMorgan Global Emerging Markets Income Trust Plc between 2010 and 2015. From March 2015 through April 2019, he was the Finance Director of Forum Energy, a Director of Pitkin Petroleum Limited, and Head of Finance of Goodman Fielder Pty Limited.

**Mr. Claro Ramirez**

Mr. Ramirez is a resident of Richmond, British Columbia, Canada and served as Senior Vice President of Philippine Long Distance Telephone Company ("PLDT") until 2014, and President of First Coconut Manufacturing Inc. from 2014 to May 2018.

None of our directors and/or executive officers, or those persons to be appointed, have been the subject of any order, judgment, or decree of any governmental agency or administrator, or of any court of competent jurisdiction, revoking or suspending for cause any license, permit or other authority of such person or of any corporation of which he or she is a director and/or executive officer, to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining or enjoining any such person or any corporation of which he or she is an officer or director from engaging in or continuing any conduct, practice, or employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanor involving a security, or any aspect of the securities business, or of theft, or of any felony.

There are no arrangements or understandings between any two (2) or more directors or executive officers, pursuant to which he or she was selected as a Director or Executive Officer. There are no family relationships between any two (2) or more of our directors or executive officers.

**B. Compensation.**

We have recently agreed to pay our directors the following consulting fees or directors' fees on a monthly basis:

Paul Wallace	\$	2,000
Claro Ramirez	\$	2,000

None of our executive officers or directors received other compensation in excess of the lesser of US \$25,000 or 10% of such Executive Officer's or Director's cash compensation as reported in the compensation table below and all Executive Officers and directors as a group did not receive other compensation which exceeded US \$25,000 times the number of persons in the group or 10% of the compensation reported in the compensation table below.

[Table of Contents](#)

No funds were set aside or accrued by us during the year ending December 31, 2022 to provide pension, retirement or similar benefits for our directors or Executive Officers. Except for the stock option program discussed below, we have no bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or Executive Officers.

The following tables detail the compensation paid during fiscal year ended December 31, 2022 and 2021 to our directors and members of our administrative, supervisory or management bodies:

**Director/Executive Officer Compensation**

**Director Compensation for Fiscal Year ended December 31, 2022**

Directors/Officers	Salary	Option Exercise Net Market Value(1)	Total Compensation
Claro Ramirez	\$ 24,000	\$ 0.00	\$ 24,000
Paul Wallace	\$ 24,000	\$ 0.00	\$ 24,000
Daniel Carlos	\$ Nil	\$ 0.00	\$ Nil
Mark Rilles	\$ Nil	\$ 0.00	\$ Nil
Total	\$ 48,000	\$ 0.00	\$ 48,000

(1). "Option Exercise Net Market Value" is defined as the aggregate difference between the exercise price and the market value of the common stock on the date of exercise."

**Director Compensation for Fiscal Year ended December 31, 2021**

Directors/Officers	Salary	Option Exercise Net Market Value(1)	Total Compensation
Claro Ramirez	\$ 24,000	\$ 0.00	\$ 24,000
Paul Wallace	\$ 24,000	\$ 0.00	\$ 24,000
Daniel Carlos	\$ Nil	\$ 0.00	\$ Nil
Mark Rilles	\$ Nil	\$ 0.00	\$ Nil
Total	\$ 48,000	\$ 0.00	\$ 48,000

(1). "Option Exercise Net Market Value" is defined as the aggregate difference between the exercise price and the market value of the common stock on the date of exercise."

Our Board may award special remuneration to any Director undertaking any special services on our behalf other than services ordinarily required of a Director. Other than indicated above no Director received any additional compensation for his or her services including committee participation and/or special assignments.

Except for the stock option program discussed below, we have no bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or Executive Officers.

**Options to Purchase Our Securities.**

Options to purchase securities from us are granted to directors, officers and employees on terms and conditions acceptable to the relevant regulatory authorities. We adopted a formal stock option plan on June 19, 2000. There were no stock options outstanding on December 31, 2022 and none were issued or exercised in 2022 or 2021.

### **C. Board Practices**

We have an Audit Committee, a Compensation Committee and a Corporate Governance Committee. No committee members receive additional compensation for serving on a committee and all committee members serve for a one year term. All board members are elected at our Annual General Meeting to serve for one year or until their successor is appointed.

**Audit Committee.** The Audit Committee oversees the retention, performance and compensation of our independent auditors, and the establishment and oversight of our systems of internal accounting and auditing control. Members of the Audit Committee in 2022 were Daniel Carlos, Claro Ramirez, and Paul Wallace. New members of our Audit Committee for 2023 will be appointed following our Annual and General Meeting of Shareholders.

**Compensation Committee.** The Compensation Committee reviews and makes recommendations to our Board concerning the terms of the compensation packages provided to our senior executive officers, including salary, bonus and awards under our stock option plan and any other compensation plans that we may adopt in the future. Members of the Compensation Committee in 2022 were Paul Wallace and Daniel Carlos. Members of our Compensation Committee for 2023 will be appointed following our Annual and General Meeting of Shareholders.

**Corporate Governance Committee.** The Corporate Governance Committee meets with and discusses current disclosure issuances with our management personnel, directors, and with both our Canadian and United States counsel, to report to our Board any matters which should be the subject of either public disclosure or remedial action and to assist our Board in establishing reporting and disclosure procedures to ensure that we are in compliance with our disclosure and compliance obligations under applicable laws, rules and obligations. Members of our Corporate Governance Committee in 2022 were Claro Ramirez and Paul Wallace. Members of our Corporate Governance Committee for 2023 will be appointed following our Annual and General Meeting of Shareholders,

### **D. Employees**

As of December 31, 2022, we had no employees.

### **E. Share Ownership**

The following table lists as of March 3, 2023, the share ownership of our directors and executive officers.

The following table sets forth certain information as of March 3, 2023 regarding the ownership of our common stock by (i) each of our directors, (ii) each of our named executive officers, and (iii) all of our directors and executive officers as a group. Except as otherwise indicated, the address of each person identified below is c/o FEC Resources Inc, Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC, V6C 2B5. We believe that ownership of the shares by the persons identified below is both of record and beneficial and that such persons have sole voting and investment power with respect to the shares indicated. Percentage of class in the following table is calculated individually based on the following formula: (shares directly or indirectly controlled + shares issuable on the exercise or conversion of various securities) / (total shares outstanding + shares issuable on the exercise or conversion of various warrant, debentures and options by the director or officer). The total shares outstanding on March 3, 2023 was 861,082,371.

[Table of Contents](#)

Name of Director and/or Officer and number of shares held:	Number of Shares	Percent of Class
Paul Wallace	-	-
Claro Ramirez	-	-
Daniel Carlos	-	-
Mark Rilles	-	-
Number of shares held by all Directors and Officers as a group:	-	-

The particulars of the stock options granted to officers and directors are set forth in the preceding section entitled “**DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.**” The particulars regarding convertible debentures and warrants acquired by certain officers and directors are as follows:

The following table lists the current directors, executive officers and employees to whom warrants to purchase our shares were sold and the number of share purchase warrants so sold as of the date of this report, as well as the number of share purchase warrants sold to directors and all employees as a group.

**Warrants Held by Directors and Officers**

Name	Number of Share Purchase Warrants	Exercise Price	Expiration Date
None	None		

We are a publicly-owned corporation, the shares of which are owned by Canadian residents, U.S. residents, and residents of other countries. Currently, we are not controlled directly or indirectly by any foreign government but are controlled by PXP Energy Corporation.

There are no arrangements, known to us, the operation of which may at a subsequent date result in a change in our control other than as noted above.

The above listed organizations and individuals have no special or separate voting rights than those rights held by our shareholders.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****A. Major Shareholders**

We are a publicly-owned corporation, the shares of which are owned by Canadian residents, U.S. residents, and residents of other countries. We are controlled by PXP due to the fact that, as indicated in the table below, it directly owns 78.39% of our outstanding voting securities and thus controls the outcome of all matters decided stockholder votes. The following table provides the names and share ownership of those parties that have ownership of 5% or more of each class of our voting securities as of March 3, 2023, according to the information available to us.

Name	Number of Shares Owned	Percent of Class
PXP Energy Corporation *	674,999,986	78.39
CDS & Co.**	39,018,591	4.53
Cede & Co.**	42,913,251	4.98
Asian Coast International	62,740,000	7.29

\* On July 31, 2020, PXP converted into equity a Rights Offering advance of \$170,111 for 75,605,066 shares and also purchased 374,394,920 shares pursuant to our Rights Offering. No other significant changes in the ownership of our shares by PXP has occurred during the past three (3) years.

\*\* CDS & Co. and Cede & Co. are clearing houses in Canada and the United States and represent the interest of multiple shareholders and there is no way of knowing if any one in particular beneficially holds over 10% of the voting rights attached to our shares.

There are no arrangements, known to us, the effect of which may at a subsequent date result in a change in our control other than as noted in **Item 5 Operating and Financial Review and Prospects**.

As at March 3, 2023, management is not aware of any person holding a greater than 5% registered interest in any class of our voting securities other than as set forth above. The above listed organizations and individuals have no special or separate voting rights than those rights held by our shareholders.

On March 3, 2023, the shareholders' list showed 592 registered shareholders and 861,082,371 shares outstanding. The number of shares held by U.S. residents was 48,759,720 representing 5.66% of the total issued and outstanding shares. The total number of U.S. resident registered shareholders was 522.

**B. Related Party Transactions**

On August 7, 2020 we purchased 6.8% of the loan currently due by FEL to PXP amounting to \$346,202 plus accrued interest of \$939. This loan was unsecured, due on December 31, 2021 and bore interest at an annual rate of 3.5% plus LIBOR which is payable on a quarterly basis. On November 10, 2021, we sold the FEL loan to PXP at face value plus accrued interest. The proceeds of the sale were used to fund our \$224,400 share of FEL's pre-drilling costs for two exploratory wells on SC 72 and for working capital. On March 10, 2022, we advanced an additional \$198,620 for a total advance of \$423,020. The advances made to FEL are due on demand and non-interest bearing.

During the year ended December 31, 2022 general and administrative expenses included key management personnel compensation totaling \$48,000 (2021: \$48,000).

[Table of Contents](#)

During the year ended December 31, 2021, PXP repaid \$6,518 advanced by us for PXP filing fees related to the Right Offering.

On March 10, 2022, we announced that we agreed to fund an additional cash call for pre-drilling costs received from FEL in the amount of \$198,620. The advance to FEL was via non-interest bearing loans. In order to be able to fund the \$198,620, we accepted a loan from PXP for the same amount ("PXP Loan"). The PXP loan bears interest of Libor plus 3.5% and both interest and principal are repayable on the earlier of a) December 31, 2023 or b) any equity issuance by us or c) any sale of FEL shares by us or d) any third party borrowing by us. We also received an additional \$80,000 for working capital from PXP during the year ended December 31, 2022 under the same terms and conditions as the PXP Loan. As at December 31, 2022 the outstanding PXP Loan balance was \$289,262 which included accrued interest of \$10,642. Total interest expense amounted to \$10,642 for the period ended December 31, 2022 (2021 – Nil; 2020 – Nil).

\* Note Item 7.C not required for this Annual Report.

**ITEM 8. FINANCIAL INFORMATION**

**A. Consolidated Financial Statements and Other Financial Information**

We know of no pending legal or arbitration proceedings, including those relating to bankruptcy, governmental receivership or similar proceeding and those involving any third party against it, nor are we involved as a plaintiff in any material pending litigation.

We know of no pending proceedings to which any director, member of senior management, or affiliate is either a party adverse to us, or our subsidiaries, or has a material interest adverse to us. We have not declared any dividends for the last five (5) years, nor do we intend to declare any dividends in the foreseeable future.

**B. Significant Changes/Developments**

None

**ITEM 9. THE OFFER AND LISTING**

**A. Listing Details and Markets**

Starting on September 22, 1999, our shares traded on the OTC–Bulletin Board ("OTC.BB") under the symbol "FECOF" and since 2012, our shares have been quoted on the OTC Pink Sheets.

Our common shares trade and have traded on a limited or sporadic basis and should not be deemed to constitute an established public trading market. Broker-dealers often decline to trade in over-the-counter stocks that are quoted on the OTC Pink Sheets given the market for such securities are often limited, the stocks are more volatile, and the risk to investors is greater. These factors may reduce the potential market for our common shares by reducing the number of potential investors. This may make it more difficult for investors in our common shares to sell shares to third parties or to otherwise dispose of their shares. This could cause our share price to decline, and there is no assurance that there will be liquidity in our common shares.

In addition, The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure relating to the market for penny stocks in connection with trades in any stock defined as a penny stock. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to a few exceptions which we do not meet. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

**ITEM 10. ADDITIONAL INFORMATION.**

**A. Share Capital**

Not applicable

**B. Memorandum and Articles of Association**

Reference is hereby made to our Certificate of Continuance, and to our Bylaws, each of which is incorporated herein by reference to, respectively, Exhibit 3.1 and 3.2 to our Registration Statement on Form F-1, file number 33-81290.

**C. Material Contracts.**

See "Item 4. Information on the Company."

**D. Exchange Controls**

**Investment Canada Act**

The *Investment Canada Act* (the "ICA") prohibits the acquisition of control of a Canadian business enterprise in Canada by non-Canadians without the prior consent of Investment Canada, the agency that administers the ICA, unless such acquisition is exempt under the provisions of the ICA. Investment Canada must be notified of such exempt acquisitions. The ICA covers acquisitions of control of corporate enterprises, whether by purchase of assets, shares or "voting interests" of an entity that controls, directly or indirectly, another entity carrying on a Canadian business.

Apart from the ICA, there are no other limitations on the right of non-resident or foreign owners to hold or vote securities imposed by Canadian law or our Certificate of Continuance. There are no other decrees or regulations in Canada which restrict the export or import of capital, including foreign exchange controls, or that affect the remittance of dividends, interest or other payments to non-resident holders of our securities except as discussed in "Taxation", below.

**E. Taxation**

The following is a summary of the principal Canadian federal income tax considerations generally applicable in respect of our common stock. The tax consequences to any particular holder of common stock will vary according to the status of that holder as an individual, trust, corporation or member of a partnership, the jurisdiction in which that holder is subject to taxation, the place where that holder is resident and, generally, according to that holder's particular circumstances. This summary is applicable only to holders who are resident in the United States; have never been resident in Canada; deal at arm's length with us; hold their common stock as capital property; and who will not use or hold the common stock in carrying on a business in Canada.

This summary does not take into account provincial income tax consequences. This summary assumes that the publicly announced proposals will be enacted as proposed with the effective dates set out therein; otherwise, this summary assumes that there will be no other changes in law whether by judicial or legislative action.

If a non-resident were to dispose of common stock to another Canadian corporation which deals (or is deemed to deal) on a non-arm's length basis with the non-resident, and which, immediately after the disposition, is connected with us (i.e. which holds shares representing more than 10% of the voting power and more than 10% of the market value of all of our issued and outstanding shares), the excess of the proceeds over the paid-up capital of the common stock sold will be deemed to be taxable as a dividend either immediately, or eventually, by means of a deduction in computing the paid-up capital of the purchasing corporation.



## Table of Contents

Under the *Canadian Tax Act*, a gain from the sale of common stock by a non-resident will not be subject to Canadian tax, provided the stockholder (and/or persons who do not deal at arm's length with the stockholder) has not held a "substantial interest" in our shares (25% or more of the shares of any class of our equity securities) at any time in the five (5) years preceding the disposition. Generally, the Canadian-United States Tax Convention (the "Tax Convention") will exempt from Canadian taxation any capital gain realized by a resident of the United States, provided that the value of the common stock is not derived principally from real property situated in Canada.

In the case of any dividends paid to non-residents of Canada, the Canadian tax is withheld by us, which remits only the net amount to the stockholder. By virtue of Article X of the Tax Convention, the rate of tax on dividends paid to residents of the United States is generally limited to 15% of the gross dividend (or 10% in the case of certain corporate stockholders owning at least 10% of our voting shares). In the absence of the treaty provisions, the rate of Canadian withholding tax imposed on non-residents is 25% of the gross dividend. Stock dividends received by non-residents of Canada from us are taxable by Canada as ordinary dividends.

This summary is of a general nature only and is not exhaustive of all possible income tax consequences. It is not intended as legal or tax advice to any particular holder of common stock, and should not be so construed. Each holder should consult his/her own tax advisor with respect to the income tax consequences applicable to him/her in his/her own particular circumstances.

### **F. Dividends and Paying Agents**

Not applicable

### **G. Summary By Experts**

Not applicable

### **H. Documents on Display**

The documents concerning us which are referred to in this Annual Report are either annexed hereto as exhibits (see Item 19) or may be inspected at our principal executive offices in Vancouver, British Columbia.

### **I. Subsidiary Information**

Not applicable

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Currency Exchange Rate Sensitivity

In regards to transactional risk, our functional currency is the United States dollar and our activities are predominantly executed using both the U.S. and Canadian dollars. We have done a limited number of financings, and we are not subject to significant operational exposures due to fluctuations in these currencies. Our common shares are listed on the OTCBB and are bought and sold in US dollars. We have not entered into any agreements, or purchased any instruments, to hedge any possible currency risks at this time.

Interest Rate Sensitivity

We currently have no significant short-term or long-term debt requiring interest payments. This does not require us to consider entering into any agreements or purchasing any instruments to hedge against possible interest rate risks at this time. Our interest-earning investments are short-term. Thus, any reductions in future income or carrying values due to future interest rate declines are believed to be immaterial.

Commodity Price Sensitivity

Our future revenue and profitability will be dependent, to a significant extent, upon prevailing spot market prices for gold, oil and gas. In the past, gold, oil and gas prices have been volatile. Prices are subject to wide fluctuations in response to changes in supply of, and demand for, gold, oil and gas, market uncertainty, and a variety of additional factors that are beyond our control. We currently have no significant operating revenue.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.**

Not Applicable.

PART II

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.**

None.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.**

None.

**ITEM 15. CONTROLS AND PROCEDURES.**

**Disclosure Controls and Procedures**

The Board has overall responsibility for reviewing our disclosure to ensure we provide full and plain disclosure to shareholders and other stakeholders. The Board discharges its responsibilities through its committees, specifically with respect to financial disclosure. The Audit Committee is responsible for reviewing our financial reporting procedures and internal controls to ensure full and accurate disclosure of our financial position.

Our Chief Executive Officer and Chief Financial Officer are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Annual Report (the "Evaluation Date") and concluded they are not effective as discussed below.

**Management's Annual Report on Internal Control Over Financial Reporting**

The management of the Company is responsible for establishing and maintaining for the Company adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and Rule 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with International Financial Reporting Standards.

As of December 31, 2022, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments. Based on that evaluation, they concluded that, during the period covered by this report, such internal controls over financial reporting were not effective and that there were material weaknesses in our internal controls over financial reporting. The material weaknesses were an inability to detect the inappropriate application of IFRS guidance, as more fully described below, as the result of deficiencies that existed in the design or operation of our internal control over financial reporting.

The matters involving internal controls and procedures that the Company's management considered to be material weaknesses under COSO and SEC rules were: (1) lack of a majority of independent directors on the Company's board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures; (2) limited number of staff, not allowing for complete segregation of incompatible duties; and (3) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of relevant IFRS and SEC disclosure requirements. The aforementioned material weaknesses were identified by the Company's Chief Financial Officer in connection with the preparation of our financial statements as of December 31, 2022 and communicated the matters to our management and board of directors.

[Table of Contents](#)

Management believes that the appointment of one or more independent directors, will remedy the lack of a majority of outside directors on the Company's Board. In addition, management believes that preparing and implementing sufficient written policies and checklists will remedy the insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of IFRS and SEC disclosure requirements. Further, management believes that the hiring of additional personnel who have the technical expertise and knowledge will result in proper segregation of duties.

Any effort to increase the size of the Board of Directors, appoint independent directors or hire additional personnel is conditional upon the Company raising additional capital.

We will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Our management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the company to provide only the management's report in this annual report.

**Changes in Internal Control over financial reporting**

During the year ended December 31, 2022, and subsequently there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting or that would require corrective action.

**ITEM 16 . (RESERVED)**

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

The Audit Committee is responsible for reviewing our financial reporting procedures, internal controls, and the performance of our auditors. The Audit Committee is also responsible for reviewing all disclosure with respect to financial matters prior to filing or release and quarterly and annual Financial Statements prior to their approval by the full Board. Members of the Audit Committee in 2022 were Daniel Carlos, Claro Ramirez, and Paul Wallace. New members of our Audit Committee for 2023 will be appointed following our Annual and General Meeting of Shareholders.

Our Board has determined that it has at least one (1) financial expert serving on its Audit Committee. This individual is Paul Wallace. Mr. Wallace is a Chartered Professional Accountant and has significant experience in the review of financial statements and related information.

Mr. Wallace would not be regarded as "independent" per Rule 5605(a)(2) of the Nasdaq Stock Market Rules, since he has been employed by the Company as an Executive Officer during the past three (3) years.

**ITEM 16 B: CODE OF ETHICS.**

We have adopted a formal “Code of Ethics” applicable to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We believe that the Code of Ethics is reasonably designed to deter wrongdoing and to promote:

1. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
2. Full, fair, accurate, timely, and understandable disclosure in reports and documents that a registrant files with, or submits to, regulatory agencies and in other public communications made by the registrant;
3. Compliance with applicable governmental laws, rules and regulations;
4. The prompt internal reporting of violations of the standards to an appropriate person or persons identified in the standards; and
5. Accountability for adherence to the standards of the Code of Ethics.

The Code of Ethics (in hard copy) is available for inspection in our headquarters during regular business hours and a copy can also be provided at no charge on request.

In addition, we practice corporate governance in accordance with rules and regulations in Canada.

Corporate Governance relates to the activities of the Board who are elected by and accountable to the shareholders, and takes into account the role of management who are appointed by the Board and who are charged with our on-going management. Our Board encourages sound corporate governance practices designed to promote our well-being and on-going development, having always as its ultimate objective our best long-term interests and the enhancement of value for all shareholders. The Board also believes that sound corporate governance benefits our employees and the communities in which we operate. The Board believes that our corporate governance policies and practices, outlined below, are appropriate and substantially consistent with the guidelines for improved corporate governance in Canada as adopted by the Toronto Stock Exchange.

To better fulfill and implement the Board’s corporate governance policies, we have established a Corporate Governance Committee. The Corporate Governance Committee meets with and discusses current disclosure issuances with our management personnel, directors, and with both our Canadian and United States counsel, in order to not only report to the Board any matters which should be the subject of either public disclosure or remedial action, but also to assist the Board in establishing reporting and disclosure procedures to ensure that we are in compliance with our disclosure and compliance obligations under applicable laws, rules and obligations. The current members of the Corporate Governance Committee are Claro Ramirez and Paul Wallace.

**ITEM 16 C. ACCOUNTANTS FEES AND SERVICES**

Audit Fees

For the audit of the annual financial statements for the year ended December 31, 2022, an amount of \$15,000 was accrued as a best estimate of fees to be billed by our external auditors Dale Matheson Carr-Hill Labonte LLP (“DMCL”). For the audit of the annual financial statements for the year ended December 31, 2021, an amount of Canadian \$17,000 was billed by our external auditors DMCL.

[Table of Contents](#)

Audit Related Fees

There were no audit related fees for the year ended December 31, 2022 or December 31, 2021.

Tax Fees

We did not incur any fees in either of the last two fiscal years for professional services rendered by DMCL for tax compliance, tax advise and tax planning.

All other fees

**We did not incur any other fees in either of the last two fiscal years for products and services provided by DMCL, other than the services reported above under this Item 16C.**

**ITEM 16 D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEE**

Not Applicable.

**ITEM 16 E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Not Applicable.

**ITEM 16 F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not Applicable

**ITEM 16 G. Corporate Governance**

Not Applicable.

**ITEM 16 H. Mine Safety Disclosure**

Not Applicable.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS.**

We report under Item# 18.

**ITEM 18. FINANCIAL STATEMENTS.**

The Auditors' Report, financial statements and notes thereto, schedules thereto, as required under Item 18 are found immediately below.

**Financial Statements:**

<a href="#">Report of Auditors, dated March 30, 2023</a>	48
<a href="#">Balance Sheets at December 31, 2022 and December 31, 2021</a>	50
<a href="#">Statements of Loss and Deficit for the three Years ended December 31, 2022, December 31, 2021, and December 31, 2020.</a>	51
<a href="#">Statements of Cash Flows for the three Years ended December 31, 2022, December 31, 2021, and December 31, 2020</a>	53
<a href="#">Notes to the Consolidated Financial Statements</a>	54

**FEC RESOURCES INC.  
Financial Statements**

**As of December 31, 2022 and 2021  
and for each of the years in the three year period ended  
December 31, 2022  
(Expressed in United States dollars)**





DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

**Report of Independent Registered Public Accounting Firm (PCAOB ID 1173)**

To the shareholders and the board of directors of FEC Resources Inc.

**Opinion on the Financial Statements**

We have audited the accompanying statements of financial position of FEC Resources Inc. (the "Company") as of December 31, 2022 and 2021, the related statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2022, 2021 and 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022, 2021 and 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has disclosed certain conditions that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in this regard are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion in accordance with the standards of the PCAOB.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relate.

**Critical Audit Matter**

---

Fair value – Investment in Forum Energy Limited

Refer to Note 8 of the financial statements

The Company holds an investment in shares of a private company that are measured at fair value through other comprehensive income. As these shares are not traded in an active market, the valuation of this investment must consider other observable inputs that are available.

We identified this fair value measurement as a critical audit matter because auditor judgment is required to evaluate whether the inputs used are appropriate and the most reliable indicator of fair value. The Company used the most recent price of shares issued by the investee company as the input to determine the fair value of the investment.

/s/ DMCL

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

We have served as the Company’s auditor since 2017  
Vancouver, Canada  
March 30, 2023

**How the Matter was Addressed in the Audit**

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Our audit procedures relating to this fair value measurement included the following:

- We agreed the share price used to the investee company’s share issuance that was completed during the year ended December 31, 2020;
- We confirmed with the investee company that it had not more recently issued shares at a different price; and
- We assessed whether the implied value of the investment based on the market capitalization of the Company was significantly different than its carrying value.
- We obtained the report prepared by a valuation specialist engaged by the Company and assessed the reasonability of using the most recent price of shares issued by the investee company and evaluated other potential indicators of fair value.

**Vancouver**

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604.687.4747

**Surrey**

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Surrey, BC V4A 4N2  
604.531.1154

**Tri-Cities**

700 - 2755 Lougheed Hwy  
Port Coquitlam, BC V3B 5Y9  
604.941.8266

**Victoria**

320 - 730 View St.  
Victoria, BC V8W 3Y7  
250.800.4694

**FEC RESOURCES INC.**  
**Statements of Financial Position**  
*Expressed in United States Dollars*

	<u>December 31</u> <u>2022</u>	<u>December 31</u> <u>2021</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash (Note 6)	\$ 13,068	\$ 113,998
Prepaid expenses	8,589	8,156
Due from Forum Energy Limited (Note 8)	423,020	224,400
	<u>444,677</u>	<u>346,554</u>
<b>Non-current assets</b>		
Investment in Forum Energy Limited (Note 8)	1,835,111	1,835,111
	<u>\$ 2,279,788</u>	<u>\$ 2,181,665</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Trade and accrued payables	\$ 15,362	\$ 13,319
Short term loan (Note 10)	289,262	-
	<u>304,624</u>	<u>13,319</u>
<b>Shareholders' Equity</b>		
Share capital (Note 9)	17,620,625	17,620,625
Contributed surplus (Note 9)	3,058,063	3,058,063
Deficit	(18,703,524)	(18,510,342)
	<u>1,975,164</u>	<u>2,168,346</u>
	<u>\$ 2,279,788</u>	<u>\$ 2,181,665</u>

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

"Daniel Carlos"  
Director

"Paul Wallace"  
Director

The accompanying notes form an integral part of these financial statements

**FEC RESOURCES INC.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
*Expressed in United States Dollars*

	Year ended December 31 2022	Year ended December 31 2021	Year ended December 31 2020
<b>General and administrative expenses</b>			
General and administration (Notes 10 and 11)	\$ 182,578	\$ 179,161	\$ 211,677
<b>Operating loss</b>	<b>(182,578)</b>	<b>(179,161)</b>	<b>(211,677)</b>
Interest income (Note 8)	38	10,953	5,730
Interest expense	(10,642)	-	-
Reversal of accounts payable	-	-	18,895
<b>Net and Comprehensive Loss</b>	<b>\$ (193,182)</b>	<b>\$ (168,208)</b>	<b>\$ (187,052)</b>
<b>Loss per common share</b>			
- Basic and diluted	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
Weighted average number of shares outstanding, basic and diluted	<b>861,082,371</b>	<b>861,082,371</b>	<b>598,068,920</b>

The accompanying notes form an integral part of these financial statements

**FEC RESOURCES INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
*Expressed in United States Dollars*  
For the years ended December 31, 2022, 2021 and 2020

	<u>Share capital</u>	<u>Contributed surplus</u>	<u>Deficit</u>	<u>Total</u>
<b>Balance January 1, 2022</b>	\$ 17,620,625	\$ 3,058,063	\$ (18,510,342)	\$ 2,168,346
Total comprehensive loss for the year	-	-	(193,182)	(193,182)
<b>Balance December 31, 2022</b>	<u>\$ 17,620,625</u>	<u>\$ 3,058,063</u>	<u>\$ (18,703,524)</u>	<u>\$ 1,975,164</u>

	<u>Share capital</u>	<u>Contributed surplus</u>	<u>Deficit</u>	<u>Total</u>
<b>Balance January 1, 2021</b>	\$ 17,620,625	\$ 3,058,063	\$ (18,342,134)	\$ 2,336,554
Total comprehensive loss for the year	-	-	(168,208)	(168,208)
<b>Balance December 31, 2021</b>	<u>\$ 17,620,625</u>	<u>\$ 3,058,063</u>	<u>\$ (18,510,342)</u>	<u>\$ 2,168,346</u>

	<u>Share capital</u>	<u>Contributed surplus</u>	<u>Deficit</u>	<u>Total</u>
<b>Balance January 1, 2020</b>	\$ 16,732,397	\$ 3,058,063	\$ (18,155,082)	\$ 1,635,378
Total comprehensive loss for the year	-	-	(187,052)	(187,052)
Shares issued pursuant to rights offering, net (Note 9)	718,111	-	-	718,111
Shares issued for debt (Note 9)	170,111	-	-	170,111
<b>Balance December 31, 2020</b>	<u>\$ 17,620,625</u>	<u>\$ 3,058,063</u>	<u>\$ (18,342,134)</u>	<u>\$ 2,336,554</u>

The accompanying notes form an integral part of these financial statements

**FEC RESOURCES INC.**  
**STATEMENTS OF CASH FLOWS**  
*Expressed in United States Dollars*

	<b>Year ended December 31 2022</b>	Year ended December 31 2021	Year ended December 31 2020
<b>Cash used in:</b>			
<b>OPERATING ACTIVITIES</b>			
Net loss for the year	\$ (193,182)	\$ (168,208)	\$ (187,052)
Non-cash items included in net loss			
Depreciation	-	-	205
Accrued interest income	-	-	(1,816)
Reversal of accounts payable	-	-	(18,895)
Accrued interest expense	10,642		
Changes in working capital related to operating activities			
Receivables	-	6,518	(3,446)
Prepaid expenses	(433)	(693)	(175)
Trade and accrued payables	2,043	(29,413)	(60,489)
<b>Net cash used in operating activities</b>	<b>(180,930)</b>	<b>(191,796)</b>	<b>(271,668)</b>
<b>FINANCING ACTIVITY</b>			
Loan from PXP Energy Corporation	278,620	-	-
Issuance of shares pursuant to rights offering	-	-	846,750
Transaction costs	-	-	(89,252)
<b>Net cash provided by financing activity</b>	<b>278,620</b>	<b>-</b>	<b>757,498</b>
<b>INVESTING ACTIVITY</b>			
Loan to Forum Energy Limited	(198,620)	124,557	(347,141)
<b>Net cash provided by (used in) investing activity</b>	<b>(198,620)</b>	<b>124,557</b>	<b>(347,141)</b>
Net increase (decrease) in cash	(100,930)	(67,239)	138,689
Cash – beginning of the year	113,998	181,237	42,548
<b>Cash – end of the year</b>	<b>\$ 13,068</b>	<b>\$ 113,998</b>	<b>\$ 181,237</b>

The accompanying notes form an integral part of these financial statements

**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 1 Corporate Information

FEC Resources Inc. (“FEC” or the “Company”) was incorporated under the laws of Alberta, Canada and is a holding Company with an interest in Forum Energy Limited (“FEL”). The Company is listed in the United States on the OTC Pink (“OTC Pink”), having the symbol FECOF.

At December 31, 2022, the Company has a 6.8% interest in FEL. (Note 8).

The principal address of the Company is Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC, V6C 2B5. The Company’s ultimate parent company is PXP Energy Corporation (“PXP”) with a registered office at 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City 1550, Metro Manila, Philippines.

Note 2 Basis of Preparation and Going Concern

a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue by the Board of Directors on March 30, 2023.

b) Basis of Measurement

The financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value described in the applicable notes and are presented in United States dollars, which is also the Company’s functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

c) Nature of Operations and Going Concern

As a holding company with an interest in FEL, the Company’s business is indirectly subject to risks inherent in oil and gas exploration and development operations. In addition, there are risks associated with FEL’s stage of operations and the foreign jurisdiction in which it or FEL may operate or invest. The Company has identified certain risks pertinent to its investment including: exploration and reserve risks, uncertainty of reserve estimates, ability to exploit successful discoveries, drilling and operating risks, title to properties, costs and availability of materials and services, capital markets and the requirement for additional capital, market perception, loss of or changes to production sharing, joint venture or related agreements, economic, political and sovereign risks, possibility of less developed legal systems, corporate and regulatory formalities, environmental regulation, reliance on strategic relationships, market risk, competition, dependence on key personnel, volatility of future oil and gas prices and foreign currency risk. The Company has an accumulated deficit since inception of \$18,703,524.

**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 2 Basis of Preparation (continued)

c) Nature of Operations and Going Concern (continued)

Management considers that the current economic environment is difficult and the outlook for holding companies investing in oil and gas exploration companies presents significant challenges in terms of raising funds through issuance of shares. To the extent necessary, the Company has relied on its ability to raise funds via dispositions of quantities of its shareholdings in FEL to PXP under terms that are consistent with the best interests of shareholders, in order to finance its operations. The Company has been successful in disposing quantities of its shareholdings in FEL in previous fiscal years. However, there can be no assurance the Company will continue to be able to dispose of quantities of its shares in FEL under suitable terms. Currently management has no plans to sell any additional FEL shares.

Since the delisting of FEL from the London Stock Exchange, there is no liquidity via a public market for the FEL shares. As the Company is wholly reliant on the information disclosed by PXP concerning the business of FEL, the Company may not be able to obtain information necessary to facilitate a wider sales process and may be reliant on significant shareholders of PXP for the disposition of any of its FEL shares. Management continues to look at all options including raising funds to operate and participate in future FEL financings by way of debt or equity financings. Given the share price of the Company, and given that any external financings may have been extremely dilutive, the Company undertook a rights offering during 2020 and accepted loans from PXP Energy Corporation to raise funds to sustain operations and participate in pre-drilling costs on Service Contract ("SC") 72.

Management has concluded that the combination of these circumstances gives rise to a material uncertainty that casts substantial doubt on the ability of the Company to continue as a going concern; therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at December 31, 2022, the Company's management believes it has sufficient cash to fund the ongoing operations for the next 12 months. The continuation of the Company is dependent upon its ability to raise funds via dispositions of quantities of its shareholdings in FEL to PXP under terms that are consistent with the best interests of shareholders. There is no assurance that the Company will be able to obtain adequate financing in the future or that such dispositions will be on terms advantageous to the Company. These material uncertainties may cast substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustment could be material.



**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 3 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

a) Equipment

Recognition and Measurement

On initial recognition, property, plant, and equipment are recorded at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company. This includes the appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation less any impairment losses.

Depreciation

Equipment is carried at cost less accumulated depreciation. The Company depreciates its computer equipment at the rate of 30% per annum utilizing the declining balance method.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

b) Foreign Currency Translation

The functional and presentation currency of the Company is the US dollar. Accordingly, foreign currency transactions and balances are translated as follows: (i) monetary assets and liabilities denominated in currencies other than the US dollar ("foreign currencies") are translated into US dollars at the exchange rates prevailing at the balance sheet date; (ii) non-monetary assets denominated in foreign currencies and measured at other than fair value are translated using the rates of exchange at the transaction dates; (iii) non-monetary assets denominated in foreign currencies that are measured at fair value are translated using the rates of exchange at the dates those fair values are determined; and (iv) income statement items denominated in foreign currencies are principally translated using daily exchange rates, except for depreciation and depletion which is translated at historical exchange rates. Foreign exchange gains and losses are recognized in net loss and presented in the statements of Comprehensive Loss in accordance with the nature of the transactions to which the foreign currency gains and losses relate. Unrealized foreign exchange gains and losses on cash and cash equivalent balances denominated in foreign currencies are disclosed separately in the statements of cash flows.

**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 3 Summary of Significant Accounting Policies (continued)

c) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax basis, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

d) Loss Per Share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

There were no dilutive instruments (consisting of shares issuable on the exercise of options and warrants) outstanding during the years ended December 31, 2022, December 31, 2021 and December 31, 2020. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

e) Financial Instruments

The Company measures financial instruments at fair value at each reporting date. 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.

**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 3 Summary of Significant Accounting Policies (continued)

e) Financial Instruments (continued)

The 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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
  
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
  
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the 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.

Financial Assets

Measurement – initial recognition

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

Classification of financial assets

*Amortized cost:*

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- (i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- (ii) 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.

**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 3 Summary of Significant Accounting Policies (continued)

e) Financial Instruments (continued)

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method. Interest income is recognized in Other (Expense) Income, net in the statements of comprehensive income (loss).

The Company's financial assets at amortized cost consists of cash, receivables and due from Forum Energy Limited.

*Fair value through other comprehensive income ("FVTOCI"):*

Financial assets that meet the following conditions are measured at FVTOCI:

- (i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- (ii) 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.

The Company's financial assets at FVTOCI include its investment in FEL (Note 8).

*Equity instruments designated as FVTOCI:*

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

*Financial assets measured subsequently at fair value through profit or loss ("FVTPL"):*

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The Company does not have any financial assets at FVTPL.

**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 3 Summary of Significant Accounting Policies (continued)

e) Financial Instruments (continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method.

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables, short term loans, and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Short term loans represent liabilities for advances from PXP for working capital and pre-drilling costs.

**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 3 Summary of Significant Accounting Policies (continued)

f) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

g) Finance income and expenses

Finance expense comprises interest expense on borrowings, accretion of the discount on provisions and impairment losses recognized on financial assets.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses, reported under finance income and expenses, are reported on a net basis.

Note 4 Standards, Amendments and Interpretations

The Company has prepared its financial statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). IFRS represents standards and interpretations approved by the IASB and are comprised of IFRS, International Accounting Standards ("IAS's"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC's") and the former Standing Interpretations Committee ("SIC's"). The financial statements have been prepared in accordance with IFRS standards and interpretations effective as of December 31, 2022.

New IFRS standards and interpretations or changes to existing standards with future effective dates are either not applicable or not expected to have a significant impact on the financial statements of the Company.

Note 5 Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The determination of the fair value of the Company's investment in FEL is a significant accounting estimate (Note 8).

**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 5 Critical Accounting Estimates and Judgments (continued)

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i) Investments in Associates

The Company periodically or when circumstances change, reviews its investments in its associates to ascertain whether it has maintained significant influence over these investments and also, reviews whether there exists any evidence that the investments in associates are required to be impaired. The Company does not currently have any investments in associates as it has concluded that it does not have significant influence in Forum Energy Limited as a result of its 6.8% ownership interest (Note 8).

ii) Deferred tax assets and liabilities

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. We recognize liabilities and contingencies for anticipated tax audit issues based on our current understanding of the tax law. For matters where it is probable that an adjustment will be made, we record our best estimate of the tax liability including the related interest and penalties in the current tax provision. We believe we have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Note 6 Cash

Cash held at banks earns interest at floating rates based on daily bank deposit rates.

Note 7 Equipment

	December 31 2022	December 31 2021	December 31 2020
<b>Computer Equipment</b>			
<b>Cost</b>			
Opening Cost	\$ 15,543	\$ 15,543	\$ 15,543
Additions	-	-	-
Ending Cost	<u>15,543</u>	<u>15,543</u>	<u>15,543</u>
<b>Accumulated Depreciation</b>			
Opening Accumulated Depreciation	\$ (15,543)	\$ (15,543)	\$ (15,338)
Charge for the year	-	-	(205)
Ending Accumulated Depreciation	<u>(15,543)</u>	<u>(15,543)</u>	<u>(15,543)</u>
<b>Carrying Value</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 8 Investment in Forum Energy Limited ("FEL")

i) Investment in FEL

The investment in FEL is summarized as follows:

	<u>Number of shares held</u>	<u>Amount</u>
Balance December 31, 2020, 2021 and 2022	<u>6,117,238</u>	<u>\$ 1,835,111</u>

As at December 31, 2022, the Company's interest in FEL was 6.80% (2021 – 6.80%).

On April 14, 2020, FEL completed a fund raising of \$2,500,000 which was achieved by FEL issuing new shares at a price of \$0.30 each. In advance of the Company's Rights Offering, PXP paid the Company's share of FEL's financing thus allowing the Company to maintain its 6.8% interest in FEL at a cost of approximately \$170,111. During 2020, this advance was settled by the issuance of new common shares from treasury at the same price as the Rights Offering price.

On August 7, 2020, the Company purchased 6.8% of the loan currently due by FEL to PXP amounting to \$346,202 plus accrued interest of \$939. This loan was unsecured, due on December 31, 2021 and bore interest at an annual rate of 3.5% plus LIBOR which is payable on a quarterly basis.

On November 10, 2021, the Company sold the FEL loan it owns to PXP Energy Corporation, at face value plus accrued interest. The proceeds from the sale were used to fund FEC's \$224,400 share of FEL's pre-drilling costs for two exploratory wells on SC 72 and for working capital. On March 10, 2022, the Company advanced an additional \$198,620 (Note 10(i)) for a total advance of \$423,020. The advances made to FEL are due on demand and non-interest bearing.

FEL's assets consist of interests in various petroleum service contracts in the Philippines, the most significant of which in terms of Prospective Resources is SC 72. On March 2, 2015, the Philippine Department of Energy ("DOE") granted a force majeure on SC 72 because the contract area falls within the territorial disputed area of the West Philippine Sea. Under the terms of the force majeure, all exploration work at SC 72 was immediately suspended until the DOE notified FEL that it could re-commence exploration. On October 16, 2020, FEL received a letter from the DOE lifting the force majeure and directing FEL to resume exploration activities on SC 72.

On April 6, 2022, FEL as operator under SC 72, received a directive from the DOE to put on hold all exploration activities for SC 72 until such time that the Security, Justice and Peace Coordinating Cluster ("SJPC") has issued the necessary clearance to proceed. On April 8, FEL 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." On April 11, 2022, as a result of not receiving the necessary clearance, force majeure was once again declared on SC 72.



**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 8 Investment in Forum Energy Limited ("FEL") (continued)

On October 11, 2022, the DOE granted PXP and Forum the following: (i) the Declaration of Force Majeure for SC 72 from April 6, 2022 until such time as the same is lifted by the DOE, (ii) the inclusion of total expenses incurred as a result of the DOE directive to suspend activities as part of the approved recoverable costs, subject to DOE audit, and (iii) in addition to the period in item (i) above, PXP and Forum will be entitled to an extension of the exploration period under SC 72 corresponding to the number of days that the contractors actually spent in preparation for the activities that were suspended by the DOE's suspension order on April 6, 2022.

*Determination of fair value*

The investment in FEL represents an investment in a private company for which there is no active market and for which there are no publicly available quoted market prices.

The Company has classified its investment in FEL as Level 2 in the fair value hierarchy.

For purposes of determining fair value of the investment in FEL, the Company considered valuation techniques described in IFRS 13 – Fair Value Measurement. In respect of the investment in FEL, management considered the fair value of \$1,835,111 to be indicative of the fair value of the investment in FEL as there have been no changes in the circumstances that would change management's assessment of fair value. The fair value of the investment is consistent with the implied value based on the price of the April 14, 2020 financing which is a Level 2 input.

Note 9 Share Capital

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value and is authorized to issue an unlimited number of Class A and Class B preferred convertible redeemable voting shares without par value.

Issued:

Common Shares	Number	Amount
Balance December 31, 2020, 2021, and 2022	<u>861,082,371</u>	<u>\$ 17,620,625</u>

No preferred shares have been issued.

b) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's statements of financial position include Contributed Surplus and Deficit.

Contributed Surplus is used to recognize the value of stock option grants prior to exercise.

Deficit is used to record the Company's change in deficit from income and losses from period to period.

**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 9 Share Capital (continued)

c) Share based payments:

The Company has established a stock option plan whereby options may be granted to its directors, officers, consultants, and employees. The exercise price of each option equals the market price of the Company's stock on the date of the grant and an option's maximum term is five years. The options vest immediately. There were no stock options outstanding on December 31, 2022 or December 31, 2021 and none were issued between January 1, 2020 and December 31, 2022.

Note 10 Related Party Transactions and Balances

The Company considers its officers (CEO and CFO) and directors to be key management. Key management are those persons having authority and responsibility for planning, directing, and controlling activities, directly or indirectly, of the Company.

- (i) On August 7, 2020, the Company purchased 6.8% of the loan currently due by FEL to PXP amounting to \$346,202 plus accrued interest of \$939. This loan was unsecured, due on December 31, 2021, and bore interest at an annual rate of 3.5% plus LIBOR which is payable on a quarterly basis. On November 10, 2021, the Company sold the FEL loan to PXP at face value plus accrued interest. The proceeds of the sale were used to fund FEC's \$224,400 share of FEL's pre-drilling costs for two exploratory wells on SC 72 and for working capital. On March 10, 2022, the Company advanced an additional \$198,620 for a total advance of \$423,020. The advances made to FEL are due on demand and non-interest bearing.
- (ii) During the year ended December 31, 2022, general and administrative expenses included key management personnel compensation totaling \$48,000 (2021: \$48,000; 2020: 66,000).
- (iii) During the year ended December 31, 2022, PXP repaid \$Nil (2021: \$6,518) advanced by the Company for PXP filing fees related to the Right Offering.
- (iv) On March 10, 2022, the Company announced that it agreed to fund an additional cash call for pre-drilling costs received from FEL in the amount of \$198,620. The advance to FEL was via non-interest bearing loans. In order to be able to fund the \$198,620, the Company accepted a loan from PXP for the same amount ("PXP Loan"). The PXP loan bears interest of Libor plus 3.5% and both interest and principal are repayable on the earlier of a) December 31, 2023, or b) any equity issuance by FEC, or c) any sale of FEL shares by FEC, or d) any third party borrowing by FEC. The Company also received an additional \$80,000 for working capital from PXP during the year ended December 31, 2022 under the same terms and conditions as the PXP Loan. As at December 31, 2022, the outstanding PXP Loan balance was \$289,262 which included accrued interest of \$10,642. Total interest expense amounted to \$10,642 for the year ended December 31, 2022 (2021 – Nil; 2020 – Nil).

**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 11 General and administrative expenses

	December 31, 2022	December 31, 2021	December 31, 2020
Professional fees	\$ 31,080	\$ 24,320	\$ 22,388
Bank charges	3,705	3,971	3,922
Listing and filing fees	15,549	16,041	18,370
Office and miscellaneous	23,861	24,028	34,139
Consulting (Note 10)	103,671	111,693	128,320
Depreciation (Note 7)	-	-	205
Foreign exchange	4,712	(892)	4,333
	<u>\$ 182,578</u>	<u>\$ 179,161</u>	<u>\$ 211,677</u>

Note 12 Income Taxes

Reconciliation of accounting and taxable income, for the years ended December 31 are as follows:

	December 31, 2022	December 31, 2021	December 31, 2020
Income (loss) before income taxes	\$ (193,182)	\$ (168,208)	\$ (187,052)
Tax expense (recovery) based on statutory rate of 27.0%	(52,000)	(45,000)	(51,000)
Permanent differences	(4,000)	2,000	-
	<u>(56,000)</u>	<u>(43,000)</u>	<u>(51,000)</u>
Changes in unrecognized deferred tax assets	56,000	43,000	51,000
Total income tax expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at December 31, 2022 and 2021 are summarized as follows:

	December 31, 2022	December 31, 2021
Allowable capital losses	\$ 468,000	\$ 468,000
Non-capital losses	1,827,000	1,770,000
Capital assets and other	-	1,000
Investments	858,000	858,000
Unrecognized deferred tax assets	(3,153,000)	(3,097,000)
	<u>\$ -</u>	<u>\$ -</u>

As at December 31, 2022, the Company had estimated non-capital losses for Canadian tax purposes of \$6,768,000 that expire between 2026 to 2042 which may be carried forward to offset future years' taxable income.

The potential benefit of these carry-forward non-capital losses has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 13 Financial Instruments and Risk Management

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Procedures

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive quarterly reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk are comprised of foreign currency risk, interest rate risk and equity and commodity price risk.

Foreign currency exchange risk

The Company is exposed to foreign currency fluctuations for general and administrative transactions denominated in Canadian Dollars. The majority of the Company's cash is kept in U.S. dollars. As at December 31, 2022, the Company had an insignificant amount of cash denominated in Canadian dollars that was subject to exchange rate fluctuations between the Canadian dollar and the U.S. dollar. As at December 31, 2022, the Company held an insignificant amount of financial liabilities denominated in Canadian dollars that would be subject to exchange rate fluctuations between Canadian dollars and U.S. dollars.

**FEC RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**  
(Expressed in United States Dollars)

Note 13 Financial Instruments and Risk Management (continued)

b) Credit risk

The Company maintains cash deposits in one chartered Canadian bank which, from time to time, exceed the amount of depositor's insurance available in each respective account. Management assesses the financial condition of this bank and believes that the possibility of any credit loss is minimal. The Company is also exposed to credit risk on the amount due from FEL. Management assesses that this credit risk is mitigated by the fact that FEL is supported financially by PXP. The maximum exposure of credit risk is the Company's cash deposit of \$13,068 (2021: \$113,998), and due from FEL \$423,020 (2021: \$224,400).

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company does not generate cash from operations but rather, the Company will, from time to time, issue shares via equity placements, borrow funds from an affiliated company or undertake to sell a portion of its investment in the shares of FEL should it be necessary to raise funds. The Company manages liquidity by maintaining cash balances available to meet its anticipated operational needs. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short-term and long-term obligations. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its growth plans. At December 31, 2022, the Company's accounts payable and accrued liabilities were \$15,362 and loans from PXP were \$289,262, all of which fall due for payment within twelve months of the date of the statement of financial position.

The carrying values of accounts payable and accrued liabilities and loans from PXP approximate their fair values due to the relatively short periods to maturity of the instruments.

Note 14 Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return to shareholders, to meet external capital requirements on credit facilities and to support any growth plans.

The capital of the Company consists of the items included in shareholders' equity and cash net of debt obligations. The Company monitors capital based on the debt to debt-plus-equity ratio. Debt is total debt shown on the balance sheet, less cash. Debt-plus-equity is calculated as debt shown on the balance sheet, plus total shareholders' equity which includes share capital, warrants, contributed surplus and deficit. Currently the Company has no debt. The Company's Board of Directors approves management's annual capital expenditures plans and reviews and approves any material debt borrowing plans proposed by the Company's management.

As at December 31, 2022 the company had no externally imposed capital requirements nor were there any changes in the company's approach to capital management during the year.

**ITEM 19. EXHIBITS**

<a href="#">1.1</a>	<a href="#">Certificate of Continuance of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form F-1, File No. 33-81290 (the "Registration")); *</a>
<a href="#">1.2</a>	<a href="#">By-Laws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registration Statement); *</a>
<a href="#">11.</a>	<a href="#">Code of Ethics *;</a>
<a href="#">12.1</a>	<a href="#">Certification by the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith);</a>
<a href="#">12.2</a>	<a href="#">Certification by the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith);</a>
<a href="#">13.1</a>	<a href="#">Certification by the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith);</a>
<a href="#">13.2</a>	<a href="#">Certification by the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith);</a>

\* Previously filed

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Date: March 30, 2023

**FEC Resources Inc.**  
(Registrant)

/s/ Daniel Carlos  
\_\_\_\_\_  
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. ss. 1350,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Daniel Carlos, certify that:

1. I have reviewed this annual report on Form 20-F of FEC Resources Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 30, 2023

By: /s/ Daniel Carlos

Daniel Carlos

Chief Executive Officer (principal executive officer)



**CERTIFICATION PURSUANT TO 18 U.S.C. ss. 1350,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark Rilles, certify that:

1. I have reviewed this annual report on Form 20-F of FEC Resources Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 30, 2023

By: /s/ Mark Rilles

Mark Rilles

Chief Financial Officer (principal financial officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of FEC Resources Inc. (the "Company") on Form 20-F for the period ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel Carlos, Chief Executive Officer, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2023

By: /s/ Daniel Carlos

Daniel Carlos

Chief Executive Officer (principal executive officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of FEC Resources Inc. (the "Company") on Form 20-F for the period ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Rilles, Chief Financial Officer, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2023

By: /s/ Mark Rilles

Mark Rilles

Chief Financial Officer (principal financial officer)