COVER SHEET
for
SEC FORM 17-Q

SEC Registration Number

A S O 9 4 - 8 8 1 1

Company Name

ACE ENEXOR, INC. (formerly PHINMA PETROLEUM AND GEOTHERMAL INC.) AND SUBSIDIARY

Principal Office (No./Street/Barangay/City/Town/Province)

4TH FLOOR, 6750 OFFICE TOWER, AYALA AVENUE, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	NA	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.enexor.com.ph	+(632) 7-730-6300	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
2,091	04/20	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Maria Corazon G. Dizon	dizon.mcg@acenergy.com.ph	+(632) 7-730-6300	

Contact Person's Address

4th floor, 6750 Office Tower, Ayala Avenue, Makati City

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2020**

2. Commission identification number **AS094-8811**

3. BIR Tax Identification No. **004-500-964-000**

4. Exact name of issuer as specified in its charter **ACE ENEXOR, INC. (Formerly PHINMA PETROLEUM AND GEOTHERMAL, INC.)**

5. Province, country or other jurisdiction of incorporation or organization **Metro Manila**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's business address Postal Code
   4th Floor, 6750 Office Tower, Ayala Avenue, Makati City, 1226

8. Issuer's telephone number, including area code **+(632) 7-730-6300**

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

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

Number of shares of common stock outstanding	**250,000,001 shares**
Amount of debt outstanding	**NIL**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [**X**] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    Philippine Stock Exchange Common

12. Indicate by check mark whether the registrant:

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

    Yes [**X**] No [ ]

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

    Yes [**X]** No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached ANNEX “A”

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Please refer to attached ANNEX “B”

PART II--OTHER INFORMATION

Please refer to attached ANNEX “C”

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on May 12, 2020.

ACE ENEXOR, INC.
(Formerly PHINMA PETROLEUM AND GEOTHERMAL INC.)

JOHN ERIC T. FRANCIA
President & Chief Executive Officer

MA. CORAZON G. DIZON
Treasurer and Chief Financial Officer

ANNEX A

ACE Enexor, Inc. ***[formerly PHINMA Petroleum and Geothermal Inc.]***
and Subsidiary
(A Subsidiary of AC Energy Philippines, Inc. [formerly PHINMA Energy Corporation])

Unaudited Interim Consolidated Financial Statements
As at March 31, 2020

and for the Three Months Period Ended March 31, 2020 and 2019
(With Comparative Audited Consolidated Statement of Financial Position as at December 31, 2019)

ACE ENEXOR, INC. (FORMERLY PHINMA PETROLEUM AND GEOTHERMAL, INC.) AND SUBSIDIARY

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	March 31	December 31
	2020	2019
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱39,797,323**	₱52,624,376
Receivables - net (Notes 5 and 14)	**223,667**	428,702
Prepaid expenses	**496,819**	541,085
Total Current Assets	**₱40,517,809**	53,594,163
Noncurrent Assets		
Property and equipment - net (Note 6)	**747,565**	789,421
Deferred exploration costs - net (Note 7)	**47,150,525**	46,040,651
Total Noncurrent Assets	**47,898,090**	46,830,072
TOTAL ASSETS	**₱88,415,899**	₱100,424,235
LIABILITIES AND EQUITY		
Current Liability		
Accounts payable and other current liabilities (Note 8)	**₱22,876,602**	₱33,297,245
Noncurrent Liability		
Deferred income tax liability	–	11,583
Total Liabilities	**22,876,602**	33,308,828
Equity		
Attributable to Equity Holders of the Parent Company:		
Capital stock (Note 10)	**250,000,001**	250,000,001
Deficit	**(184,602,481)**	(183,042,321)
	65,397,520	66,957,680
Non-controlling interest (Note 13)	**141,777**	157,727
Total Equity	**65,539,297**	67,115,407
TOTAL LIABILITIES AND EQUITY	**₱88,415,899**	₱100,424,235

See accompanying Notes to Consolidated Financial Statements.

ACE ENEXOR, INC. (FORMERLY PHINMA PETROLEUM AND GEOTHERMAL, INC.) AND SUBSIDIARY

INTERIM CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

	For the three months ended March 31	
	2020 (Unaudited)	2019 (Unaudited)
INTEREST INCOME (Note 4)	**₱20,133**	₱7,085
EXPENSES		
Professional fees	**996,292**	642,361
Filing and registration fees	**250,000**	250,700
Depreciation (Note 6)	**41,856**	1,856
Employee costs	**35,688**	796,676
Insurance	**4,703**	900
Supplies	**1,518**	3,144
Taxes and licenses	**500**	1,114
Project development cost	–	500,000
Transportation	–	2,450
Meetings	–	1,105
Utilities	–	249
Others	**117,738**	125,489
	1,448,295	2,326,044
OTHER INCOME (CHARGES)		
Gains on changes in fair value of investments held for trading – net	–	548,552
Foreign exchange losses – net	**(159,531)**	(663)
	(159,531)	547,889
LOSS BEFORE INCOME TAX	**1,587,693**	1,771,070
BENEFIT FROM DEFERRED INCOME TAX (Note 11)		
Deferred	**11,583**	253,126
	11,583	253,126
NET LOSS	**₱1,576,110**	₱1,517,944
Net Loss Attributable to:		
Equity holders of the Parent Company	**₱1,560,160**	₱1,517,207
Non-controlling interest (Note 13)	**15,950**	737
	₱1,576,110	₱1,517,944
Basic/Diluted Loss Per Share (Note 12)	₱0.006	₱0.006

See accompanying Notes to Consolidated Financial Statements.

ACE ENEXOR, INC. (FORMERLY PHINMA PETROLEUM AND GEOTHERMAL, INC.) AND SUBSIDIARY

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three months ended March 31	
	2020 (Unaudited)	2019 (Unaudited)
NET LOSS	**₱1,576,110**	₱1,517,944
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE LOSS	**₱1,576,110**	₱1,517,944
Attributable to:		
Equity holders of the Parent Company	**₱1,560,160**	₱1,517,207
Non-controlling interest (Note 13)	**15,950**	737
	₱1,576,110	₱1,517,944

See accompanying Notes to Consolidated Financial Statements

ACE ENEXOR, INC. (FORMERLY PHINMA PETROLEUM AND GEOTHERMAL, INC.) AND SUBSIDIARY

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

	Attributable to Equity Holders of the Parent Company				
	Capital Stock (Note 10)	Deficit	Total	Non-controlling Interest (Note 13)	Total Equity
BALANCES AT JANUARY 1, 2020	**₱250,000,001**	**(₱183,042,321)**	**₱66,957,680**	**₱157,727**	**₱67,115,407**
Net loss for the period	–	**(1,560,160)**	**(1,560,160)**	**(15,950)**	**(1,576,110)**
BALANCES AT MARCH 31, 2020	**₱250,000,001**	**(₱184,602,481)**	**₱65,397,520**	**₱141,777**	**₱65,539,297**
BALANCES AT JANUARY 1, 2019	₱250,000,000	(₱163,904,395)	₱86,095,605	₱716,577	₱86,812,182
Net loss for the period	–	(1,517,207)	(1,517,207)	(737)	(1,517,944)
BALANCES AT MARCH 31, 2019	₱250,000,000	(₱165,421,602)	₱84,578,398	₱715,840	₱85,294,238

See accompanying Notes to Consolidated Financial Statements.

ACE ENEXOR, INC. (FORMERLY PHINMA PETROLEUM AND GEOTHERMAL, INC.) AND SUBSIDIARY

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the three months ended March 31	
	2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱1,587,693)**	(₱1,771,070)
Adjustment for:		
Gains on changes in fair value of investments held for trading - net		(548,549)
Interest income (Note 4)	**(20,133)**	(7,085)
Depreciation (Note 6)	**41,856**	1,857
Unrealized foreign exchange loss – net	**35,828**	–
Operating loss before working capital changes	**(1,530,142)**	(2,324,847)
Decrease (increase) in:		
Receivables	**214,612**	(29,593)
Other current asset	**44,266**	
Increase (decrease) in accounts payable and other current liabilities	**(10,479,218)**	(4,711,956)
Interest income received	**20,133**	10,911
Net cash flows used in operating activities	**(11,730,349)**	(7,055,485)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of investments held for trading	**–**	27,436,552
Additions to:		
Investment held for trading	**–**	(20,000,000)
Deferred exploration costs (Note 7)	**(1,109,874)**	(1,417,195)
Net cash flows from (used in) investing activities	**(1,109,874)**	6,019,357
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(12,840,223)**	(1,036,128)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**13,170**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF QUARTER (Note 4)	**52,624,376**	9,863,588
CASH AND CASH EQUIVALENTS AT END OF QUARTER (Note 4)	**₱39,797,323**	₱8,827,460

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

ACE Enexor, Inc. (formerly PHINMA Petroleum and Geothermal, Inc.) (Enexor or the Parent Company) and Palawan55 Exploration & Production Corporation (Palawan55 or the Subsidiary), collectively referred to as “the Group”, were incorporated in the Philippines on September 28, 1994 and November 16, 2012, respectively, to engage in oil and gas exploration, exploitation and production. Palawan55 is 69.35% owned by the Parent Company.

The Parent Company and the Subsidiary are 75.92% and 30.65% directly owned, respectively, by AC Energy Philippines, Inc. (ACEPH, formerly PHINMA Energy Corporation or the Intermediate Parent Company). The ultimate parent company is Mermac, Inc. ACEPH and Mermac, Inc. are both incorporated and domiciled in the Philippines. Both Enexor and Palawan55 are domiciled in the Philippines and have not yet started commercial operations as at May 11, 2020.

On August 14, 2014, the Philippine Securities and Exchange Commission (SEC) approved the registration of shares of the Parent Company. On August 28, 2014, the Parent Company listed its shares at the Philippine Stock Exchange by way of introduction.

On May 31, 2017, the SEC approved the amendment of the Parent Company’s Articles of Incorporation to change its corporate name to PHINMA Petroleum and Geothermal, Inc. and to include in its primary and secondary purposes the exploration and development of geothermal resources.

On February 7, 2019, Philippine Investment Management (PHINMA), Inc., PHINMA Corporation (collectively, the PHINMA Group) and AC Energy, Inc. (AC Energy) signed an investment agreement for AC Energy’s acquisition of the PHINMA Group’s 51.476% stake in ACEPH via a secondary share sale through the Philippine Stock Exchange (PSE). On June 24, 2019, the PSE confirmed the special block sale of ACEPH shares to AC Energy.

ACEPH conducted a Voluntary Tender Offer of Enexor shares on May 20, 2019 to June 19, 2019, with 3,332 Enexor public shares tendered during the tender offer period at P2.44 per share. On June 24, 2019, ACEPH acquired the shares of PHINMA, Inc. and PHINMA Corporation in Enexor representing 25.18% of Enexor’s total outstanding stock. The transaction increased ACEPH’s direct ownership over Enexor from 50.74% as at December 31, 2018 to 75.92% as at December 31, 2019.

On July 23, 2019, the Board of Directors (BOD) of Enexor approved the following amendments to the articles of incorporation of Enexor:

- Change in corporate name to ACE Enexor, Inc. (Enexor) to reflect the change in the ownership of the Intermediate Parent Company; and
- Change in the principal office of the Parent Company to 4th Floor, 6750 Office Tower, Ayala Ave., Makati City for alignment, operational and management efficiency.

During the Annual Stockholders' Meeting held on September 17, 2019, the stockholders approved and adopted the amendments.

On November 11, 2019, the SEC approved the proposed changes in the articles of incorporation of the Parent Company.

The registered office address of the Group is 4th Floor, 6750 Office Tower, Ayala Avenue, Makati City.

The consolidated financial statements were approved and authorized for issuance by the Parent Company's BOD on May 11, 2020.

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

Basis of Preparation

The interim consolidated financial statements of the Company for the quarter ended March 31, 2020 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting.*

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2019.

The interim consolidated financial statements have been prepared on a historical cost basis, except for investments held for trading that are measured at fair value. The interim consolidated financial statements are presented in Philippine peso (Peso), which is the Parent Company's functional and presentation currency. All values are rounded off to the nearest Peso, except when otherwise indicated.

Basis of Consolidation

The interim consolidated financial statements comprise the interim financial statements of the Parent Company and its subsidiary, Palawan55, as at March 31, 2020 and December 31, 2019. The interim financial statements of Palawan55 are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the Parent Company and the Subsidiary are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over the Subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resultant gain or loss is recognized in the consolidated statement of income. Any investment retained is recognized at fair value.

NCI represents the interest in the Subsidiary not held by the Parent Company and are presented separately in the consolidated statement of income and consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to holders of the Parent Company.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2020. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance, unless indicated otherwise. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  The amendments did not have impact on the financial statements of the Company but may apply to future transactions.

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021
- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The Group's consolidated financial statements prepared in accordance with PFRS require management to make a judgment and estimates that affect the amounts reported in the consolidated financial statements and related notes. In preparing the Company's consolidated financial statements, management has made its best estimate and judgment of certain amounts, giving due consideration to materiality.

The estimates and judgments used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Determining and Classifying a Joint Arrangement.
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle

- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:

    a) The legal form of the separate vehicle
    b) The terms of the contractual arrangement
    c) Other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting. As at March 31, 2020 and December 31, 2019, the Group's SCs are assessed as joint arrangements in the form of joint operations.

Identifying Business Models upon Adoption of PFRS 9
The Group manages its financial assets based on a business model that maintains adequate level of financial assets to match expected cash outflows while maintaining a strategic portfolio of financial assets for trading activities.

The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. The following are the Group's business models:

Definition of Default and Credit-impaired Financial Assets upon adoption of PFRS 9
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when one or more events that have occurred and have significant impact on the expected future cash flows of the financial assets. This includes the following observable criteria:

- *Quantitative Criteria*
  The borrower is more than 90 days past due on its contractual payments, i.e., principal and/or interest, which is consistent with the Group's definition of default.

- *Qualitative Criteria*
  The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
    a. The borrower is experiencing financial difficulty or is insolvent
    b. The borrower is in breach of financial covenant(s)
    c. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty
    d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
    e. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

<u>Estimates</u>

Impairment of Deferred Exploration Costs.
The carrying value of deferred exploration costs is reviewed for impairment by management when there are indications that the carrying amount exceeds the recoverable amount under PFRS 6. Among the factors considered by management in the impairment review of deferred exploration costs are the expiration of the contracts and the technical evaluation that the remaining prospects in these

areas are small and are likely to be uneconomic. In the event of impairment, the Group measures, presents and discloses the resulting impairment loss in accordance with PAS 36.

The Group has no impairment loss recognized on its deferred exploration costs in 2020 and 2019. The carrying value of deferred exploration costs amounted to ₱47,150,525 and ₱46,040,651 as at March 31, 2020 and December 31, 2019, respectively (see Note 7).

Realizability of Deferred Income Tax Asset.
The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that sufficient taxable income will be generated to allow all or part of the deferred income tax assets to be utilized.

Estimating Provision for Credit Losses of Receivables
The Group maintains allowance for credit losses based on the results of the individual assessment under PAS 39. Under the individual assessment, the Group considers the significant financial difficulties of the customer or significant delays in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of financial asset, as well as historical loss experience. The methodology and assumptions used for the impairment assessment are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As at March 31, 2020 and December 31, 2019, the allowance for credit losses amounted to ₱20,000,000 (see Note 5).

No provision for doubtful accounts was recognized as at March 31, 2020 and 2019. The carrying value of receivables amounted to ₱223,667 and ₱428,702 as at March 31, 2020 and December 31, 2019, respectively (see Note 5).

4. Cash and Cash Equivalents

	March 31, 2020	December 31, 2019
Cash on hand and in banks	**₱39,797,323**	₱23,124,376
Short-term deposits	–	29,500,000
	₱39,797,323	₱52,624,376

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest income on cash and short-term deposits amounted to ₱20,133 and ₱7,085 as at March 31, 2020 and 2019, respectively.

5. Receivables

This account consists of the following:

	March 31, 2020	December 31, 2019
Trade receivables	**₱40,326**	₱31,863
Due from third party (see Note 8)	**20,000,000**	20,000,000
Due from officers and employees	**52,965**	–
Others	**130,376**	396,839
	20,223,667	20,428,702
Less allowance for credit losses	**20,000,000**	20,000,000
	₱223,667	₱428,702

The aging analysis of receivables is as follows:

	March 31, 2020						
		Neither Past Due nor Impaired	**Past Due but not Impaired**				**Past Due and Impaired**
	Total		**<30 Days**	**30–60 Days**	**61–90 Days**	**Over 90 Days**	
Trade receivables	**₱40,326**	**₱40,326**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Receivable from a third party	**20,000,000**	**–**	**–**	**–**	**–**	**–**	**20,000,000**
Due from officers and employees	**52,965**	**–**	**–**	**–**	**35,000**	**17,965**	**–**
Others	**130,376**		**–**	**–**	**–**	**130,376**	**–**
	20,223,667	**₱40,326**	**₱–**	**₱–**	**₱35,000**	**₱148,341**	**₱20,000,000**

	December 31, 2019						
		Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
	Total		<30 Days	30–60 Days	61–90 Days	Over 90 Days	
Trade receivables	₱31,863	₱–	₱–	₱–	₱–	₱31,863	₱–
Due from third party	20,000,000	–	–	–	–	–	20,000,000
Due from officers and employees	17,965	–	–	–	–	17,965	–
Others	378,874	–	–	–	–	378,874	–
	₱20,428,702	₱–	₱–	₱–	₱–	₱428,702	₱20,000,000

Trade receivables mainly represent return of cash call from the service contract operator. The Group’s receivables are noninterest-bearing and are due and demandable.

Due from third party pertains to advance payment made pursuant to the Memorandum of Agreement with Frontier Energy and Frontier Oil and is due and demandable (see Note 7).

Others pertain to advances to service provider subject to liquidation.

In 2016, the Group recognized a provision for credit losses amounting to ₱20,000,000 on its advance payment to Frontier Oil (see Note 7). As at March 31, 2020 and 2019, no such provision was recognized.

6. **Property and Equipment**

Details and movement of this account follow:

		March 31, 2020	
	Equipment	**Miscellaneous Assets**	**Total**
Cost:			
Balance at beginning and end of quarter	**₱1,045,000**	**₱124,215**	**₱1,169,215**
Less accumulated depreciation:			
Balance at beginning of year	**271,667**	**108,127**	**379,794**
Depreciation expense	**40,000**	**1,856**	**41,856**
Balance at end of quarter	**311,667**	**109,983**	**421,650**
Net book value	**₱733,333**	**₱14,232**	**₱747,565**

		December 31, 2019	
	Equipment	Miscellaneous Assets	Total
Cost:			
Balance at beginning of year	₱245,000	₱124,215	₱369,215
Additions	800,000	–	800,000
Balances at end of year	1,045,000	124,215	1,169,215
Less accumulated depreciation:			
Balance at beginning of year	245,000	100,703	345,703
Depreciation expense	26,667	7,424	34,091
Balance at end of quarter	271,667	108,127	379,794
Net book value	₱773,333	₱16,088	₱789,421

The Group's fully depreciated assets are still in use as at March 31, 2020.

7. **Deferred Exploration Costs**

Details of deferred exploration costs are as follows:

	March 31, 2020	December 31, 2019
Enexor		
SC 6 (Northwest Palawan):		
Block A	**₱22,977,688**	₱22,977,688
Block B	**4,892,178**	4,892,178
SC 50 (Northwest Palawan)	**11,719,085**	11,719,085
	39,588,951	39,588,951
Less allowance for probable losses	**16,611,263**	16,611,263
	22,977,688	22,977,688
Palawan55		
SC 55 (Southwest Palawan)	**24,172,837**	23,062,963
	₱47,150,525	₱46,040,651

Below is the rollforward analysis of the deferred exploration costs:

	March 31, 2020	December 31, 2019
Cost:		
Balances at beginning of year	**₱62,651,914**	₱94,258,171
Additions - cash calls	**1,109,874**	16,656,537
Write-offs	**–**	(48,262,794)
Balance at end of quarter/year	**63,761,788**	62,651,914
Allowance for a probable loss:		
Balances at beginning of year	**16,611,263**	64,874,057
Write-offs	**–**	(48,262,794)
Balance at end of quarter/year	**16,611,263**	16,611,263
Net book value	**₱47,150,525**	₱46,040,651

The foregoing deferred exploration costs represent the Group's share in the expenditures incurred under petroleum SCs with the Department of Energy (DOE). The contracts provide for certain minimum work and expenditure obligations and the rights and benefits of the contractor. Operating agreements govern the relationship among co-contractors and the conduct of operations under an SC.

Refer to Annex B-1 for the status of the Company's projects as of March 31, 2020.

On April 15, 2020, Palawan55 received a letter from the DOE confirming the entry of SC 55 into the Appraisal Period effective April 26, 2020. In the said letter, the DOE stated that after the review and evaluation of the Hawkeye discovery report, "we hereby confirm that the 'Hawkeye-1 well' did encounter a significant volume of movable natural gas and is deemed to be a Non-Associated Gas Discovery under Section 13.02 of SC 55."

Palawan55 will submit for DOE's approval a definitive Appraisal Work Program and Budget.

8. Accounts Payable and Other Current Liabilities

This account consists of:

	March 31, 2020	December 31, 2019
Accounts payable	**₱321,679**	₱10,515,130
Accrued expenses	**5,043,623**	5,052,202
Due to:		
Third party	**9,835,059**	10,146,443
Related parties (see Note 9)	**7,577,272**	7,577,272
Employees	**2,104**	–
Withholding taxes	**96,865**	6,198
	₱22,876,602	₱33,297,245

Accounts payable and other current liabilities, other than accrued expenses and due to third party, are noninterest-bearing and are settled on 30 to 60-day terms.

Accrued expenses include accrual for professional fees and training obligations for SC 55 payable to the DOE. Accruals for professional fee are noninterest-bearing and are settled on 30 to 60-day terms. Training obligations for SC 55 payable to the DOE are due and demandable.

Accounts payable are trade payables to suppliers and service providers.

Due to a third party is an advance payment from a partner in the consortium to be applied to SC 55's work program.

Due to employees refer to refund for overwithholding of taxes.

9. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables.

The transactions and balances of accounts as at and for the three-month period ended March 31, 2020 and year ended December 31, 2019 with related parties are as follows:

	For the three months ended March 31, 2020				
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
Parent Company					
ACEPH					
Accounts payable and other current liabilities	**₱–**	Advances	**₱7,577,272**	**30–60 day terms; noninterest-bearing**	**Unsecured**

	As at and for the Year Ended December 31, 2019					
			Outstanding Balance			
Company	Amount/ Volume	Nature	Receivable	Payable	Terms	Conditions
Parent Company						
ACEPH						
Accounts payable and other current liabilities	₱8,577,272	Advances	₱–	₱7,577,272	30–60 day terms; noninterest-bearing	Unsecured

<u>ACEPH</u>
The Group purchased U.S. dollars to pay various expenses through ACEPH's banking facilities and accommodation of expenses.

10. Capital Stock

Following are the details of the Parent Company's capital stock as at March 31, 2020 and December 31, 2019:

	Number of Shares
Authorized - ₱1 par value	1,000,000,000
Issued and outstanding - ₱1 par value	250,000,001

The issued and outstanding shares as at March 31, 2020 and December 31, 2019 are held by 2,903 equity holders.

11. Income Taxes

a. The Company has no current income tax in March 31, 2020 and 2019.

b. The Company recognized benefit from deferred income tax amounting to ₱11,583 and ₱253,126 for the three-month period ended March 31, 2020 and 2019, respectively. Deferred income tax assets related to the following temporary differences, NOLCO and excess of MCIT over RCIT were not recognized because management believes that it is not probable that sufficient future taxable income will be available to allow deferred income tax assets to be utilized.

	March 31, 2020	December 31, 2019
Provision for:		
Credit losses (see Note 5)	**₱20,000,000**	₱20,000,000
Probable losses (see Note 7)	**16,611,263**	16,611,263
NOLCO	**97,229,725**	97,057,960
MCIT	**1,737**	–
Unrealized foreign exchange loss	**35,828**	313,290

Unrecognized deferred income tax assets amounted to ₱40,164,782 and ₱40,194,754 as at and for the three-month period ended March 31, 2020 and for the year ended December 31, 2019, respectively.

c. The details of the Company's MCIT and NOLCO as at and for the three-month period ended March 31, 2020 and for the year ended December 31, 2019 follows:

		NOLCO		MCIT	
Year Incurred	Available Until	**2020**	2019	**2020**	2019
2020	2023	**₱171,765**	₱–	**₱1,737**	₱–
2019	2022	**67,478,506**	67,478,506	**–**	–
2018	2021	**20,765,862**	20,765,862	**–**	–
2017	2020	**8,813,592**	8,813,592	**–**	–
		₱97,229,725	₱97,057,960	**₱1,737**	₱–

No deferred income tax asset was recognized as at March 31, 2020 and December 31, 2019.

12. **Basic/Diluted Loss Per Share**

Basic/diluted loss per share is computed as follows:

	For the three months ended March 31	
	2020	2019
(a) Net loss attributable to equity holders of the Parent Company	**₱1,560,160**	₱1,517,207
(b) Weighted average number of common shares outstanding	**250,000,001**	250,000,000
Basic/diluted loss per share (a/b)	**₱0.006**	₱0.006

As at March 31, 2020 and 2019, the Company does not have any potential common share nor other instruments that may entitle the holder to common shares. Hence, diluted loss per share is the same as basic loss per share.

13. **Material Partly Owned Subsidiary**

Financial information of Palawan55 is provided below:

	For the three months ended March 31	
	2020	2019
Equity interest held by NCI	**30.65%**	30.65%
Accumulated balances of NCI	**₱141,777**	₱715,840
Net loss for the quarter allocated to NCI	**15,950**	737

The summarized financial information of Palawan55 is provided below. There are no intercompany transactions and balances for eliminations between the Parent Company and Palawan55.

Statements of Income and Statements of Comprehensive Income

	For the three months ended March 31	
	2020	2019
Income	**₱–**	₱1,234
Expenses	**52,041**	9,476
Net loss	**₱52,041**	₱8,242
Total comprehensive loss	**₱52,041**	₱8,242
Attributable to NCI	**₱15,950**	₱737

Statements of Financial Position

	March 31, 2020	December 31, 2019
Total current assets	**₱15,075,615**	₱16,541,678
Total noncurrent assets	**24,172,837**	23,062,963
Total current liabilities	**(38,785,871)**	(39,089,963)
Total equity	**₱462,581**	₱514,678
Attributable to equity holders of the Parent Company	**₱320,804**	₱356,951
NCI	**₱141,777**	₱157,727

Cash Flow Information

	For the three months ended March 31	
	2020	2019
Net cash flows provided by (used in):		
Operating activities	**(₱386,069)**	(₱3,499,380)
Investing activities	**(1,109,874)**	(1,295,520)
Financing activity	–	2,400,000

There were no dividends paid to NCI in March 31, 2020 and 2019.

14. Financial Risk Management Objectives and Policies

Objectives and Investment Policies

The funds of the entities held directly by the Company and are managed by AC Energy's Risk, Corporate Finance, Investor Relations and Treasury Group (RCIT). All Cash investments of the Company are carried and governed by the following principles, stated in order of importance:

- Preservation of invested cash
- Liquidity of invested cash; and
- Yield on invested cash. Under no circumstance is yield to trump the absolute requirement that the principal amount of investment be preserved and placed in liquid instruments

RCIT manages the funds of the Company and invests them in highly liquid instruments such as short-term deposits, marketable instruments, corporate promissory notes and bonds, government bonds, and trust funds denominated in Philippine peso and U.S. dollar. It is responsible for the sound and prudent management of the Company's financial assets that finance the Company's operations and investments in enterprises.

RCIT focuses on the following major risks that may affect its transactions:

- Credit or counterparty risk
- Liquidity risk
- Market risk
- Foreign exchange risk

Professional competence, prudence, clear and strong separation of office functions, due diligence and use of risk management tools are exercised at all times in the handling of the funds of the Company.

Risk Management Process

Credit or Counterparty Risk
The Company defines Credit or Counterparty Risk as the risk of sustaining a loss resulting from a counterparty's default to a transaction entered with the Company.

Credit or counterparty risk is managed through the following:

- Investments are coursed through or transacted with duly accredited domestic and foreign banks subject to investment limits per counterparty as approved by the Board.
- Discussions are done on every major investment by RCIT before it is executed subject to the Chief Financial Officer (CFO) approval. Exposure limits are tracked for every transaction and RCIT Finance Managers supervise major transaction executions.
- Market and portfolio reviews are done at least once a week and as often as necessary should market conditions require. Monthly reports are given to the CFO with updates in between these reports as needed.
- A custodian bank for Philippine peso instruments and foreign currency instruments has been appointed based on its track record on such service and the bank's financial competence.

With respect to credit risk arising from the receivables of the Group, the Group's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	March 31, 2020					
	Neither Past Due nor Impaired			**Past Due but not Impaired**	**Past Due Individually Impaired**	**Total**
	Class A	**Class B**	**Class C**			
Trade receivables	**₱–**	**₱–**	**₱40,326**	**₱–**	**₱–**	**₱40,326**
Receivable from a third party	**–**	**–**	**–**	**–**	**20,000,000**	**20,000,000**
Due from officers and employees	**–**	**–**	**–**	**52,965**	**–**	**52,965**
Others	**–**	**–**	**–**	**130,376**		**130,376**
	₱–	**₱–**	**₱40,326**	**₱183,341**	**₱20,000,000**	**₱20,223,667**

	December 31, 2019					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade receivables	₱–	₱–	₱–	₱31,863	₱–	₱31,863
Due from third party	–	–	–	–	20,000,000	20,000,000
Due from officers and employees	–	–	–	17,965	–	17,965
Others	–	–	–	378,874	–	378,874
	₱–	₱–	₱–	₱428,702	₱20,000,000	₱20,428,702

The Group uses the following criteria to rate credit risk as to class:

Class	Description
Class A	Collateralized accounts with excellent paying habits
Class B	Secured accounts with good paying habits
Class C	Unsecured accounts

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. These financial assets are assessed as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency

Liquidity Risk
Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price.

Liquidity risk is managed through:

- Asset and Liability Management principle. Short-term assets are used to fund short-term liabilities while major investments, capital expenditures and long-term assets are funded by long-term liabilities.
- Detailed cash flow forecasting and continuous monitoring of the weekly and monthly cash flows as well as frequent updates of the annual plans of the Company.
- Investment maturities being spread on a weekly, monthly, and annual basis as indicated in the Company's plans. Average duration of investments does not exceed one (1) year.
- Setting up working capital lines to address unforeseen cash requirements that may cause pressure to liquidity.

Market Risk
Market risk is the risk that the value of an investment will decrease due to drastic adverse market movements that consist of interest rate fluctuations affecting bid values or fluctuations in stock market valuation due to gyrations in offshore equity markets or business and economic changes. Interest rate, foreign exchange rate and risk appetite are factors of a market risk as the summation of the three defines the value of an instrument or a financial asset.

As of March 31, 2020, the Company has already liquidated most of its outstanding investments in UITF and will not invest in highly volatile financial instruments to keep a risk-averse position.

Foreign Currency Risk
The Company defines Foreign Exchange Risk as the risk of realizing reduced operating cash flows and/or increasing the volatility of future earnings from movements in foreign exchange. The risk is measured based on potential downside impact of market volatility to operating cash flows and target earnings.

Foreign exchange risk is generally managed in accordance with the Natural Hedge principle and further evaluated through:

- Continual monitoring of global and domestic political and economic environments that have impact on foreign exchange;
- Regular discussions with banks to get multiple perspectives on currency trends/forecasts; and
- Constant updating of the foreign currency holdings gains and losses to ensure prompt decisions if the need arises.

In the event that a Natural Hedge is not apparent, the Company endeavors to actively manage its open foreign currency exposures through:

- Trading either by spot conversions; and
- Entering into derivative forward transactions on a deliverable or non-deliverable basis to protect values

The Company has foreign currency exposures arising from cash calls and refunds in currency other than the Philippine peso. The Company's financial instruments denominated in US$ as at March 31, 2020 and December 31, 2019 are as follows;

	2020		2019	
	In US$	**In Philippine Peso**	In US$	In Philippine Peso
Financial Assets				
Cash and cash equivalents	**US$239,555.6**	**₱12,227,876**	US$69,609.7	₱3,532,275
Trade receivable under 'Receivables'	**606.0**	**30,933**	627.9	31,863
	240,161.6	**12,258,809**	70,237.6	3,564,138

	2020		2019	
	In US$	**In Philippine Peso**	In US$	In Philippine Peso
Financial Liability				
Due to third party under 'Accounts payable and other current liabilities'	**192,678.0**	**9,835,056**	408,823.0	20,745,314
	US$47,483.6	**2,423,753**	(US$338,585.4)	(₱17,181,176)

Exchange rates used were ₱51.044 to $1.00 and 50.744 to $1.00 as at March 31, 2020 and December 31, 2019, respectively.

Management has determined that the volume of foreign currency-denominated transactions is not significant to the Company and, accordingly, its exposure to the risk of changes in foreign exchange rates has no material impact to its profitability.

Monitoring of Risk Management Process

Risk management is regarded as a core competency, thus review of processes and approval processes including periodic audit are practiced and observed as follows:

- Monthly Treasury meetings are scheduled where approved strategies, limits, mixes are challenged and rechallenged based on current and forecasted developments on the financial and political events.
- Weekly market reports are submitted to the Management Committee that includes an updated summary of global and domestic events of the past month and the balance of the year.
- Annual teambuilding sessions are organized as a venue for the review of personal goals, corporate goals and professional development.
- One on one coaching sessions are scheduled to assist, train and advise personnel.
- Periodic review of Treasury risk profile and control procedures.

Periodic specialized audit is performed to ensure active risk oversight.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2020 and 2019.

Capital includes all the items appearing in the equity section of the Group's consolidated statements of financial position totaling to ₱65,539,297 and ₱67,115,407 as at March 31, 2020 and December 31, 2019, respectively.

Cash and Cash Equivalents, Receivables and Accounts Payable and Other Current Liabilities (Excluding Statutory Payables).
Due to the short-term nature of these balances, the fair values approximate the carrying values as at reporting date.

In 2020 and 2019, there were no transfers between levels of fair value measurement.

Offsetting of Financial Instruments

There were no offsetting of financial instruments as at March 31, 2020 and December 31, 2019.

15. Segment Information

The Group has only one reportable segment, Petroleum and Gas, which is engaged in oil and gas exploration and development. The Group planned to expand its operations to include geothermal exploration and development; however, there are no activities undertaken under this segment during the year and all activities reported pertains to oil and gas exploration. Management monitors the operating results of the reportable segment for the purpose of making decisions about resource allocation and performance assessment.

Capital expenditures for the three-month period ended March 31, 2020 and for the year ended December 31, 2019 were as follows:

	2020	**2019**
Deferred exploration cost (Note 7)	**₱1,109,874**	**₱16,656,537**
Property and equipment (Note 6)	–	**800,000**
	₱1,109,874	**₱17,456,537**

As at May 11, 2020, the Group has not started commercial operations yet and has no revenue or gross profit. The total assets of the segment of ₱88,415,899 and ₱100,424,235, as at March 31, 2020 and December 31, 2019, respectively, are the same as that reported in the consolidated statements of financial position.

ANNEX B

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial position and results of operations of ACE Enexor, Inc. or "ACEX" (*formerly PHINMA Petroleum and Geothermal, Inc. or "PPG")* and its subsidiary should be read in conjunction with the unaudited interim consolidated financial statements as at March 31, 2020, for the three months ended March 31, 2020 and 2019 and the audited consolidated financial statements as at December 31, 2019. The unaudited interim consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards.

Results of Operation

	For the three months ended March 31		Increase (Decrease)	
	2020	2019	**Amount**	**%**
Interest income	**₱20,133**	₱7,085	13,048	184%
Cost and expenses	**1,448,295**	2,326,044	(877,749)	(38%)
Other income (charges)	**(159,531)**	547,889	(707,420)	(129%)
Benefit from income tax	**(11,583)**	(253,126)	(241,543)	(95%)
Net Loss	**(1,576,110)**	(1,517,944)	58,166	4%

The following are the material changes in the Consolidated Statements of Income for the quarter ending March 31, 2020 and 2019:

- Interest income for the first quarter of 2020 went up due to higher level of short-term deposits as compared to same period last year.
- Cost and expenses dropped in the first quarter of 2020 mainly driven by the decrease in employee costs due to retirement of employee. Also, no development project cost was incurred this year compared to same period last year.
- From Other income reported last year, the first quarter of 2020 registered Other charges with higher foreign exchange losses due to dollar-denominated payables. Last year also included gain from financial assets at fair value through profit and loss (FVTPL), while none was reported this year as the FVTPL was fully redeemed as of December 31, 2019.
- Current year's benefit from income tax was largely from unrealized loss from forex changes while last year came mainly from movement of unrealized gains from changes in fair value of financial assets at FVTPL.

Consolidated Statements of Financial Position

	March	**December**	**Increase (Decrease)**	
	2020	**2019**	**Amount**	**%**
Current Assets				
Cash and cash equivalents	**₱39,797,323**	₱52,624,376	(₱12,827,053)	(24%)
Receivables	**223,667**	428,702	(205,035)	(48%)
Noncurrent Assets				
Property and equipment	**747,565**	789,421	(41,856)	(5%)
Current Liabilities				
Accounts payable and other current liabilities	**₱22,876,602**	₱33,297,245	(10,420,643)	(31%)
Deferred tax liability	–	11,583	(11,583)	(100%)

The following are the material changes in asset and liability accounts in the Consolidated Statements of Financial Position as at March 31, 2020 and December 31, 2019:

- Decrease in cash and cash equivalents was primarily due to settlement of liabilities coupled with expenditures related to the Company's activities this quarter.
- Liquidation of advances to service provider for business expenses accounted for the decrease in receivables.
- Decrease in property and equipment is due to depreciation.
- The Company's current liabilities dropped due to payment of training commitment pertaining to SC69.
- No recorded deferred tax liability (DTL) for the first quarter of 2020 as the financial assets at FVTPL where the DTL mainly came from, was already fully redeemed last year.

Financial Soundness Indicators

Key Performance Indicator	Formula	Mar 2020	Dec 2019	Increase (Decrease)	
				Amount	%
Liquidity Ratios Current Ratio	Current assets / Current liabilities	**1.77**	1.61	0.16	10%
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets / Current liabilities	**1.75**	1.59	0.16	10%
Solvency Ratios Debt-to-equity ratio	Total liabilities / Total equity	**0.35**	0.50	(0.15)	(30%)
Asset-to-equity ratio	Total assets / Total equity	**1.35**	1.50	(0.15)	(10%)
Interest coverage ratio	Earnings before interest & tax (EBIT) / Interest expense	**N/A**	N/A	N/A	N/A
Net debt-to-equity ratio	Debt - cash and cash equivalents / Total equity	**N/A**	N/A	N/A	N/A

Key Performance Indicator	Formula	March 2020	March 2019	Increase (Decrease)	
				Amount	%
Profitability					
Return on equity	Net income after tax / Average stockholders' equity	**(2.38%)**	(1.76%)	(0.62%)	(35%)
Return on assets	Net income after taxes / Average total assets	**(1.67%)**	(1.62%)	(0.05%)	(3%)
Asset turnover	Revenues / Average total assets	**N/A**	N/A	N/A	N/A

Current ratio and acid test ratio
Current ratio and acid test ratios improved with the payment of non-trade payables.

Debt-to-equity ratio
The Company has minimal liabilities and is funded mainly through equity.

Asset-to-equity ratio
As of March 31, 2020, asset-to-equity ratio decreased due to lower cash and cash equivalents with the payment of training commitment in the first quarter.

Interest coverage ratio and Net debt-to-equity ratio
These ratios are not applicable since the Company has no borrowings.

Return on equity and Return on assets
The Company showed negative returns because it has not started commercial operations yet and posted net losses during the periods covered by the report.

Asset turnover
This ratio is not applicable since the Company has not started commercial operations yet.

During the first quarter of 2020:

- There were no unusual items that affected assets, liabilities, equity, net income or cash flows.
- There were no events that will trigger direct or contingent financial obligation that was material to the company, including any default or acceleration of an obligation.
- There were no events that had occurred subsequent to the balance sheet date that required adjustments to or disclosure in the financial statements except as disclosed in Note 7 of the interim consolidated financial statements.
- There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- There were no material trends, demands, commitments, events or uncertainties known to the Company that would likely affect adversely the liquidity of the Company.
- There were no trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations.

- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.
- There are no material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- There were no operations subject to seasonality and cyclicality.

Annex "B-1"

ACE ENEXOR, INC.

PROGRESS REPORT
For the Quarter January 01, 2020 to March 31, 2020

SC 6 Block A (Northwest Palawan)

Farm-in negotiations are ongoing for the development of the Octon oil discovery.

Technical studies over the northern part of the block progressed.

ACE Enexor, Inc. has 7.78% participating interest and 2.475% carried interest in SC 6 Block A.

SC 55 (Ultra Deepwater West Palawan)

The seismic reprocessing of 1,000 sq. km. of 3D seismic data and the Quantitative Interpretation Study aimed at identifying the gas-bearing zones in the block have been completed.

Enexor's subsidiary, Palawan55 Exploration& Production Corporation, is currently interpreting the reprocessed seismic data to generate additional prospects in the Greater Hawkeye Area and to refine the mapping of the CINCO Prospect. Resource Assessment is also underway.

Palawan55 has commenced the first phase of drilling preparations including well design, issuance of tenders for long lead items such as wellhead, conductor pipes and casing, and a rig market survey.

On 13 February 2020, the Department of Energy (DOE) approved the transfer of Century Red Pte. Ltd's entire 37.5% participating interests in SC 55 to Palawan55. As a result, thereof, Palawan55 now holds 75% participating interest in SC 55 and remains the Operator of the block.

The SC 55 Consortium is awaiting confirmation from the DOE of SC 55's entry into the Appraisal Period.

Certified Correct:

RAYMUNDO A. REYES, JR.
Chief Operating Officer

ANNEX C

Reports on SEC Form 17-C
The Company submitted SEC form 17-C and Press Statements to PSE, SEC on the following matters in the first quarter ended 31 March 2020:

1. **6 Jan 2020:** Attendance of the members of the Board of Directors ("**BOD**") in meetings held in 2019;

2. **14 Jan 2020:** List of Top 100 Stockholders as provided by the Stock Transfer Agent and Philippine Depository & Trust Corp. (PDTC) for the period ended 31 December 2019;

3. **15 Jan 2020:** Public Ownership Report for the quarter ended 31 December 2019;

4. **14 Feb 2020:** Annual Verification of the Department of Energy ("**DOE**");

5. **18 Feb 2020:** Approval of the DOE of the assignment by Century Red, Pte. Ltd. of its 37.5% interest in Service Contract No. 55 to Palawan55 Exploration & Production Corporation;

6. **19 Feb 2020:** Change in the Company's website from www.phinmappg.com to www.enexor.com.ph;

7. **21 Feb 2020:** Notice of Annual Stockholders' Meeting ("**ASM**") of the Company to be held on Monday, 20 April 2020, at 2:00 p.m. at the Fairmont Hotel, 1 Raffles Drive, Makati Avenue, 1224 Makati City;

8. **9 March 2020:** Amendment on 6 March 2020 of the Notice of ASM to reflect the agenda of the Company's ASM to be held on 20 April 2020;

9. **16 March 2020:** Filing of Current Report under Section 17 of the Securities Regulations Code amid COVID-19 pandemic;

10. **19 March 2020:** Matters taken up at the regular board meeting held on 19 March 2020, via video conferencing:

    a. Approval of amendment to the charters of the following Board Committees to align with regulatory requirements and Ayala Group policies:
        i. Board Risk Management and Related Party Transactions Committee
        ii. Corporate Governance and Nomination Committee
        iii. Personnel and Compensation Committee
    b. Approval of the date, time, place, and agenda of the Company's ASM to be held on 20 April 2020 at 2:00 p.m. at the Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Avenue, Makati City;
    c. Approval of 2019 audited financial statements (Consolidated) and in-principle approval of 2019 audited financial statements (Parent), with authority delegated to the Audit Committee to finalize the same together with notes to the financial statements;
    d. Approval of the Company's 2020 Budget;
    e. Approval of the engagement of the Bank of the Philippine Islands – Stock Transfer Office, as the Company's new stock transfer agent;
    f. Approval to fund expenses relating to the farmout of the Company's service contracts, with authority delegated to the Executive Committee to finalize the terms thereof; and
    g. Ratification of the actions of the Audit Committee, Board Risk Management and Related Party Transactions Committee, Corporate Governance and Nomination Committee, and Personnel and Compensation Committee

11. **19 March 2020:** Amendment on 19 March 2020 of the Notice of ASM to reflect the date of BOD approval of the date, time, and place of the Company's ASM, and to reflect the amended agenda as approved by the BOD;
12. **19 March 2020:** Change in Stock Transfer Agent from Stock Transfer Services, Inc. to Bank of the Philippine Islands – Stock Transfer Office, effective 1 May 2020;

13. **25 March 2020:** The Executive Committee approval on 24 March 2020 to conduct the Company's ASM scheduled on 20 April 2020 at 2:00 p.m. via remote communication in lieu of an in-person meeting, and to allow the participation of stockholders and other stakeholders in the ASM by accessing the link https://asm.ayala.com/ACEX2020;

14. **27 March 2020:** Amendment on 26 March 2020 of the Notice of ASM to provide the details for the conduct of the Company's ASM via remote communication through https://asm.ayala.com/ACEX2020; and

15. **27 March 2020:** Filing of the Company's Definitive Information Statement.