COVER SHEET
for
SEC FORM 17-Q

SEC Registration Number

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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
2,901	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 **June 30, 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 August 11, 2020.

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

JOHN ERIC T. FRANCIA
President & Chief Executive Officer

MARIA CORAZON G. DIZON
Treasurer and Chief Financial Officer

Annex A

ACE Enexor, Inc.
(Formerly PHINMA Petroleum and Geothermal Inc.)
and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As at June 30, 2020 (with Comparative Audited Figures as at December 31, 2019) and
for the six-month periods ended June 30, 2020 and 2019

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30 2020 (Unaudited)	December 31 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱29,390,336**	₱52,624,376
Receivables - net (Notes 5 and 14)	**217,278**	428,702
Prepaid expenses	**494,119**	541,085
Total Current Assets	**30,101,733**	53,594,163
Noncurrent Assets		
Property and equipment - net (Note 6)	**705,709**	789,421
Deferred exploration costs - net (Note 7)	**59,611,753**	46,040,651
Total Noncurrent Assets	**60,317,462**	46,830,072
TOTAL ASSETS	**₱90,419,195**	₱100,424,235
LIABILITIES AND EQUITY		
Current Liability		
Accounts payable and other current liabilities (Note 8)	**₱26,135,823**	₱33,297,245
Noncurrent Liability		
Deferred income tax liability	–	11,583
Total Liabilities	**26,135,823**	33,308,828
Equity		
Attributable to Equity Holders of the Parent Company:		
Capital stock (Note 10)	**250,000,001**	250,000,001
Deficit	**(185,923,793)**	(183,042,321)
	64,076,208	66,957,680
Non-controlling interest (Note 13)	**207,164**	157,727
Total Equity	**64,283,372**	67,115,407
TOTAL LIABILITIES AND EQUITY	**₱90,419,195**	₱100,424,235

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three-Month Period Ended June 30 (Unaudited)		For the six-month period ended June 30 (Unaudited)	
	2020	2019	**2020**	2019
EXPENSES				
Professional fees	**₱972,875**	₱676,725	**₱1,969,166**	₱1,314,919
Meetings	**160,473**	–	**160,473**	1,105
Depreciation (Note 6)	**41,856**	1,855	**83,712**	3,712
Employee costs	**4,810**	114,236	**40,498**	910,912
Insurance	**4,703**	–	**9,405**	900
Communication	**1,278**	–	**1,278**	–
Training fund expense	–	7,172,633	–	7,172,633
Taxes and licenses	–	28,749	**500**	29,863
Supplies	–	27,427	**1,518**	30,569
Filing and registration fees	–	27,350	**250,000**	278,050
Transportation	–	4,251	–	6,701
Utilities	–	500	–	750
Project development cost	–	–	–	500,000
Others	**60,126**	117,321	**177,867**	244,874
	1,246,121	8,171,047	**2,694,417**	10,494,988
OTHER INCOME (CHARGES)				
Gains on changes in fair value of investments held for trading - net	–	222,864	–	771,417
Interest Income (Note 4)	14,463	5,746	34,597	12,830
Foreign exchange losses - net	**(24,267)**	(101,014)	**(183,798)**	(101,677)
	(9,804)	127,596	**(149,201)**	682,570
LOSS BEFORE INCOME TAX	**1,255,925**	8,043,451	**2,843,618**	9,812,418
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 11)	–	38,483	**(11,583)**	(214,643)
NET LOSS	**1,255,925**	8,081,934	**2,832,035**	9,597,775
OTHER COMPREHENSIVE INCOME	–	–	–	–
TOTAL COMPREHENSIVE LOSS	**₱1,255,925**	₱8,081,934	**₱2,832,035**	₱9,597,775
Total Comprehensive (Loss) Income Attributable to:				
Equity holders of the Parent Company	**(₱1,321,312)**	(₱7,873,279)	**(₱2,881,472)**	(₱9,389,029)
Non-controlling interest (Note 13)	**65,387**	(208,655)	**49,437**	(208,746)
	(₱1,255,925)	(₱8,081,934)	**(₱2,832,035)**	(₱9,597,775)
Basic/Diluted Loss Per Share (Note 12)	**0.005**	0.031	**0.012**	0.038

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED JUNE 30, 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	–	(2,881,472)	(2,881,472)	49,437	(2,832,035)
BALANCES AT JUNE 30, 2020	**₱250,000,001**	**(₱185,923,793)**	**₱64,076,208**	**₱207,164**	**₱64,283,372**
BALANCES AT JANUARY 1, 2019	₱250,000,000	(₱163,904,395)	₱86,095,605	₱716,577	₱86,812,182
Net loss for the period	–	(9,389,028)	(9,389,028)	(208,747)	(9,597,775)
BALANCES AT JUNE 30, 2019	₱250,000,000	(₱173,293,423)	₱76,706,577	₱507,830	₱77,214,407

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six-month period ended June 30	
	2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱2,843,618)**	(₱9,812,418)
Adjustment for:		
Gain on changes in fair value of investments held for trading - net	–	(771,414)
Interest income (Note 4)	**(34,597)**	(12,830)
Depreciation (Note 6)	**83,712**	3,712
Foreign exchange loss	**183,798**	101,677
Operating loss before working capital changes	**(2,610,705)**	(10,491,273)
Decrease (increase) in:		
Receivables	**210,883**	(23,591)
Other current asset	**46,966**	–
Increase (decrease) in accounts payable and other current liabilities	**(7,161,422)**	3,670,392
Interest income received	**34,597**	16,655
Net cash flows used in operating activities	**(9,479,681)**	(6,827,817)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of investments held for trading	–	31,067,007
Additions to:		
Investment held for trading	–	(20,000,000)
Deferred exploration costs (Note 7)	**(13,571,102)**	(4,147,430)
Net cash flows (used in) from investing activities	**(13,571,102)**	6,919,577
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(23,050,783)**	91,760
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(183,257)**	(101,679)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (Note 4)	**52,624,376**	9,863,588
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱29,390,336**	₱9,853,669

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

NOTES TO INTERIM CONDENSED 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 August 10, 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 interim condensed consolidated financial statements were approved and authorized for issuance by the Parent Company's Executive Committee on August 10, 2020.

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

Basis of Preparation

The interim condensed consolidated financial statements of the Group for the six-month period ended June 30, 2020 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

The interim condensed 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 Group's annual consolidated financial statements as at December 31, 2019.

The interim condensed 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 condensed 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 condensed consolidated financial statements comprise the interim condensed financial statements of the Parent Company and its subsidiary, Palawan55, as at June 30, 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.

New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective, including the amendments to PFRS 16, Leases.

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

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

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."
  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018
  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The following amendments to PFRS 16 have not been adopted yet on the interim condensed consolidated financial statements of the Group.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

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

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

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

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

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 Group'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.

Except as otherwise stated, the significant accounting policies, judgements, estimates and assumptions used in the preparation of interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2019.

Estimates

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 ₱59,611,753 and ₱46,040,651 as at June 30, 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 June 30, 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 June 30, 2020 and 2019. The carrying value of receivables amounted to ₱217,278 and ₱428,702 as at June 30, 2020 and December 31, 2019, respectively (see Note 5).

4. Cash and Cash Equivalents

	June 30, 2020	December 31, 2019
Cash on hand and in banks	**₱29,390,336**	₱23,124,376
Short-term deposits	–	29,500,000
	₱29,390,336	₱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 Group and earn interest at the respective short-term deposit rates.

Interest income on cash and short-term deposits amounted to ₱34,597 and ₱12,830 as at June 30, 2020 and 2019, respectively.

5. Receivables

This account consists of the following:

	June 30, 2020	December 31, 2019
Trade receivables	**₱30,210**	₱31,863
Due from third party	**20,000,000**	20,000,000
Due from officers and employees	**56,693**	17,965
Others	**130,375**	378,874
	20,217,278	20,428,702
Less allowance for credit losses	**20,000,000**	20,000,000
	₱217,278	₱428,702

The aging analysis of receivables is as follows:

	June 30, 2020						
			Past Due but not Impaired				
	Total	Neither Past Due nor Impaired	<30 Days	30–60 Days	61–90 Days	Over 90 Days	Past Due and Impaired
Trade receivables	₱30,210	₱–	₱–	₱–	₱–	₱30,210	₱–
Due from third party	20,000,000	–	–	–	–	–	20,000,000
Due from officers and employees	56,693	–	–	–	35,000	21,693	–
Others	130,375	–	–	–	–	130,375	–
	₱20,217,278	₱–	₱–	₱–	₱35,000	₱182,278	₱20,000,000

	December 31, 2019						
			Past Due but not Impaired				
	Total	Neither Past Due nor Impaired	<30 Days	30–60 Days	61–90 Days	Over 90 Days	Past Due and Impaired
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.

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. As at June 30, 2020 and 2019, no additional provision was recognized.

6. Property and Equipment

Details and movement of this account follow:

	June 30, 2020		
	Equipment	**Miscellaneous Assets**	**Total**
Cost:			
Balance at beginning of year	**₱1,045,000**	**₱124,215**	**₱1,169,215**
Less accumulated depreciation:			
Balance at beginning of year	**271,667**	**108,127**	**379,794**
Depreciation expense	**80,000**	**3,712**	**83,712**
Balance at end of period	**351,667**	**111,839**	**463,506**
Net book value	**₱693,333**	**₱12,376**	**₱705,709**

	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 the year	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 June 30, 2020.

7. Deferred Exploration Costs

Details of deferred exploration costs are as follows:

	June 30, 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)	**36,634,065**	23,062,963
	₱59,611,753	₱46,040,651

Below is the rollforward analysis of the deferred exploration costs:

	June 30, 2020	December 31, 2019
Cost:		
Balances at beginning of year	**₱62,651,914**	₱94,258,171
Additions - cash calls	**13,571,102**	16,656,537
Write-offs	**–**	(48,262,794)
Balance at end of period	**76,223,016**	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 period	**16,611,263**	16,611,263
Net book value	**₱59,611,753**	₱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 Group's projects as of June 30, 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:

	June 30, 2020	December 31, 2019
Accounts payable	**1,544,732**	₱10,515,130
Accrued expenses	**5,043,623**	5,052,202
Due to:		
Third party	**11,939,167**	10,146,443
Related parties (see Note 9)	**7,577,272**	7,577,272
Employees	**5,831**	–
Withholding taxes	**25,198**	6,198
	26,135,823	₱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 over withholding 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 for the period 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 six-month period ended June 30, 2020 and year ended December 31, 2019 with related parties are as follows:

	For the six-month period ended June 30, 2020					
			Outstanding Balance			
Company	Amount/ Volume	Nature	Receivable	Payable	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.

<u>Indebtedness of or Advances to Related parties</u>
The Risk Management and Related Party Transactions (RPT) Committee shall review and the Board of Directors approve all SEC defined and Company Recognized Material RPTs before its commencement. SEC defined material related party transactions are any RPT, either individually, or in aggregate over a 12-month period of the Group with the same related party, amounting to 10% or higher of the Group's total consolidated assets based on the latest audited financial statements. Company Recognized Material RPT are any related party transaction/s that meet the threshold values approved by the RPT Committee, i.e. 50 million or 5% of the Group's total consolidated assets, whichever is lower, and other requirements as may be determined by the Committee upon the recommendation of the Risk Management Group.

Identification, review and approval of related party transactions
All (1) SEC-defined material related party transactions, i.e., related party transaction/s, either individually or in aggregate over a twelve (12)-month period of the Group with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited consolidated financial statements; and (2) any related party transaction/s that meet the threshold values approved by the Risk Management and Related Party Transactions Committee (the Committee), i.e., ₱50.00 million or five percent (5%) of the Group's total consolidated assets, whichever is lower, shall be reviewed by the Committee and approved by the BOD before its commencement, except transactions that are explicitly excluded/exempted by the SEC and transactions delegated to management.

For SEC-defined material related party transactions, the approval shall be by at least 2/.3 vote of the BOD, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

For related party transactions that, aggregately within a 12-month period, breach the SEC materiality threshold, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

10. Capital Stock

Following are the details of the Parent Company's capital stock as at June 30, 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 June 30, 2020 and December 31, 2019 are held by 2,901 and 2,903 equity holders, respectively.

11. Income Taxes

a. There was no provision for current tax in June 30, 2020 and 2019 both under RCIT and MCIT.

b. The reconciliation of the Group's provision for (benefit from) income tax using the statutory tax rate is as follows:

	June 30, 2020	June 30, 2019
Income tax at statutory rate	**(₱853,085)**	(₱2,943,725)
Tax effects of:		
Movement in temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized	**851,881**	2,751,955
Effect of difference in tax rates	–	62,769
Realized gains on changes in fair value of investments held for trading	–	(81,793)
Interest income subject to final tax	**(10,379)**	(3,849)
	(₱11,583)	(₱214,643)

c. The Group recognized benefit from deferred income tax amounting to ₱11,583 and ₱214,643 for the six-month period ended June 30, 2020 and 2019, respectively.

d. Deferred income tax assets related to the following temporary differences, including 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.

	June 30, 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	**98,683,149**	97,057,960
Unrealized foreign exchange loss	**336,938**	313,290
	135,631,350	133,982,513
Unrecognized deferred income tax asset	**40,689,405**	40,194,754

e. The details of the Group's NOLCO as at and for the six-month period ended June 30, 2020 and for the year ended December 31, 2019 follows:

		NOLCO	
Year Incurred	Available Until	**2020**	2019
2020	2023	**₱1,625,190**	₱–
2019	2022	**67,478,506**	67,478,506
2018	2021	**20,765,861**	20,765,862
2017	2020	**8,813,592**	8,813,592
		₱98,683,149	₱97,057,960

No deferred income tax asset was recognized as at June 30, 2020 and December 31, 2019.

12. Basic/Diluted Loss Per Share

Basic/diluted loss per share is computed as follows:

	For the six-month period Ended June 30	
	2020	2019
(a) Net loss attributable to equity holders of the Parent Company	**₱2,881,472**	₱9,420,191
(b) Weighted average number of common shares outstanding	**250,000,001**	250,000,000
Basic/diluted loss per share (a/b)	**₱0.012**	₱0.038

As at June 30, 2020 and 2019, the Parent 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 six-month period Ended June 30	
	2020	2019
Equity interest held by NCI	**30.65%**	30.65%
Accumulated balances of NCI	**₱207,164**	₱538,993
Net income (loss) allocated to NCI	**49,437**	(208,746)

The summarized financial information of Palawan55 is provided below.

Statements of Comprehensive Income

	For the six-month period Ended June 30	
	2020	2019
Other income (charges)	**₱200,575**	(₱96,853)
Expenses	**(39,329)**	(584,235)
Total comprehensive income (loss)	**₱161,246**	(₱681,088)
Attributable to NCI	**₱49,437**	(₱208,746)

Statements of Financial Position

	June 30, 2020	December 31, 2019
Total current assets	**₱5,995,329**	₱16,541,678
Total noncurrent assets	**36,634,065**	23,062,963
Total current liabilities	**(41,953,470)**	(39,089,963)
Total equity	**₱675,924**	₱514,678
Attributable to equity holders of the Parent Company	**₱468,760**	₱356,951
NCI	**₱207,164**	₱157,727

Cash Flow Information

	For the six-month period Ended June 30	
	2020	2019
Net cash flows provided by (used in):		
Operating activities	**₱3,020,932**	(₱2,221,932)
Investing activities	**(13,571,102)**	(3,915,414)
Financing activity	**–**	2,553,810

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

14. Financial Risk Management Objectives and Policies

Objectives and Investment Policies
The funds of the entities are held directly by the Group and are managed by AC Energy's Risk, Corporate Finance, Investor Relations and Treasury Group (RCIT). All cash investments of the Group 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 Group 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 Group's financial assets that finance the Group's operations and investments in enterprises.

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

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

Risk Management Process

Foreign Exchange Risk
The Group 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 Group 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 Group has foreign currency exposures arising from cash calls and refunds in currency other than the Philippine peso. The Group's financial instruments denominated in US$ as at June 30, 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$230,431.8**	**₱11,487,253**	US$69,609.7	₱3,532,275
Trade receivable under 'Receivables'	**606.0**	**30,210**	627.9	31,863
	231,037.8	**11,517,463**	70,237.6	3,564,138
Financial Liability				
Accrued expenses	**US$21,333.4**	**₱1,063,491**	US$–	₱–
Due to third party under 'Accounts payable and other current liabilities'	**239,497.1**	**11,939,167**	408,823.0	20,745,314
	260,830.5	**13,002,658**	408,823.0	₱20,745,314
	(US$29,792.7)	**(₱1,485,195)**	(US$338,585.4)	(₱17,181,176)

Exchange rates used were ₱49.851 to $1.00 and 50.744 to $1.00 as at June 30, 2020 and December 31, 2019, respectively.

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

Credit or Counterparty Risk

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

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.

	June 30, 2020					
	Neither Past Due nor Impaired			**Past Due but not Impaired**	**Past Due Individually Impaired**	
	Class A	**Class B**	**Class C**			**Total**
Trade receivables	**₱30,210**	**₱–**	**₱–**	**₱–**	**₱–**	**₱30,210**
Due from third party	**–**	**–**	**–**	**–**	**20,000,000**	**20,000,000**
Due from officers and employees	**–**	**–**	**35,000**	**21,693**	**–**	**56,693**
Others	**–**	**–**	**–**	**130,375**	**–**	**130,375**
	₱30,210	**₱–**	**₱35,000**	**₱152,068**	**₱20,000,000**	**₱20,217,278**

	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 Group, which comprise cash and cash equivalents, the Group'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 Group 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 Group.
- Investment maturities being spread on a weekly, monthly, and annual basis as indicated in the Group'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 June 30, 2020, the Group has already liquidated all outstanding investment in marketable securities and will discontinue investing in highly volatile financial instruments to keep a risk-averse position.

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 Group'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 ₱64,283,372 and ₱67,115,407 as at June 30, 2020 and December 31, 2019, respectively.

Fair Value of Financial Assets and Financial Liabilities

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 June 30, 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 period 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 six-month period ended June 30, 2020 and for the year ended December 31, 2019 were as follows:

	2020	2019
Deferred exploration cost (Note 7)	**₱13,571,102**	₱16,656,537
Property and equipment (Note 6)	–	800,000
	₱13,571,102	₱17,456,537

As at August 10, 2020, the Group has not started commercial operations yet and has no revenue or gross profit. The total assets of the segment of ₱90,419,195 and ₱100,424,235 and liabilities amounting to ₱26,135,823 and ₱33,308,828 as at June 30, 2020 and December 31, 2019, respectively, are the same as that reported in the condensed 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.)* and its subsidiary should be read in conjunction with the unaudited interim condensed consolidated financial statements as at June 30, 2020, for the six-month periods ended June 30, 2020 and 2019 and the audited consolidated financial statements as at December 31, 2019. The unaudited interim condensed consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards.

Results of Operation

	For the six-month period ended June 30		Increase (Decrease)	
	2020	2019	**Amount**	**%**
Interest income	**₱34,597**	₱12,830	21,767	170%
Cost and expenses	**2,694,417**	10,494,988	(7,800,571)	(74%)
Other income (charges)	**(183,798)**	669,740	(853,538)	(127%)
Benefit from income tax	**11,583**	214,643	(203,060)	(95%)
Net Loss	**2,832,035**	9,597,775	6,765,740	(70%)

The following are the material changes in the Consolidated Statements of Income for the half year period ending June 30, 2020 and 2019:

- Interest income went up due to higher level of short-term deposits as compared to same period last year.
- Cost and expenses dropped in the half year period of 2020 mainly driven by the decrease in training fund expense. In 2019, training fund expense was recognized in relation to SC 51 and 69 which are now both fully impaired.
- Other charges for the current period of 2020 is mainly attributable to foreign exchange losses due to dollar-denominated payables. Same period last year 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 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

	June	**December**	**Increase (Decrease)**	
	2020	**2019**	**Amount**	**%**
Current Assets				
Cash and cash equivalents	**₱29,390,336**	₱52,624,376	(₱23,234,040)	(44%)
Receivables	**217,278**	428,702	(211,424)	(49%)
Noncurrent Assets				
Property and equipment	**705,709**	789,421	(83,712)	(11%)
Current Liabilities				
Accounts payable and other current liabilities	**₱26,135,823**	₱33,297,245	(P7,161,422)	(22%)
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 June 30, 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 for the current period.
- Liquidation of advances to service provider for business expenses accounted for the decrease in receivables.
- Decrease in property and equipment due to normal depreciation.
- The Company's current liabilities dropped due to settlement of training commitment pertaining to SC69.
- Deferred tax liability was closed in 2020.

Financial Soundness Indicators

Key Performance Indicator	Formula	Jun 2020	Dec 2019	Increase (Decrease) Amount	Increase (Decrease) %
Liquidity Ratios Current Ratio	Current assets / Current liabilities	**1.15**	1.61	(0.46)	(29%)
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets / Current liabilities	**1.13**	1.59	(0.46)	(29%)
Solvency Ratios Debt-to-equity ratio	Total liabilities / Total equity	**0.41**	0.50	(0.09)	(18%)
Asset-to-equity ratio	Total assets / Total equity	**1.41**	1.50	(0.09)	(6%)
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	June 2020	June 2019	Increase (Decrease)	
				Amount	%
Profitability					
Return on equity	Net income after tax / Average stockholders' equity	**(4.31%)**	(11.70%)	7.39%	(63%)
Return on assets	Net income after taxes / Average total assets	**(2.97%)**	(10.22%)	7.25%	(71%)
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 decreased as the Company settled its liabilities and incurred expenditures for activities during the period.

Debt-to-equity ratio

The Company has minimal liabilities and is funded mainly through equity.

Asset-to-equity ratio

As at June 30, 2020, asset-to-equity ratio decreased due to lower cash and cash equivalents with the payment of accrued training commitments.

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 as 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 half year period 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 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.

<u>**Annex “B-1”**</u>

ACE ENEXOR, INC.

PROGRESS REPORT
For the Quarter April 01, 2020 to June 30, 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)

Enexor’s subsidiary, Palawan55 Exploration& Production Corporation, is currently interpreting SC 55 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 interest 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.

On 13 April 2020, the DOE confirmed SC 55 Consortium’s entry into the Appraisal Period effective 26 April 2020 which carries a firm one (1) well drilling commitment within the first two years of said period.

Certified Correct:

RAYMUNDO A. REYES, JR.
President and COO

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 second quarter ended June 30, 2020:

1. **April 8, 2020:** List of Top 100 Stockholders for the period ended March 31, 2020

2. **April 13, 2020:** Request for an extension to submit the Company's Annual Report in view of the imposition of an Enhanced Community Quarantine and Stringent Distancing Measures over Luzon and across other provinces in the country to prevent the spread of the 2019 Coronavirus Disease (COVID 19)

3. **April 15, 2020:** DOE's confirmation of entry of Service Contract No. 55 into the Appraisal Period

4. **April 16, 2020:** Public Ownership Report for the for the Quarter ended March 31, 2020

5. **April 21, 2020:** Results of Annual Stockholders Meeting held on April 20, 2020, 2:00 p.m., conducted virtually via livestream at https://asm.ayala.com/ACEX2020

6. **April 21, 2020:** Results of Organizational Meeting of the Board of Directors held on April 20, 2020:
   a. Appointment of officers
   b. Appointment of chairperson and members of the board committees
   c. Appointment of Ms. Ma. Aurora Geotina-Garcia as the lead independent director; and
   d. First quarter financial performance

7. **May 14, 2020:** Annual Report for the fiscal year ended December 31, 2019

8. **May 14, 2020:** Quarterly Report for the period ended March 31, 2020

9. **May 15, 2020:** Amendment on the disclosure of the Quarterly Report for the period ended March 31, 2020 to remove the parentheses on the following fields of the Income Statement: Gross Expense, Non-Operating Expense, and Income Tax Expense.

10. **June 26, 2020:** Amendment of the disclosure on the Annual Report for the fiscal year ended December 31, 2019 to attach the signed and notarized SEC Form 17-A of the Company, and the signed and notarized Statement of Management Responsibility of the Company's Consolidated (Annex A) and Parent (Annex B) audited financial statements.