COVER SHEET
for
SEC FORM 17-Q

SEC Registration Number

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Company Name

ACE ENEXOR, 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
2,899	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, 2021**

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.**

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	**None registered in the Philippine SEC and listed In PDEX/others**

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 14, 2021.

ACE ENEXOR, INC.

JOHN ERIC T. FRANCIA
Chairman of the Board,
President and CEO

MARIA CORAZON G. DIZON
Treasurer and Chief Financial Officer

Annex A

ACE Enexor, Inc.
and Subsidiary

Unaudited Interim Condensed Consolidated Financial Statements
as at March 31, 2021 (with Comparative Audited Figures
as at December 31, 2020) and for the three-month periods ended
March 31, 2021 and 2020.

ACE ENEXOR, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31 2021 (Unaudited)	December 31 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱31,399,174**	₱27,515,014
Receivables (Notes 5 and 14)	**226,443**	226,443
Other current assets	**64,659**	24,399
Total Current Assets	**31,690,276**	27,765,856
Noncurrent Assets		
Property and equipment (Note 6)	**576,631**	619,189
Deferred exploration costs (Note 7)	**45,119,906**	66,546,216
Total Noncurrent Assets	**45,696,537**	67,165,405
TOTAL ASSETS	**₱77,386,813**	₱94,931,261
LIABILITIES AND EQUITY		
Current Liability		
Accrued expenses and other current liabilities (Note 8)	**₱50,285,695**	₱41,964,130
Total Liabilities	**₱50,285,695**	₱41,964,130
Equity		
Attributable to Equity Holders of the Parent Company:		
Capital stock (Note 10)	**250,000,001**	250,000,001
Deficit	**(220,271,721)**	(194,808,886)
	29,728,280	55,191,115
Non-controlling interest (Note 13)	**(2,627,162)**	(2,223,984)
Total Equity	**27,101,118**	52,967,131
TOTAL LIABILITIES AND EQUITY	**₱77,386,813**	₱94,931,261

See accompanying Notes to Consolidated Financial Statements.

ACE ENEXOR, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the three months ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
EXPENSES		
Provision for probable losses (Note 7)	**₱23,379,340**	₱–
Management and professional fees	**2,114,339**	1,031,980
Filing and registration fees	**302,650**	285,000
Depreciation (Note 6)	**42,558**	41,856
Taxes and licenses	**18,627**	500
Rent	–	29,175
Insurance	–	4,703
Supplies	–	1,518
Others	**9,094**	53,563
	25,866,608	1,448,295
OTHER CHARGES - NET		
Foreign exchange loss (gain) loss – net	**(595)**	159,531
Interest income (Note 4)	–	(20,133)
	(595)	139,398
LOSS BEFORE INCOME TAX	**25,866,013**	1,587,693
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 11)	–	(11,583)
NET LOSS	**25,866,013**	1,576,110
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE LOSS	**₱25,866,013**	₱1,576,110
Total Comprehensive Loss Attributable to:		
Equity holders of the Parent Company	**₱25,462,835**	₱1,560,160
Non-controlling interest (Note 13)	**403,178**	15,950
	₱25,866,013	₱1,576,110
Basic/Diluted Loss Per Share (Note 12)	**₱0.102**	₱0.006

See accompanying Notes to Consolidated Financial Statements.

ACE ENEXOR, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

	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, 2021	**₱250,000,001**	**(₱194,808,886)**	**₱55,191,115**	**(₱2,223,984)**	**₱52,967,131**
Total comprehensive loss/ net loss for the year	–	(25,462,835)	(25,462,835)	(403,178)	(25,866,013)
BALANCES AT MARCH 31, 2021	**₱250,000,001**	**(₱220,271,721)**	**₱29,728,280**	**(₱2,627,162)**	**₱27,101,118**
BALANCES AT JANUARY 1, 2020	**₱250,000,001**	**(₱183,042,321)**	**₱66,957,680**	**₱157,727**	**₱67,115,407**
Total comprehensive loss/ net loss for the year	–	(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**

See accompanying Notes to Consolidated Financial Statements.

ACE ENEXOR, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱25,866,013)**	(₱1,587,693)
Adjustments for:		
Depreciation (Note 6)	**42,558**	41,856
Unrealized foreign exchange (gain) loss - net	**595**	35,828
Interest income (Note 4)	**–**	(20,133)
Provision for probable losses (Note 7)	**23,379,340**	–
Operating loss before working capital changes	**(2,443,520)**	(1,530,142)
Decrease (increase) in:		
Receivables	**–**	214,612
Other current assets	**(40,260)**	44,266
Increase (decrease) in accrued expenses and other current liabilities	**8,321,566**	(10,479,218)
Cash used in operations	**5,837,786**	(11,750,482)
Interest income received	**–**	20,133
Net cash used in (generated from) operating activities	**5,837,786**	(11,730,349)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Deferred exploration costs (Note 7)	**(1,953,031)**	(1,109,874)
Net cash used in investing activities	**(1,953,031)**	(1,109,874)
CASH FLOWS FROM A FINANCING ACTIVITY	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,884,755**	(12,840,223)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(595)**	13,170
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 4)	**27,515,014**	52,624,376
CASH AND CASH EQUIVALENTS AT END OF QUARTER (Note 4)	**₱31,399,174**	₱39,797,323

See accompanying Notes to Consolidated Financial Statements.

ACE ENEXOR, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

ACE Enexor, Inc. (“ACEX” 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 Corporation (“ACEN” or the Intermediate Parent Company). The ultimate parent company is Mermac, Inc. ACEN and Mermac, Inc. are both incorporated and domiciled in the Philippines. Both ACEX and Palawan55 are domiciled in the Philippines and have not yet started commercial operations as at May 14, 2021.

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 and Infrastructure Corporation (“ACEIC”, formerly AC Energy, Inc.) signed an investment agreement for ACEIC’s acquisition of the PHINMA Group’s 51.476% stake in ACEN via a secondary share sale through the Philippine Stock Exchange (PSE). On June 24, 2019, the PSE confirmed the special block sale of ACEN shares to ACEIC.

ACEN conducted a Voluntary Tender Offer of ACEX shares on May 20, 2019 to June 19, 2019, with 3,332 ACEX public shares tendered during the tender offer period at ₱2.44 per share. On June 24, 2019, ACEN acquired the shares of PHINMA, Inc. and PHINMA Corporation in ACEX representing 25.18% of ACEX’s total outstanding stock. The transaction increased ACEN’s direct ownership over ACEX from 50.74% as at December 31, 2018 to 75.92% as at December 31, 2020 and 2019.

On July 23, 2019, the Board of Directors (BOD) of ACEX approved the following amendments to the articles of incorporation of ACEX:
- Change in corporate name to ACE Enexor, Inc. 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 14, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards ("PAS") 34, *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis. 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 to the nearest Peso, except when otherwise indicated.

The unaudited 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 and for the year ended December 31, 2020.

Basis of Consolidation

The interim consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary, Palawan55, as at March 31, 2021 and December 31, 2020. The interim financial statements of the subsidiary are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiary to bring its accounting policies in line with the Parent Company's 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, 2020, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*
  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods. The amendments did not have a material impact on the Group.

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.

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:

    - The legal form of the separate vehicle
    - The terms of the contractual arrangement
    - 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, 2021 and December 31, 2020, the Group's SCs are assessed as joint arrangements in the form of joint operations (see Note 7).

<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 recognized impairment loss on its deferred exploration costs amounting to ₱23,379,340 in March 31, 2021 and nil in March 31, 2020 (presented as "Provision for probable losses" under "Expenses" in the consolidated statements of comprehensive income). The carrying value of deferred exploration costs amounted to ₱45,119,906 and ₱66,546,216 as at March 31, 2021 and December 31, 2020, respectively (see Note 7).

Recognition 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. Unrecognized deferred tax assets as at March 31, 2021 and December 31, 2020 amounted to nil and ₱ 41,668,734, respectively (see Note 11).

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 As at March 31, 2021 and December 31 2020, the allowance for credit losses amounted to ₱20,000,000 (see Note 5).

The carrying value of receivables amounted to ₱226,443 as at March 31, 2021 and December 31, 2020 (see Note 5).

4. Cash and Cash Equivalents

Cash in banks is at ₱31,399,174 as of March 31, 2021 and at ₱27,515,014 as of December 31, 2020. 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. There were no short-term deposits reported as of March 31, 2021 and December 31, 2020.

Interest income on cash and short-term deposits amounted to nil and ₱20,133 as at March 31, 2021 and 2020, respectively.

5. Receivables

This account consists of the following:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Due from third party	**₱20,000,000**	₱20,000,000
Trade receivables	**30,750**	30,750
Others	**195,693**	195,693
	20,226,443	20,226,443
Less allowance for credit losses	**20,000,000**	20,000,000
	₱226,443	₱226,443

The aging analysis of receivables is as follows:

	March 31, 2021 (Unaudited)						
		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	**Impaired**	**<30 Days**	**30–60 Days**	**61–90 Days**	**Over 90 Days**	**Impaired**
Due from third party	**₱20,000,000**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱20,000,000**
Trade receivables	**30,750**	**30,750**	**–**	**–**	**–**	**–**	**–**
Others	**195,693**	**195,693**	**–**	**–**	**–**	**–**	**–**
	₱20,226,443	**₱226,443**	**₱–**	**₱–**	**₱–**	**₱–**	**₱20,000,000**

	December 31, 2020 (Audited)						
		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	Impaired	<30 Days	30–60 Days	61–90 Days	Over 90 Days	Impaired
Due from third party	₱20,000,000	₱–	₱–	₱–	₱–	₱–	₱20,000,000
Trade receivables	30,750	30,750	–	–	–	–	–
Others	195,693	195,693	–	–	–	–	–
	₱20,226,443	₱226,443	₱–	₱–	₱–	₱–	₱20,000,000

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.

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.

Others pertain to advances to employees and a service provider subject to liquidation.

The Group's due from third party and trade receivables have been reviewed for indicators of impairment. In 2016, the Group recognized a provision for credit losses amounting to ₱20,000,000 on its advance payment to Frontier Oil. As at March 31, 2021 and December 31, 2020, no additional provision was recognized.

6. Property and Equipment

Details and movement of this account follow:

	March 31, 2021 (Unaudited)		
	Equipment	**Miscellaneous Assets**	**Total**
Cost:			
Balance at beginning and end of year	**₱1,045,000**	**₱124,215**	**₱1,169,215**
Less accumulated depreciation:			
Balance at beginning of year	**434,474**	**115,552**	**550,026**
Depreciation	**40,702**	**1,856**	**42,558**
Balance at end of year	**475,176**	**117,408**	**592,584**
Net book value	**₱569,824**	**₱6,807**	**₱576,631**

	December 31, 2020 (Audited)		
	Equipment	Miscellaneous Assets	Total
Cost:			
Balance at beginning and end 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	162,807	7,425	170,232
Balance at end of year	434,474	115,552	550,026
Net book value	₱610,526	₱8,663	₱619,189

Miscellaneous assets pertain to software and licenses.

7. Deferred Exploration Costs

Details of deferred exploration costs are as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Palawan55		
SC 55 (Southwest Palawan)	**₱45,119,906**	₱43,308,343
ACEX		
SC 6 (Northwest Palawan):		
Block A	**23,379,340**	23,237,873
Block B	**4,892,178**	4,892,178
SC 50 (Northwest Palawan)	**11,719,085**	11,719,085
	39,990,603	39,849,137
Less allowance for probable losses	**39,990,603**	16,611,263
	–	23,237,873
	₱45,119,906	₱66,546,216

Below is the rollforward analysis of the deferred exploration costs:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost:		
Balances at beginning of year	**₱83,157,479**	₱62,651,914
Additions	**1,953,030**	20,505,565
Balance at end of year	**85,110,509**	83,157,479
Allowance for a probable loss:		
Balances at beginning of year	**16,611,263**	16,611,263
Provisions for the year	**23,379,340**	–
Balance at end of year	**39,990,603**	16,611,263
Net book value	**₱45,119,906**	₱66,546,216

The foregoing deferred exploration costs represent the Group’s share in the expenditures incurred under petroleum SCs with the 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, 2021.

In 2016, the Group recognized full provision for probable loss on SC 50 amounting to ₱11,719,085 due to the expiration of the SC's term and denial by the DOE of the request for Force Majeure.

On January 27, 2021, the ACEX Executive Committee approved the Parent Company's withdrawal from the SC 6 Block A consortium. SC 6A does not have any commercial operations. Provision for probable loss was recognized for SC 6A amounting to ₱23,379,340. Write-off of SC 6 will be done when DOE approval is received.

Additions for the period for SC 55 pertains to the well engineering, drilling planning services and assessment.

No impairment was recognized for SC 55 as at March 31, 2021 and December 31, 2020 as there are no indicators for impairment.

8. Accrued Expenses and Other Current Liabilities

This account consists of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Accrued expenses	**₱1,600,634**	₱1,564,901
Due to:		
Related parties (see Note 9)	**28,920,931**	27,446,233
Third party	**19,694,914**	9,847,155
Withholding taxes	**69,216**	3,105,841
	₱50,285,695	₱41,964,130

Accrued expenses include accrual for professional fees and training obligations for SC 6A and SC 55 payable to the DOE. Accruals for professional fee are noninterest-bearing and are settled on 30 to 60-day terms. Training obligations payable to the DOE are due and demandable.

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. Accounts payable are trade payables to suppliers and service providers.

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

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 three-month period ended March 31, 2021 and year ended December 31, 2020 with related parties are as follows:

	For the three months ended March 31, 2021 (Unaudited)					
			Outstanding Balance			
Company	Amount/ Volume	Nature	Receivable	Payable	Terms	Conditions
Intermediate Parent Company						
ACEN						
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	**₱–**	Management fees	**₱–**	**₱2,448,000**	30–60 day terms; noninterest-bearing	Unsecured
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	**–**	Management fees capitalized as deferred exploration cost	**–**	**12,240,000**	30–60 day terms; noninterest-bearing	Unsecured
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	**–**	Management fees charged to consortium partner	**–**	**5,100,000**	30–60 day terms; noninterest-bearing	Unsecured
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	**1,383,534**	Advances	**–**	**8,960,806**	30–60 day terms; noninterest-bearing	Unsecured
Entities Under Common Control of Intermediate Parent Company						
BPI						
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	**172,125**	Professional fees	**–**	**172,125**	30–60 day terms; noninterest-bearing	Unsecured
Due to related parties (see Note 8)			**₱–**	**₱28,920,931**		

	As at and for the Year Ended December 31, 2020 (Audited)					
			Outstanding Balance			
Company	Amount/ Volume	Nature	Receivable	Payable	Terms	Conditions
Intermediate Parent Company						
ACEN						
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	₱2,448,000	Management fees	₱–	₱2,448,000	30–60 day terms; noninterest-bearing	Unsecured
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	15,300,000	Management fees capitalized as deferred exploration cost	–	12,240,000	30–60 day terms; noninterest-bearing	Unsecured

	As at and for the Year Ended December 31, 2020 (Audited)					
	Amount/		Outstanding Balance			
Company	Volume	Nature	Receivable	Payable	Terms	Conditions
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	5,100,000	Management fees charged to consortium partner	–	5,100,000	30–60 day terms; noninterest-bearing	Unsecured
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	–	Advances	–	7,577,272	30–60 day terms; noninterest-bearing	Unsecured
Entities Under Common Control of Intermediate Parent Company						
ACE Shared Services, Inc. (ACES)						
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	134,400	Management fees	–	80,961	30–60 day terms; noninterest-bearing	Unsecured
Due to related parties (see Note 8)			₱–	₱27,446,233		

ACEN

ACEN provided advances to the Group for the quarter to fund expenditures related to the SC work programs. ACEN also billed management fees to Palawan55 in 2020 which included ₱9.0 million pertaining to compensation of officers, amount is still outstanding as at March 31, 2021.

BPI

Payable to BPI pertains to the payment of Parent Company for its legal retainer's fee.

Compensation of Key Management Personnel

Starting January 1, 2020, the compensation of the Group's key management personnel is paid by the Intermediate Parent Company and as such, the necessary disclosures required by PAS 24, *Related Party Disclosures*, are included in the financial statements of the Intermediate Parent Company.

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.

10. **Capital Stock**

Following are the details of the Parent Company's capital stock as at March 31, 2021 and December 31, 2020:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Authorized - ₱1 par value	**1,000,000,000**	1,000,000,000
Issued and outstanding - ₱1 par value	**250,000,001**	250,000,001

The issued and outstanding shares as at March 31, 2021 and December 31, 2020 are held by 2,899 equity holders.

11. **Income Taxes**

a. There was no provision for current tax in March 31, 2021 and 2020 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:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Income tax at statutory rate	**(₱6,466,503)**	(₱4,247,958)
Tax effects of:		
Movement in temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized	**6,466,503**	4,200,462
Nondeductible expenses	**–**	58,497
Interest income subject to final tax	**–**	(22,584)
	₱–	(₱11,583)

c. The Group recognized benefit from income tax amounting to nil and ₱11,583 in March 2021 and 2020, respectively.

d. Deferred tax liability amounted to ₱11,583 as at December 31, 2019 and recognized an additional deferred tax liability amounting to ₱46,177 in 2020. The deferred tax liability as at December 31, 2020 relates to unrealized gain on foreign exchange translation. The Group recognized deferred tax asset up to the extent of the deferred tax liability in 2020.

e. Deferred income tax assets related to the following temporary differences, including NOLCO 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, 2021 (Unaudited)	December 31, 2020 (Audited)
NOLCO	**₱106,938,657**	₱101,686,318
Provisions for:		
Credit losses (see Note 5)	**20,000,000**	20,000,000
Probable losses (see Note 7)	**39,990,603**	16,611,263
Unrealized foreign exchange loss - net	**595**	598,199
	₱166,929,855	₱138,895,780
Unrecognized deferred income tax asset	**₱41,732,464**	₱41,668,734

Movements in the NOLCO are shown in the table below:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2017	2018-2020	₱8,813,592	₱–	(₱8,813,592)	₱–	₱–
2018	2019-2021	20,765,862	–	(20,765,862)	–	–
2019	2020-2022	67,478,506	–	–	–	67,478,506
2020*	2021-2025	13,595,875	–	–	–	13,595,875
2021*	2022-2026	25,864,276				25,864,276
		₱136,518,111	₱–	(₱29,579,454)	₱–	₱106,938,657

**RR-15-20 Bayanihan Act 2: NOLCO incurred for the taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive years.*

President Duterte signed Corporate Recovery and Tax Incentives for Enterprises ("CREATE") bill into law

On March 26, 2021, President Duterte has signed Republic Act (RA) 11534 or the CREATE Act which introduce reforms to the corporate income tax and incentives system and to attract more investments and maintain fiscal prudence and stability.

RA 11534 cuts corporate income tax rate to 25% from the current 30%. This is retroactive from July 1, 2020. The law provides that corporations' income and expenses for the fiscal year shall be deemed to have been earned and spent equally for each month of the period. The corporate income tax rate shall be applied on the amount computed by multiplying the number of months covered by the new rate within the fiscal year by the taxable income of the corporation for the period, divided by the twelve.

RA 11524, which was released by Malacañang on March 26, 2020, takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

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

Basic/diluted loss per share is computed as follows:

	For the three months ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
(a) Net loss attributable to equity holders of the Parent Company	**₱25,462,835**	₱1,560,160
(b) Weighted average number of common shares outstanding	**250,000,001**	250,000,001
Basic/diluted loss per share (a/b)	**₱0.102**	₱0.006

As at March 31, 2021 and December 31, 2020, the Group 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	
	2021 (Unaudited)	2020 (Unaudited)
Equity interest held by NCI	**30.65%**	30.65%
Accumulated balances of NCI	**₱2,627,162**	₱141,777
Net loss allocated to NCI	**403,178**	15,950

The summarized financial information of Palawan55 is provided below.

Statements of Comprehensive Income

	For the three months ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
Other loss (income)	**₱5,792**	₱–
Expenses	**1,309,634**	52,041
Total comprehensive loss	**₱1,315,426**	₱52,041
Attributable to NCI	**₱403,178**	₱15,950

Statements of Financial Position

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Total current assets	**₱12,231,975**	₱7,462,931
Total noncurrent assets	**45,119,906**	43,308,343
Total current liabilities	**(65,925,082)**	(58,027,268)
Total equity	**(₱8,573,201)**	(₱7,225,994)
Attributable to equity holders of the Parent Company	**(₱5,946,039)**	(₱5,032,010)
NCI	**(₱2,627,162)**	(₱2,223,984)

Cash Flow Information

	For the three months ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
Net cash flows provided by (used in):		
Operating activities	₱4,771,385	(₱389,069)
Investing activities	–	(1,109,874)
Financing activity	–	–

There were no dividends paid to NCI in March 31, 2021 and 2020.

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 ACEIC's Risk, Corporate Finance, Investor Relations and Treasury Group (RCITG). 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

RCITG 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.

RCITG 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 March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021 (Unaudited)		December 31, 2020 (Audited)	
	In US$	**In Philippine Peso**	In US$	In Philippine Peso
Financial Assets				
Cash and cash equivalents	**US$410,161**	**₱19,878,856**	US$298,907	₱14,358,297
Trade receivable under 'Receivables'	**–**	**–**	–	–
	410,161	**19,878,856**	298,907	14,358,297
Financial Liability				
Due to third party under 'Accounts payable and other current liabilities'	**(US$6,843)**	**(331,674)**	–	–
	US$403,318	**₱19,547,182**	US$298,907	₱14,358,297

Exchange rates used were ₱48.466 to $1.00 and ₱48.036 to $1.00 as at March 31, 2021 and December 31, 2020, 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 RCITG before it is executed subject to the Chief Financial Officer (CFO) approval. Exposure limits are tracked for every transaction and RCITG 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, 2021 (Unaudited)					
	Neither Past Due nor Impaired			**Past Due but not**	**Past Due Individually**	
	Class A	**Class B**	**Class C**	**Impaired**	**Impaired**	**Total**
Trade receivables	**₱–**	**₱–**	**₱–**	**₱30,750**	**₱–**	**₱30,750**
Due from third party	**–**	**–**	**–**	**–**	**20,000,000**	**20,000,000**
Others	**–**	**–**	**–**	**195,693**	**–**	**195,693**
	₱–	**₱–**	**₱–**	**₱226,443**	**₱20,000,000**	**₱20,226,443**

	December 31, 2020 (Audited)					
	Neither Past Due nor Impaired			Past Due but not	Past Due Individually	
	Class A	Class B	Class C	Impaired	Impaired	Total
Trade receivables	₱–	₱–	₱–	₱30,750	₱–	₱30,750
Due from third party	–	–	–	–	20,000,000	20,000,000
Others	–	–	–	195,693	–	195,693
	₱–	₱–	₱–	₱226,443	₱20,000,000	₱20,226,443

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.

The cash balance of the Group as at March 31, 2021 is more than enough to pay its accrued expenses and withholding taxes totaling ₱1.67 million (see Note 8) and operating expenses. The consortium requested the DOE for the declaration of a one-year force majeure due to the adverse effects of the COVID-19 pandemic.

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 at March 31, 2021 and December 31, 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 re-challenged 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 ₱27,101,118 and ₱52,967,131 as at March 31, 2021 and December 31, 2020, respectively.

Fair Value of Financial Assets and Financial Liabilities
Cash and Cash Equivalents, Receivables and Accrued Expenses 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.

Financial assets at FVTPL. Net asset value per unit has been used to determine the fair values of investments held for trading.

In 2021 and 2020, there were no transfers between levels of fair value measurement.

Offsetting of Financial Instruments
There was no offsetting of financial instruments as at March 31, 2021 and December 31, 2020.

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 three-month period ended March 31, 2021 and for the year ended December 31, 2020 were at ₱1,953,030 and ₱20,505,565, respectively, mainly on deferred exploration cost (see Note 7).

As at May 14, 2021, the Group has not started commercial operations yet and has no revenue or gross profit. The total assets of the segment of ₱77,386,813 and ₱94,931,261 and liabilities amounting to ₱50,285,695 and ₱41,964,130 as at March 31, 2021 and December 31, 2020, respectively, are the same as that reported in the consolidated statements of financial position.

16. Impact of the Coronavirus Disease 2019 (COVID-19) Outbreak

The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of Overseas Filipino Workers ("OFWs") globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the recent outbreak of COVID-19, the Philippines has imposed travel bans on several affected countries, which may have an adverse impact on ACEX's projects.

Due to numerous uncertainties and factors beyond its control, the Group is unable to predict the impact that COVID-19 will have going forward on its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:
- the severity and duration of the pandemic, including whether there is a "second wave" or "third wave" or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Group operates;
- the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, stay-at-home or other lockdown measures as well as measures taken by the Group's regulators;

- restrictions on operations up to and including complete or partial closure of offices, plants and other facilities;
- economic measures, fiscal policy changes, or additional measures that have not yet been effected;
- the health of, and effect of the pandemic on, the Group's personnel and the Group's ability to maintain staffing needs to effectively operate its power generation portfolio;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- impacts - financial, operational or otherwise - on the Group's supply chain, including manufacturers, suppliers and third party contractors, particularly for ongoing maintenance and construction of certain plants and facilities;
- volatility in the credit and financial markets during and after the pandemic;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Group's actions in response thereto;
- the pace of recovery when the pandemic subsides; and
- the long-term impact of the pandemic on the Group's businesses.

Business Impact

COVID-19 and the various measures to contain it have caused disruptions to businesses and economic activities globally. The resulting drop in demand for electricity drove oil prices lower in the global upstream petroleum industry, adversely affected the businesses of oil players and service providers, and limited transport of goods and services and movement of personnel. This prompted the SC55 consortium to request for a one-year Force Majeure declaration from the DOE to extend the period for the drilling activity required during the Appraisal Period (see Note 7).

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" and its subsidiary should be read in conjunction with the unaudited interim consolidated financial statements as at March 31, 2021, for the three months ended March 31, 2021 and 2020 and the audited consolidated financial statements as at December 31, 2020. 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)**	
	2021	2020	**Amount**	**%**
Expenses	**₽25,866,608**	₽1,448,295	₽24,418,313	1,686%
Other charges (income) - net	**(595)**	139,398	(139,993)	(100%)
Loss before income tax	**25,866,013**	1,587,693	24,278,320	1,529%
Benefit from income tax	–	11,583	(11,583)	(100%)
Net Loss	**₽25,866,013**	₽1,576,110	₽24,289,903	1,541%

The following are the material changes in the Consolidated Statements of Comprehensive Income for the three months ended March 31, 2021 and 2020:

- The increase in expenses is mainly driven by the full impairment of service contract (SC) 6A of the Parent Company amounting to ₽ 23.38 million. Professional fees and employee costs aggregating to ₽1.78 million were incurred this year, higher than same period last year of ₽1.03 million.
- Other charges (income) - net for the quarter comprised of foreign exchange gains from dollar-denominated deposits with the appreciation of the US dollar. Last year registered significant foreign exchange losses on dollar-denominated payables which were subsequently settled within 2020.
- Current quarter's benefit from income tax was nil. Benefit from income tax was fully realized in 2020 which pertains to unrealized gain from foreign exchange changes from 2019.

Consolidated Statements of Financial Position

	March 2020	December 2019	Increase (Decrease) Amount	%
Current Assets				
Cash and cash equivalents	**₱31,399,174**	₱27,515,014	₱3,884,160	14%
Other current assets	**64,659**	24,399	40,260	165%
Noncurrent Assets				
Property and equipment	**₱576,631**	₱619,189	(₱42,558)	(7%)
Deferred exploration costs	**45,119,906**	66,546,216	(21,426,310)	(32%)
Current Liability				
Accrued expenses and other current liabilities	**₱50,285,695**	₱41,964,130	₱8,321,565	20%

The following are the material changes in the Consolidated Statements of Financial Position as at March 31, 2021 and December 31, 2020:

- Increase in cash and cash equivalents was primarily due to the cash call related to SC55 which amounted to ₱ 9.12 million offset by the by payment of the various expenditures related to the Company's activities for the current period aggregating to ₱ 5.24 million such as creditable and expanded withholding tax, employee costs and resource assessment for SC55.
- Increase in other current assets was primarily due to deferred VAT related to services recognized this quarter.
- Decrease in property and equipment is due to depreciation.
- Decrease in deferred exploration costs was primarily due to the full impairment of SC6A amounting to ₱ 23.38 million as a result of Parent Company's withdrawal from the consortium.
- The Group's current liabilities increased mainly due to cash call related to SC 55 partly offset by the payment of expanded withholding tax.

Financial Soundness Indicators

Key Performance Indicator	Formula	Mar 2021	Dec 2020	Increase (Decrease) Amount	%
Liquidity Ratios					
Current Ratio	Current assets / Current liabilities	**0.63**	0.66	(0.03)	(5%)
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets / Current liabilities	**0.63**	0.66	(0.03)	(5%)
Solvency Ratios					
Debt-to-equity ratio	Total liabilities / Total equity	**1.86**	0.79	1.07	135%
Asset-to-equity ratio	Total assets / Total equity	**2.86**	1.79	1.07	60%

Key Performance Indicator	Formula	Mar 2021	Dec 2020	Increase (Decrease)	
				Amount	%
Net bank Debt to Equity Ratio	(Short & long-term loans - Cash & Cash Equivalents) / Total Equity	**N/A**	N/A	N/A	N/A

Key Performance Indicator	Formula	Mar 2021	Mar 2020	Increase (Decrease)	
				Amount	%
Profitability					
Return on equity	Net income after tax / Average stockholders' equity	**N/A**	N/A	N/A	N/A
Return on assets	Net income after taxes / Average total assets	**N/A**	N/A	N/A	N/A
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 Group's current liabilities increased due to the additional expenditures related to SC55.

Debt-to-equity ratio

The Group's debt-to-equity ratio increased due to the increase in the total liabilities with lower equity due to net loss for the quarter.

Asset-to-equity ratio

As of March 31, 2021, asset-to-equity ratio increased due to higher cash and cash equivalents with lower equity due to net loss for the quarter.

Return on equity, Return on assets and Asset turnover

These ratios are not applicable since the Group has not started commercial operations yet.

During the first quarter 2021:

- 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.

- As disclosed in Note 7.e of the Consolidated Financial Statements, the SC 55 Consortium is committed to the Appraisal Period Work Program and Budget which includes the drilling of one (1) well within the next two years plus a one-year Force Majeure period if approved by the DOE. There were no other material trends, demands, commitments, events or uncertainties known to the Group that would likely affect adversely the liquidity of the Group.
- 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 were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
- There were no operations subject to seasonality and cyclicality.

ANNEX B-1
Progress Report

ACE ENEXOR, INC.
PROGRESS REPORT
For the Quarter January 01, 2020 to March 31, 2021

SC 6 Block A (Northwest Palawan)

On 26 January 2021, ACE Enexor withdrew from the SC 6 Block A Consortium effective 31 December 2020.

On 31 March 2021, the remaining partners notified the DOE of their relinguishment of the block.

SC 55 (Ultra Deepwater West Palawan)

Enexor's subsidiary, Palawan55 Exploration & Production Corporation, engaged a third party to undertake an independent Resource Assessment of certain prospects in the contract area. Preparation of a Drilling Proposal for the selected prospect was completed.

The Consortium's request for the declaration of a one-year Force Majeure under Section 26.01 of SC 55 in view of the of the COVID-19 pandemic, remains pending with the DOE.

Palawan55 has 75% participating interest in SC 55 and is the Operator.

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 first quarter ended 31 March 2021:

1. January 6, 2021 – Public Ownership Report for the quarter ended 31 December 2020
2. January 7, 2021 – Attendance of the members of the Board of Directors in meetings held in 2020;
3. January 14, 2021 – Annual Verification of the Department of Energy ("**DOE**")
4. January 14, 2021 – List of Top 100 Stockholders as provided by the Stock Transfer Agent and PDTC for the period ended 31 December 2020;
5. January 21, 2021 – Amendment of the Public Ownership Report for the quarter ended 31 December 2020
6. January 28, 2021 - The Executive Committee approval on 27 January 2021 of the Company's withdrawal from the Service Contract No. 6 ("SC 6") Consortium.
7. February 17, 2021 – Submission of SEC Form 23-B dated February 16, 2021 of Raymundo A. Reyes, Jr.
8. March 4, 2021 – Notice and Agenda of the Company's Annual Stockholders' Meeting ("ASM") to be held on Monday, 19 April 2021, at 2:00 p.m. via remote communication through http://www.ayalagroupshareholders.com/.
9. March 11, 2021 – Matters approved by the Board of Directors during its regular board meeting on March 10, 2021 via video conferencing:
   a. The date, time, manner, and agenda of the Company's Annual Stockholders' Meeting to be held on 19 April 2021 at 2:00 P.M., and the grant of authority to conduct a fully virtual annual stockholders' meeting, subject to applicable rules and regulations of the Securities and Exchange Commission ("SEC") and such other relevant rules and procedures as may be determined by the Chairman of the Board; and
   b. The Parent and Consolidated Financial Statements of the Company for the year ended 31 December 2020 for submission to the SEC and the Exchange.
10. March 11, 2021 – Amendment of the March 4, 2021 disclosure to reflect the date of the Board of Director's approval on March 10, 2021 of the date, time, manner, and agenda of the Company's ASM.
11. March 24, 2021 – The Company's Definitive Information Statement for the Company's ASM on 19 April 2021