



**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, 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  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  No   
  
(b) has been subject to such filing requirements for the past ninety (90) days.  
  
Yes  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 10, 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 June 30, 2021 (with Comparative Audited Figures  
as at December 31, 2020) and for the six-month periods ended  
June 30, 2021 and 2020.

**ACE ENEXOR, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	June 30 2021 (Unaudited)	December 31 2020 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	P22,727,383	P27,515,014
Receivables (Notes 5 and 14)	226,443	226,443
Other current assets	53,185	24,399
<b>Total Current Assets</b>	<b>23,007,011</b>	<b>27,765,856</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 6)	534,073	619,189
Deferred exploration costs (Note 7)	51,536,601	66,546,216
<b>Total Noncurrent Assets</b>	<b>52,070,674</b>	<b>67,165,405</b>
<b>TOTAL ASSETS</b>	<b>P75,077,685</b>	<b>P94,931,261</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liability</b>		
Accrued expenses and other current liabilities (Note 8)	P52,031,605	P41,964,130
<b>Total Liabilities</b>	<b>P52,031,605</b>	<b>P41,964,130</b>
<b>Equity</b>		
Attributable to Equity Holders of the Parent Company:		
Capital stock (Note 10)	250,000,001	250,000,001
Deficit	(223,487,202)	(194,808,886)
	26,512,799	55,191,115
Non-controlling interest (Note 13)	(3,466,719)	(2,223,984)
<b>Total Equity</b>	<b>23,046,080</b>	<b>52,967,131</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P75,077,685</b>	<b>P94,931,261</b>

*See accompanying Notes to Consolidated Financial Statements.*

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

	Three-Month Period Ended June 30 (Unaudited)		For the six-month period ended June 30 (Unaudited)	
	2021	2020	2021	2020
<b>EXPENSES</b>				
Management and professional fees	₱3,656,709	₱977,684	₱5,771,048	₱2,009,664
Rent	187,871	58,350	187,871	87,525
Insurance	55,602	4,702	55,602	9,405
Depreciation (Note 6)	42,558	41,856	85,116	83,712
Meetings and Conference	20,000	160,473	20,000	160,473
Taxes and licenses	18,240	500	36,867	1,000
Supplies	2,000	–	2,000	1,518
Provision for probable losses (Note 7)	–	–	23,379,340	–
Filing and registration fees	–	–	302,500	285,000
Others	65,961	2,557	75,205	56,120
	<b>4,048,941</b>	1,246,122	<b>29,915,549</b>	2,694,417
<b>OTHER CHARGES – NET</b>				
Foreign exchange loss (gain) – net	11,255	24,267	10,660	183,798
Interest income (Note 4)	(5,158)	(14,464)	(5,158)	(34,597)
	<b>6,097</b>	9,803	<b>5,502</b>	149,201
<b>LOSS BEFORE INCOME TAX</b>	<b>4,055,038</b>	1,255,925	<b>29,921,051</b>	2,843,618
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 11)</b>	–	–	–	(11,583)
<b>NET LOSS</b>	<b>4,055,038</b>	1,255,925	<b>29,921,051</b>	2,832,035
<b>OTHER COMPREHENSIVE INCOME</b>	–	–	–	–
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱4,055,038</b>	₱1,255,925	<b>₱29,921,051</b>	₱2,832,035
Total Comprehensive Loss Attributable to:				
Equity holders of the Parent Company	₱3,215,481	₱1,321,312	₱28,678,316	₱2,881,472
Non-controlling interest (Note 13)	839,557	(65,387)	1,242,735	(49,437)
	<b>₱4,055,038</b>	₱1,255,925	<b>₱29,921,051</b>	₱2,832,035
<b>Basic/Diluted Loss Per Share (Note 12)</b>	<b>₱0.013</b>	₱0.005	<b>₱0.115</b>	₱0.012

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**ACE ENEXOR, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

	Capital Stock (Note 10)	Deficit	Total	Non-controlling Interest (Note 13)	Total Equity
<b>BALANCES AT JANUARY 1, 2021</b>	<b>₱250,000,001</b>	<b>(₱194,808,886)</b>	<b>₱55,191,115</b>	<b>(₱2,223,984)</b>	<b>₱52,967,131</b>
Total comprehensive loss/ net loss for the year	–	(28,678,316)	(28,678,316)	(1,242,735)	(29,921,051)
<b>BALANCES AT JUNE 30, 2021</b>	<b>₱250,000,001</b>	<b>(₱223,487,202)</b>	<b>₱26,512,799</b>	<b>(₱3,446,719)</b>	<b>₱23,046,080</b>
<b>BALANCES AT JANUARY 1, 2020</b>	<b>₱250,000,001</b>	<b>(₱183,042,321)</b>	<b>₱66,957,680</b>	<b>₱157,727</b>	<b>₱67,115,407</b>
Total comprehensive loss/ net loss for the year	–	(2,881,472)	(2,881,472)	49,437	(2,832,035)
<b>BALANCES AT JUNE 30, 2020</b>	<b>₱250,000,001</b>	<b>(₱185,923,793)</b>	<b>₱64,076,208</b>	<b>₱207,164</b>	<b>₱64,283,372</b>

*See accompanying Notes to Consolidated Financial Statements.*

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

	<b>Six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	<b>(₱29,921,051)</b>	(₱2,843,618)
Adjustments for:		
Interest income (Note 4)	<b>(5,158)</b>	(34,597)
Unrealized foreign exchange loss (gain) - net	<b>10,660</b>	183,797
Depreciation (Note 6)	<b>85,116</b>	83,712
Provision for probable losses (Note 7)	<b>23,379,340</b>	-
Operating loss before working capital changes	<b>(6,451,093)</b>	(2,610,706)
Decrease (increase) in:		
Receivables	-	210,883
Other current assets	<b>(28,786)</b>	46,966
Increase (decrease) in accrued expenses and other current liabilities	<b>75,765</b>	(8,954,146)
Cash from (used in) operations	<b>(6,404,115)</b>	(11,307,003)
Interest income received	<b>5,158</b>	34,597
Net cash used in operating activities	<b>(6,398,957)</b>	(11,272,406)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Deferred exploration costs (Note 7)	<b>(8,369,725)</b>	(13,571,102)
Net cash used in investing activities	<b>(8,369,725)</b>	(13,571,102)
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>		
Increase in due to a third party (Note 8)	<b>9,991,710</b>	1,792,724
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,776,971)</b>	(23,050,784)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(10,660)</b>	(183,256)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 4)</b>	<b>27,515,014</b>	52,624,376
<b>CASH AND CASH EQUIVALENTS AT END OF QUARTER (Note 4)</b>	<b>₱22,727,383</b>	₱29,390,336

*See accompanying Notes to Consolidated Financial Statements.*

## **ACE ENEXOR, INC. AND SUBSIDIARY**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **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 August 10, 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 4<sup>th</sup> 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 4<sup>th</sup> 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 August 10, 2021.

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## 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 June 30, 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 these result 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 represent 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.

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### 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:
  - o The legal form of the separate vehicle
  - o The terms of the contractual arrangement
  - o 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 June 30, 2021 and December 31, 2020, the Group's SCs are assessed as joint arrangements in the form of joint operations (see Note 7).

#### 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 recognized impairment loss on its deferred exploration costs amounting to ₱23,379,340 in June 30, 2021 and nil in June 30, 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 ₱51,536,601 and ₱66,546,216 as at June 30, 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 June 30, 2021 and December 31, 2020 amounted ₱42,750,761 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 June 30, 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 June 30, 2021 and December 31, 2020 (see Note 5).

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#### 4. Cash and Cash Equivalents

Cash in banks is at ₱22,727,383 as of June 30, 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 June 30, 2021 and December 31, 2020.

Interest income on cash and short-term deposits amounted to ₱5,158 and ₱34,597 for the six months ended June 30, 2021 and 2020, respectively.

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#### 5. Receivables

This account consists of the following:

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

The aging analysis of receivables is as follows:

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

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

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 June 30, 2021 and December 31, 2020, no additional provision was recognized.

## 6. Property and Equipment

Details and movement of this account follow:

	June 30, 2021 (Unaudited)		
	Equipment	Miscellaneous Assets	Total
Cost:			
Balance at beginning and end of year	<b>₱1,045,000</b>	<b>₱124,215</b>	<b>₱1,169,215</b>
Less accumulated depreciation:			
Balance at beginning of year	434,474	115,552	550,026
Depreciation	81,403	3,713	85,116
Balance at end of year	<b>515,877</b>	<b>119,265</b>	<b>635,142</b>
Net book value	<b>₱529,123</b>	<b>₱4,950</b>	<b>₱534,073</b>

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	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:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
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
Palawan55		
SC 55 (Southwest Palawan)	₱51,536,601	₱43,308,343
	₱51,536,601	₱66,546,216

Below is the rollforward analysis of the deferred exploration costs:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost:		
Balances at beginning of year	₱83,157,479	₱62,651,914
Additions	8,369,725	20,505,565
Balance at end of year	91,527,204	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	₱51,536,601	₱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

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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 June 30, 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 pertain to the well engineering, drilling planning services and assessment.

No impairment was recognized for SC 55 as at June 30, 2021 and December 31, 2020 as there are no indicators for impairment.

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#### 8. Accrued Expenses and Other Current Liabilities

This account consists of:

	<b>June 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Accrued expenses	<b>₱1,807,369</b>	₱1,564,901
Due to:		
Related parties (see Note 9)	<b>30,311,926</b>	27,446,233
Third party	<b>19,838,865</b>	9,847,155
Withholding taxes	<b>73,445</b>	3,105,841
	<b>₱52,031,605</b>	₱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 six-month period ended June 30, 2021 and year ended December 31, 2020 with related parties are as follows:

Company	Amount/ Volume	Nature	For the six months ended June 30, 2021 (Unaudited)		Terms	Conditions
			Receivable	Payable		
<b>Intermediate Parent Company</b>						
<b>ACEN</b>						
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)	2,802,153	Advances and Employee cost recoveries	-	10,351,801	30-60 day terms; noninterest-bearing	Unsecured
<b>Entities Under Common Control of Intermediate Parent Company</b>						
<b>BPI</b>						
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)			₱-	₱30,311,926		

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Company	As at and for the Year Ended December 31, 2020 (Audited)					
	Amount/ Volume	Nature	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
<i>Intermediate Parent Company</i>						
<i>ACEN</i>						
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
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
<i>Entities Under Common Control of Intermediate Parent Company</i>						
<i>ACE Shared Services, Inc. (ACES)</i>						
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 ₱9.00 million pertaining to compensation of officers, amount is still outstanding as at June 30, 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.

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## 10. Capital Stock

Following are the details of the Parent Company's capital stock as at June 30, 2021 and December 31, 2020:

	<b>June 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Authorized - ₱1 par value	<b>1,000,000,000</b>	1,000,000,000
Issued and outstanding - ₱1 par value	<b>250,000,001</b>	250,000,001

The issued and outstanding shares as at June 30, 2021 and December 31, 2020 are held by 2,900 equity holders.

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## 11. Income Taxes

- a. There was no provision for current tax in June 30, 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:

	<b>June 30, 2021 (Unaudited)</b>	June 30, 2020 (Unaudited)
Income tax at statutory rate	<b>(₱7,480,263)</b>	(₱853,085)
Tax effects of:		
Movement in temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized	<b>7,481,850</b>	851,881
Nondeductible expenses	-	-
Interest income subject to final tax	<b>(1,587)</b>	(10,379)
	<b>₱-</b>	(₱11,583)

- c. The Group recognized benefit from income tax amounting to nil and ₱11,583 in June 30, 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.

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	<b>June 30, 2021</b> <b>(Unaudited)</b>	December 31, 2020 (Audited)
NOLCO	<b>₱111,001,782</b>	₱101,686,318
Provisions for:		
Credit losses (see Note 5)	<b>20,000,000</b>	20,000,000
Probable losses (see Note 7)	<b>39,990,603</b>	16,611,263
Unrealized foreign exchange loss - net	<b>10,660</b>	598,199
	<b>₱171,003,045</b>	₱138,895,780
Unrecognized deferred income tax asset	<b>₱42,750,761</b>	₱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
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	29,927,401				29,927,401
		<b>₱131,767,644</b>	<b>₱-</b>	<b>(₱20,765,862)</b>	<b>₱-</b>	<b>₱111,001,782</b>

\*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 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.

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

Basic/diluted loss per share is computed as follows:

	<b>For the six months ended June 30</b>	
	<b>2021</b> <b>(Unaudited)</b>	<b>2020</b> <b>(Unaudited)</b>
(a) Net loss attributable to equity holders of the Parent Company	<b>₱28,678,316</b>	₱2,881,472
(b) Weighted average number of common shares outstanding	<b>250,000,001</b>	250,000,001
<b>Basic/diluted loss per share (a/b)</b>	<b>₱0.115</b>	<b>₱0.012</b>

As at June 30, 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.

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**13. Material Partly Owned Subsidiary**

Financial information of Palawan55 is provided below:

	<b>For the six months ended June 30</b>	
	<b>2021</b> <b>(Unaudited)</b>	<b>2020</b> <b>(Unaudited)</b>
Equity interest held by NCI	<b>30.65%</b>	30.65%
Accumulated balances of NCI	<b>(₱3,466,719)</b>	₱207,164
Net loss (income) allocated to NCI	<b>1,242,735</b>	(49,437)

The summarized financial information of Palawan55 is provided below.

Statements of Comprehensive Income

	<b>For the six months ended June 30</b>	
	<b>2021</b> <b>(Unaudited)</b>	<b>2020</b> <b>(Unaudited)</b>
Other loss (income)	<b>₱31,704</b>	(₱200,575)
Expenses	<b>4,022,896</b>	39,329
<b>Total comprehensive loss (income)</b>	<b>₱4,054,600</b>	(₱161,246)
<b>Attributable to NCI</b>	<b>₱1,242,735</b>	(₱49,437)

Statements of Financial Position

	<b>June 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
Total current assets	<b>₱5,205,670</b>	₱7,462,931
Total noncurrent assets	<b>51,536,601</b>	43,308,343
Total current liabilities	<b>(68,054,739)</b>	(58,027,268)
Total equity	<b>(₱11,312,468)</b>	(₱7,225,994)
Attributable to equity holders of the Parent Company	<b>(₱7,845,749)</b>	(₱5,032,010)
NCI	<b>(₱3,466,719)</b>	(₱2,223,984)

Cash Flow Information

	<b>For the six months ended June 30</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
Net cash flows provided by (used in):		
Operating activities	<b>₱5,970,312</b>	₱3,020,932
Investing activities	<b>(8,228,258)</b>	(13,571,102)
Financing activity	-	-

There were no dividends paid to NCI in June 30, 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

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- 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, 2021 and December 31, 2020 are as follows:

	June 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	In US\$	In Philippine Peso	In US\$	In Philippine Peso
<i>Financial Assets</i>				
Cash and cash equivalents	US\$274,511	₱13,325,862	US\$298,907	₱14,358,297

Exchange rates used were ₱48.544 to \$1.00 and ₱48.036 to \$1.00 as at June 30, 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.

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- 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.

<b>June 30, 2021 (Unaudited)</b>						
	Neither Past Due nor Impaired			Past Due but not	Past Due Individually	Total
	Class A	Class B	Class C	Impaired	Impaired	
Trade receivables	P-	P-	P-	P30,750	P-	P30,750
Due from third party	-	-	-	-	20,000,000	20,000,000
Others	-	-	-	195,693	-	195,693
	P-	P-	P-	P226,443	P20,000,000	P20,226,443

<b>December 31, 2020 (Audited)</b>						
	Neither Past Due nor Impaired			Past Due but not	Past Due Individually	Total
	Class A	Class B	Class C	Impaired	Impaired	
Trade receivables	P-	P-	P-	P30,750	P-	P30,750
Due from third party	-	-	-	-	20,000,000	20,000,000
Others	-	-	-	195,693	-	195,693
	P-	P-	P-	P226,443	P20,000,000	P20,226,443

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 June 30, 2021 is more than enough to pay its accrued expenses and withholding taxes totaling P1.88 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 June 30, 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 2021 and 2020.

Capital includes all the items appearing in the equity section of the Group's consolidated statements of financial position totaling to ₱23,046,080 and ₱52,967,131 as at June 30, 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 June 30, 2021 and December 31, 2020.

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### 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 pertain 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, 2021 and for the year ended December 31, 2020 were at ₱8,369,725 and ₱20,505,565, respectively, mainly on deferred exploration cost (see Note 7).

As at August 10, 2021, the Group has not started commercial operations yet and has no revenue or gross profit. The total assets of the segment of ₱75,077,685 and ₱94,931,261 and liabilities amounting to ₱52,031,605 and ₱41,964,130 as at June 30, 2021 and December 31, 2020, respectively, are the same as that reported in the consolidated statements of financial position.

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### 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;

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- 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).

On May 14, 2021, Palawan 55 received a letter from DOE dated May 11, 2021 approving its request to place SC55 under force majeure for a period of one (1) year. The letter also states that the timeline of the SC55 will be adjusted accordingly and the end of the period will be adjusted by the same amount of time that SC55 was on force majeure.

**ANNEX B**


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**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 June 30, 2021, for the six months ended June 30, 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 six months ended		Increase (Decrease)	
	June 30 2021	2020	Amount	%
Expenses	₱29,915,549	₱2,694,417	₱27,221,132	1,010%
Other charges (income) - net	5,502	149,201	(143,699)	(96%)
Loss before income tax	29,921,051	2,843,618	27,077,433	952%
Benefit from income tax	-	11,583	(11,583)	(100%)
Net Loss	₱29,921,051	₱2,832,035	₱27,089,016	957%

The following are the material changes in the Consolidated Statements of Comprehensive Income for the six months ended June 30, 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. Management and professional fees aggregating to ₱5.77 million were incurred this year, higher than same period last year of ₱2.01 million due to ongoing works for the SC 55 drilling plan.
- Other charges (income) - net for the first half of 2021 comprised of foreign exchange losses from dollar-denominated deposits with the appreciation of the US dollar, partly offset by interest income on cash in banks. Last year registered significant realized foreign exchange losses on settlement of dollar-denominated payables.
- Benefit from income tax was nil for the period. 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**

	<b>June</b>	December	<b>Increase (Decrease)</b>	
	<b>2021</b>	2020	<b>Amount</b>	<b>%</b>
<b>Current Assets</b>				
Cash and cash equivalents	<b>₱22,727,383</b>	₱27,515,014	(₱4,787,631)	(17%)
Other current assets	<b>53,185</b>	24,399	28,786	118%
<b>Noncurrent Assets</b>				
Property and equipment	<b>₱534,073</b>	₱619,189	(₱85,116)	(14%)
Deferred exploration costs	<b>51,536,601</b>	66,546,216	(15,009,615)	(23%)
<b>Current Liability</b>				
Accrued expenses and other current liabilities	<b>₱52,031,605</b>	₱41,964,130	₱10,067,475	24%

The following are the material changes in the Consolidated Statements of Financial Position as at June 30, 2021 and December 31, 2020:

- Decrease in cash and cash equivalents was primarily due to the payment of the various expenditures related to the Company's activities for the current period such as creditable and expanded withholding tax, employee costs and resource assessment for SC55.
- Increase in other current assets was primarily due to creditable and input tax related to services recognized the period.
- 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, which offset additional costs incurred for SC 55.
- The Group's current liabilities increased mainly due to an advance payment made by a partner in the consortium to be applied to SC 55's work program.

**Financial Soundness Indicators**

<b>Key Performance Indicator</b>	<b>Formula</b>	<b>Jun 2021</b>	<b>Dec 2020</b>	<b>Increase (Decrease)</b>	
				<b>Amount</b>	<b>%</b>
<b>Liquidity Ratios</b>					
Current Ratio	Current assets Current liabilities	<b>0.44</b>	0.66	(0.22)	(33%)
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets Current liabilities	<b>0.44</b>	0.66	(0.22)	(33%)
<b>Solvency Ratios</b>					
Debt-to-equity ratio	Total liabilities Total equity	<b>2.26</b>	0.79	1.47	186%
Asset-to-equity ratio	Total assets Total equity	<b>3.26</b>	1.79	1.47	82%

Key Performance Indicator	Formula	Jun 2021	Dec 2020	Increase (Decrease)	
				Amount	%
Net bank Debt to Equity Ratio	Short & long-term loans - Cash & Cash Equivalents	N/A	N/A	N/A	N/A
	Total Equity				
Profitability Return on equity	Net income after tax	N/A	N/A	N/A	N/A
	Average stockholders' equity				
Return on assets	Net income after taxes	N/A	N/A	N/A	N/A
	Average total assets				
Asset turnover	Revenues	N/A	N/A	N/A	N/A
	Average total assets				

#### Current ratio and acid test ratio

Current ratio and acid test ratios decreased as the Group's current liabilities increased mainly due to an advance payment made by a partner in the consortium to be applied to SC 55's work program.

#### Debt-to-equity ratio

The Group's debt-to-equity ratio increased due to the increase in the total liabilities coupled with lower equity, mainly due to the impairment of SC 6A during the period.

#### Asset-to-equity ratio

As of June 30, 2021, the asset-to-equity ratio increased due lower equity, mainly due to the impairment of SC 6A during the period.

#### 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 second 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.

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- As disclosed in Note 16, Palawan 55 received a letter from DOE dated May 11, 2021 approving its request to place SC55 under force majeure for a period of one (1) year. The letter also states that the timeline of the SC55 will be adjusted accordingly and the end of the period will be adjusted by the same amount of time that SC55 was on force majeure. 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 cyclicity.

**ANNEX B-1**  
Progress Report

**ACE ENEXOR, INC.**  
**PROGRESS REPORT**  
*For the Quarter April 01, 2021 to June 30, 2021*

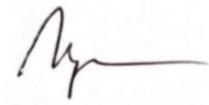
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**SC 55 (Ultra Deepwater West Palawan)**

On 11 May 2021, the DOE approved the SC 55 Consortium's request for one- year Force Majeure in SC 55.

On 14 May 2021, the Consortium submitted the CINCO-1 Drilling Proposal to the DOE. The document is currently being evaluated by Petroleum Resources and Development Division.

Well Planning and Drilling preparations are ongoing.  
Enexor's subsidiary, Palawan55 Exploration & Production Corporation, 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 second quarter ended 30 June 2021:

1. April 14, 2021 – List of Top 100 stockholders for the period ended March 31, 2021
2. April 16, 2021 - Public Ownership Report for the quarter ended March 31, 2021
3. April 20, 2021 – Results of the Annual Stockholders’ Meeting held on April 19, 2021
  - a. Approval of the minutes of previous meeting
  - b. Annual Report of Officers including the 2020 Audited Financial Statements
  - c. Ratification of the Acts of the Board of Directors and Officers
  - d. Approval of the Delegation of Power and Authority to Amend the Company’s By-Laws to the Board of Directors
  - e. Election of directors (including Independent Directors)
    - Augusto Cesar D. Bengzon
    - John Eric T. Francia
    - Raymundo A. Reyes, Jr.
    - Jaime Z. Urquijo
    - Jaime Alfonso E. Zobel de Ayala
    - Ma. Aurora D. Geotina-Garcia (Independent Director)
    - Alberto A. Lim (Independent Director)
    - Raphael Perpetuo M Lotilla (Independent Director)
    - Mario Antonio V. Paner (Independent Director)
  - f. Appointment of SyCip Gorres Velayo & Co. as the External Auditor of the Company for the year 2021 and fixing of its remuneration
4. April 20, 2021 – Submission of SEC Form 23-A of Mario Antonio V. Paner
5. April 21, 2021 – Submission of SEC Form 23-B of Alberto A. Lim
6. April 21, 2021 - Results of the Organizational Meeting of the Board of Directors held on April 19, 2021
  - a. Appointment of officers:
 

John Eric T. Francia	Chairman and CEO
Raymundo A. Reyes, Jr.	President and Chief Operating Officer
Maria Corazon G. Dizon	Treasurer and CFO; Chief Risk Officer
Dodjie D. Lagazo	Corporate Secretary; Compliance Officer
Alan T. Ascalon	Assistant Corporate Secretary 1; Data Privacy Officer
Raissa C. Villanueva	Assistant Corporate Secretary 2
Ronald F. Cuadro	VP-Finance and Controller
Henry T. Gomez, Jr.	Chief Audit Executive
  - b. Appointment of Chairpersons and Members of the Board Committees:
 

<u>Executive Committee</u>	
John Eric T. Francia	Chairperson
Raymundo A. Reyes, Jr.	Member
Jaime Alfonso E. Zobel de Ayala	Member

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Personnel and Compensation Committee

Mario Antonio V. Paner	Chairperson
Ma. Aurora D. Geotina-Garcia	Member
Jaime Z. Urquijo	Member

Audit Committee

Ma. Aurora D. Geotina-Garcia	Chairperson
Augusto Cesar D. Bengzon	Member
Raphael Perpetuo M. Lotilla	Member

Board Risk Management and Related Party Transaction Committee

Alberto A. Lim	Chairperson
Raphael Perpetuo M. Lotilla	Member
Jaime Z. Urquijo	Member

Corporate Governance and Nomination Committee

Raphael Perpetuo M. Lotilla	Chairperson
Mario Antonio V. Paner	Member
Alberto A. Lim	Member

c. Appointment of Ms. Ma. Aurora D. Geotina-Garcia as the lead independent director

7. April 21, 2021 - Submission of SEC Form 23-B of Mario Antonio V. Paner
8. April 22, 2021 - Submission of SEC Form 23-A of Ronald F. Cuadro
9. April 30, 2021 - Annual Report for the fiscal year ended December 31, 2020
10. May 14, 2021 – Department of Energy’s Approval of the Force Majeure Application of Palawan55 Exploration & Production Corporation
11. May 14, 2021 – Quarterly Report for the quarterly period ended March 31, 2021