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)

35TH FLOOR, AYALA TRIANGLE
GARDENS TOWER 2, PASEO DE
ROXAS CORNER MAKATI AVENUE,
MAKATI CITY 1226

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
2,898	April 25	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
Alan T. Ascalon	ascalon@acenergy.com.ph	7 730 6300	

Contact Person's Address

35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati 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 **September 30, 2022**
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
   35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati 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 November 2, 2022.

ACE ENEXOR, INC.

ROLANDO J. PAULINO, JR.
President and Chief Executive Officer

MARIA CORAZON G. DIZON
Treasurer and Chief Financial Officer

Annex A

ACE Enexor, Inc.
and Subsidiary

Unaudited Interim Condensed Consolidated Financial Statements
as at September 30, 2022 (with Comparative Audited Figures
as at December 31, 2021) and for the nine-month periods ended
September 30, 2022 and 2021.

ACE ENEXOR, INC. AND SUBSIDIARY

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30 2022 (Unaudited)	December 31 2021 (Audited)
ASSETS		
Current Assets		
Cash (Note 4)	**₱14,568,161**	₱22,993,727
Receivables (Notes 5 and 13)	**27,601**	226,443
Other current assets	**24,399**	24,399
Total Current Assets	**14,620,161**	23,244,569
Noncurrent Assets		
Investment in joint venture (Note 6)	**104,862,009**	–
Property and equipment	**329,205**	448,957
Deferred exploration costs (Note 7)	**57,150,548**	55,676,987
Total Noncurrent Assets	**162,341,762**	56,125,944
TOTAL ASSETS	**₱176,961,923**	₱79,370,513
LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)		
Current Liabilities		
Accounts payable and other current liabilities (Note 8)	**₱84,735,501**	₱66,594,341
Short-term loans (Note 9)	**127,000,000**	–
Total Liabilities	**211,735,501**	66,594,341
Equity (Capital Deficiency)		
Attributable to Equity Holders of the Parent Company:		
Capital stock (Note 10)	**250,000,001**	250,000,001
Deficit	**(280,396,217)**	(232,593,692)
	(30,396,216)	17,406,309
Non-controlling interest (Note 12)	**(4,377,362)**	(4,630,137)
Total Equity (Capital Deficiency)	**(34,773,578)**	12,776,172
TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)	**₱176,961,923**	₱79,370,513

See accompanying Notes to Consolidated Financial Statements.

ACE ENEXOR, INC. AND SUBSIDIARY

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three-Month Period Ended September 30 (Unaudited)		For the nine-month period ended September 30 (Unaudited)	
	2022	2021	**2022**	2021
EXPENSES				
Employee cost	**₱446,023**	₱901,404	**₱12,330,521**	₱1,802,808
Management and professional fees	–	1,608,094	**6,121,344**	6,477,738
Filing and registration fees	**50,000**	22,544	**2,123,299**	302,500
Taxes and licenses	**313,151**	–	**1,682,310**	36,867
Advertising and promotion	**576,341**	–	**773,141**	–
Rent	**–**	–	**221,484**	210,415
Depreciation	**37,110**	42,558	**119,751**	127,674
Insurance	**–**	5,282	**32,102**	60,884
Meetings and conference	**–**	20,000	**1,476**	40,000
Provision for probable losses (Note 7)	**–**	–	–	23,379,340
Others	**17,628**	72,299	**192,327**	149,504
	1,440,253	2,672,181	**23,597,755**	32,587,730
OTHER CHARGES – NET				
Equity in net loss of a joint venture (Note 6)	**10,715,830**	–	**21,921,031**	–
Interest expense (Notes 8 and 9)	**1,213,459**	–	**3,478,582**	–
Foreign exchange gain - net	**(511,079)**	(754,788)	**(1,439,920)**	(744,128)
Interest income	**(3,369)**	(5,172)	**(7,698)**	(10,330)
	11,414,841	(759,960)	**23,951,995**	(754,458)
LOSS BEFORE INCOME TAX	**12,855,094**	1,912,221	**47,549,750**	31,833,272
PROVISION FOR INCOME TAX	–	–	–	–
NET LOSS	**12,855,094**	1,912,221	**47,549,750**	31,833,272
OTHER COMPREHENSIVE INCOME	–	–	–	–
TOTAL COMPREHENSIVE LOSS	**₱12,855,094**	₱1,912,221	**₱47,549,750**	₱31,833,272
Total Comprehensive Loss Attributable to:				
Equity holders of the Parent Company	**₱12,932,902**	₱1,444,942	**₱47,802,525**	₱30,123,258
Non-controlling interest (Note 12)	**(77,808)**	467,279	**(252,775)**	1,710,014
	₱12,855,094	₱1,912,221	**₱47,549,750**	₱31,833,272
Basic/Diluted Loss Per Share (Note 11)	**₱0.052**	₱0.006	**₱0.191**	₱0.120

See accompanying Notes to Condensed Consolidated Financial Statements.

ACE ENEXOR, INC. AND SUBSIDIARY

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	Attributable to Equity Holders of the Parent Company				
	Capital Stock (Note 10)	Deficit	Total	Non-controlling Interest (Note 12)	Total Equity (Capital Deficiency)
BALANCES AT JANUARY 1, 2022	**₱250,000,001**	**(₱232,593,692)**	**₱17,406,309**	**(₱4,630,137)**	**₱12,776,172**
Total comprehensive loss/ net loss for the period	–	(47,802,525)	(47,802,525)	252,775	(47,549,750)
BALANCES AT SEPTEMBER 30, 2022	**₱250,000,001**	**(₱280,396,217)**	**(₱30,396,216)**	**(₱4,377,362)**	**(₱34,773,578)**
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 period	–	(30,123,258)	(30,123,258)	(1,710,014)	(31,833,272)
BALANCES AT SEPTEMBER 30, 2021	**₱250,000,001**	**(₱224,932,144)**	**₱25,067,857**	**(₱3,933,998)**	**₱21,133,859**

See accompanying Notes to Consolidated Financial Statements.

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

	Nine months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱47,549,750)**	(₱31,833,271)
Adjustments for:		
Equity in net losses of joint venture (Note 6)	**21,921,031**	–
Interest expense (Notes 8 and 9)	**3,478,582**	–
Foreign exchange gain - net	**(1,379,044)**	(744,128)
Depreciation	**119,751**	127,674
Interest income	**(7,698)**	(10,330)
Provision for probable losses (Note 7)	**–**	23,379,340
Operating loss before working capital changes	**(23,417,128)**	(9,080,715)
Decrease in receivables	**198,842**	–
Increase (decrease) in accrued expenses and other current liabilities	**(2,693,558)**	955,306
Cash used in operations	**(25,911,844)**	(8,125,409)
Interest received	**7,698**	10,330
Net cash used in operating activities	**(25,904,146)**	(8,115,079)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment in joint venture (Note 6)	**(126,783,040)**	–
Deferred exploration costs (Note 7)	**(1,473,561)**	(8,513,969)
Net cash used in investing activities	**(128,256,601)**	(8,513,969)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of short-term loans (Notes 8 and 9)	**127,000,000**	–
Additions to due to related parties (Note 8)	**17,356,137**	16,993,496
Net cash from financing activities	**144,356,137**	16,993,496
NET DECREASE IN CASH	**(9,804,610)**	364,448
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**1,379,044**	744,128
CASH AT BEGINNING OF PERIOD	**22,993,727**	27,515,014
CASH AT END OF PERIOD (Note 4)	**₱14,568,161**	₱28,623,590

See accompanying Notes to Consolidated Financial Statements.

ACE ENEXOR, INC. AND SUBSIDIARY

NOTES TO UNAUDITED INTERIM 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. The Parent Company’s primary purpose also includes engaging in the business of power generation. 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 ACEN CORPORATION (formerly AC Energy Corporation or “ACEN” or the Intermediate Parent Company). The direct parent company (or intermediate parent company) of ACEN is ACEIC, a wholly owned subsidiary of Ayala Corporation (“AC”), a publicly-listed company which is 47.87% owned by Mermac, Inc. (ultimate parent company), and the rest by the public. AC is a listed entity incorporated in the Philippines.

As of August 3, 2022, ACEX and Palawan55 have not yet started commercial operations.

On March 9, 2022, the ACEX’s Board of Directors (BOD) approved the amendment to the Articles of Incorporation and By-laws to change the corporate name of the Parent Company from "ACE Enexor, Inc." to "ENEX Energy Corp.", which is still for approval of the Securities and Exchange Commission (SEC) as of November 2, 2022.

The Group’s oil and gas operation pursuant to service contract (SC) 55 is in the exploratory stage. The Department of Energy (DOE) confirmed the entry of SC 55 into the Appraisal Period effective April 26, 2020. The SC 55 Consortium, comprised of the Parent Company (owning 75%) and Pryce Gases, Inc. (owning 25%) has completed Quantitative Interpretation Studies and Resource Assessment. Committed work program under the Appraisal Period includes Geological and Geophysical studies and drilling of a well within the next two years. Subsequently, Palawan55 received a letter from DOE dated May 11, 2021 approving its request to place SC 55 under force majeure for a period of one year until April 26, 2023. The letter also states that the timeline of the SC 55 will be adjusted accordingly, and the end of the period will be adjusted by the same amount of time that SC 55 was on force majeure. The SC 55 consortium submitted an updated CINCO-1 Drilling Proposal to the DOE on December 22, 2021. The document is currently being evaluated by Petroleum Resources Development Division. Specialized pre-drill geological and geophysical studies were completed. Further, the Group intends to identify strategic partners that can provide financial, technical and operational expertise.

On November 19, 2021, The Parent Company, Buendia Christiana Holdings Corp. (“BCHC”), Red Holdings B.V. (“Gen X Energy”), Batangas Clean Energy, Inc. (BCEI) and Gen X Energy L.P. entered into an Investment Agreement, pursuant to which the Parent Company would acquire a 50% interest in BCEI, which is planning to develop a 1,100MW combined cycle power plant that will be able to use natural gas and/or green hydrogen as its fuel to provide firm power to the grid to meet the country’s growing energy demand. The Parent Company, together with its joint venture partners, has started some pre-development activities which will help bring the project to construction phase. Consequently, BCEI will incur pre-development losses during this period which will be taken up by the Parent Company as share in equity losses. The plant is targeted to achieve commercial operations two years from start of construction in line with the goal of providing additional power supply in the coming years.

The financial statements have been prepared on the basis that the Group will continue as a going concern. The Group has incurred net loss amounting to ₱ 47.55 million and ₱ 31.83 million for the nine-month periods ended September 30, 2022, and 2021, respectively, and has a capital deficiency amounting to ₱34.77 million as of September 30, 2022. The projects of the Group are at pre-development stage resulting in capital deficiency.

The accompanying unaudited interim condensed consolidated financial statements of ACEX and its subsidiary as at September 30, 2022, and for the nine-month periods ended September 30, 2022 and 2021 were approved and authorized for issuance by the Parent Company's Audit Committee (pursuant to the authority delegated by the Parent Company's BOD) on November 2, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance
The unaudited interim condensed consolidated financial statements as at September 30, 2022 and for the nine-month periods ended September 30, 2022 and 2021 have been prepared on a historical cost basis.

The unaudited interim condensed consolidated financial statements are presented in Philippine Peso (**₱)** which is the functional and presentation current of the Parent Company.

Statement of Compliance
The accompanying 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 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2021.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the unaudited 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, 2021, except for the adoption of new standards and amendments effective as at January 1, 2022. The Group has not early adopted may standard, interpretation or amendment that has been issued but is not yet effective.

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

<u>Basis of Consolidation</u>
The interim condensed consolidated financial statements comprise the financial statements of the Group. For the nine-month period ended September 30, 2022, there is no change in the Parent Company's ownership in its subsidiary.

The following are the significant transactions of the Group during the nine-month period ended September 30, 2022:

Acquisition of 50% interest in BCEI
On January 14, 2022, ACEX, BCEI, and Gen X Energy L.P. executed a Shareholders' Agreement and Subscription Agreements where ACEX will subscribe to a total of 150,002 shares in BCEI for a total subscription price of ₱150.22 million. Gen X Energy L.P. is a portfolio company of Blackstone Inc (see Note 6).

Cancellation of the Property-for-Shares Swap between ACEX and ACEN, Stock Rights Offering, Follow-On Offering, and Shelf Registration
On June 3, 2022, ACEN BOD approved the cancellation of the property-for-share swap and Deed of Assignment between ACEN and ACEX due to unfavorable market conditions. As a result, the Request for Confirmation of the Valuation of the Asset in exchange for the shares filed with the SEC, and the Issuance of the Certificate Authorizing Registration filed with the Bureau of Internal Revenue are bring withdrawn.

On the same date, ACEX's BOD also approved the cancellation of the conduct of a Stock Rights Offer of up to 105,000,000 of ACEX's shares at ₱10.00 per share; the cancellation of the issuance of up to 74,000,000 shares of the ACEX pursuant to ACEX's planned follow-on offering ("FOO") at an FOO price range of ₱10.00 to ₱11.84 per share; and the cancellation of filing by ACEX with the SEC of a registration statement covering a three-year shelf registration of up to 650,000,000 primary common shares.

<u>Summary of Significant Accounting Policies</u>
The accounting policies set have been applied consistently with those of December 31, 2021 consolidated financial statements with addition to the accounting policies applied below:

<u>Investments in Joint Venture</u>
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in joint venture is accounted for using the equity method. Under the equity method, the investment in joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share in the net assets of the joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is collectively assessed for impairment.

The consolidated statements of income reflect the Group's share of the results of pre-operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share in profit or loss of the joint venture is shown in the consolidated statement of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the joint venture.

If the Group's share in losses of a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognizing its share of further losses.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss in the consolidated statement of income.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

The consolidated financial statements include additional information about joint ventures that are material to the Group (see Note 6). Management determined material joint ventures as those joint ventures where the Group's carrying amount of investments is greater than 5% of the total investments and advances in joint ventures as at the end of the period.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying unaudited interim condensed consolidated financial statements in conformity with PFRSs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Except as otherwise stated, the significant accounting policies, judgements, estimates and assumptions used in the preparation of the unaudited interim condense consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2021.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in unaudited interim condensed consolidated financial statements.

Investment in joint venture

The Group's investments in joint ventures are structured in separate incorporated entities. The investment in BCEI is accounted for as investment in joint venture since the fundamental business and operational matters requires unanimous consent from all parties. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements (see Note 6).

Management's Use of Estimates
The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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 nil and ₱23.38 million for the nine-month period ended September 30, 2022, and 2021, respectively, (presented as "Provision for probable losses" under "Expenses" in the consolidated statements of comprehensive income). The carrying value of deferred exploration costs amounted to ₱57.15 million and ₱55.68 million as at September 30, 2022 and December 31, 2021, respectively (see Note 7).

4. Cash

Cash in banks amounted to ₱14.57 million and ₱22.99 million as at September 30, 2022 and December 31, 2021, respectively. Cash in banks earn interest at the respective bank deposit rates.

Interest income on cash amounted to ₱7,698 and ₱10,330 for the nine-month period ended September 30, 2022 and 2021, respectively.

5. Receivables

This account consists of the following:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Due from third party	**₱20,000,000**	₱20,000,000
Trade receivables	**–**	30,750
Others	**27,601**	195,693
	20,027,601	20,226,443
Less allowance for credit losses	**20,000,000**	20,000,000
	₱27,601	₱226,443

The aging analysis of receivables is as follows:

	September 30, 2022 (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**
Others	**27,601**	**27,601**	**–**	**–**	**–**	**–**	**–**
	₱20,027,601	**₱27,601**	**₱–**	**₱–**	**₱–**	**₱–**	**₱20,000,000**

	December 31, 2021 (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. This has been fully provided with allowance for impairment since 2016.

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 receivables have been reviewed for indicators of impairment. As at September 30, 2022 and December 31, 2021, no additional provision was recognized.

6. Investment in a Joint Venture

BCEI

On January 14, 2022, ACEX, BCEI, and Gen X Energy executed the Shareholders' Agreement and Subscription Agreements implementing the transaction (see Note 1). ACEX will subscribe to a total of 150,002 shares in BCEI for a total subscription price of ₱150.22 million.

Gen X Energy is a portfolio company of Blackstone Inc., the world's largest alternative asset manager.

BCEI is a joint venture to develop a 1,100MW combined cycle power plant that will be able to use natural gas and/or green hydrogen as its fuel to provide firm power to the grid. BCEI's principal place of business and country of incorporate is Batangas City, Philippines.

The rollforward of this account follows:

	September 30, 2022 (Unaudited)
Acquisition cost	₱126,783,040
Accumulated equity in net losses	(21,921,031)
Balance at end of period	₱104,862,009

The summarized financial information of BCEI, and the reconciliation with the carrying amounts of the investments in the consolidated financial statements as at September 30, 2022 are shown below:

Summarized Statements of Financial Position:	
Cash	₱80,825,370
Other current assets	31,104,005
Total current assets	111,929,375
Total noncurrent assets	–
Total assets	₱111,929,375
Financial liabilities	(1,034,064)
Other current liabilities	(77,420,910)
Current liabilities	(78,454,974)
Noncurrent liabilities	–
Equity	₱33,474,401
Share in net assets	₱16,737,200
Notional goodwill	88,124,809
Carrying value of investments	₱104,862,009
Summarized Statements of Comprehensive Income:	
Revenue	₱–
Interest income	157,624
Interest expense	–
Depreciation	–
Cost and expenses	(43,999,686)
Net loss	(₱43,842,062)
Other comprehensive income	–
Total comprehensive loss	(₱43,842,062)
Group’s share in total comprehensive loss	₱21,921,031

7. **Deferred Exploration Costs**

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ACEX		
SC 6 (Northwest Palawan):		
Block A	**₱23,963,291**	₱23,963,291
Block B	**4,892,178**	4,892,178
SC 50 (Northwest Palawan)	**11,719,085**	11,719,085
	40,574,554	40,574,554
Less allowance for probable losses	**40,574,554**	40,574,554
	–	–
Palawan55		
SC 55 (Southwest Palawan)	**57,150,548**	55,676,987
	₱57,150,548	₱55,676,987

The rollforward of this account follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cost:		
Balance at beginning of period	**₱96,251,541**	₱83,157,479
Additions	**1,473,561**	13,094,062
Balance at end of period	**97,725,102**	96,251,541
Allowance for a probable loss:		
Balance at beginning and end of period	**40,574,554**	40,574,554
Net book value	**₱57,150,548**	₱55,676,987

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

The SC 55 consortium submitted an updated CINCO-1 Drilling Proposal to the DOE December 22, 2021. The DOE has approved the Consortium's CINCO-1 Drilling Proposal, Oil Spill Contingency Plan, and Health, Safety and Environmental Management Plan on March 4, 2022.

Additions for the period for SC 55 pertains to the well engineering, drilling planning services and assessment. Specialized pre-drill geological and geophysical studies were completed while well planning and drilling preparations are ongoing. The consortium conducted scoping activities for the environmental baseline study as part of the ongoing well planning and drilling preparations. ACEX's subsidiary, Palawan 55, has 75% participating interest in SC 55 and is the Operator.

On September 5, 2022, the DOE approved the relinquishment of SC 6A following the Consortium's compliance with all its technical and financial obligation with DOE.

8. Accounts Payable, Other Current Liabilities and Short-term Loans

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Accounts payable and other current liabilities		
Accounts payable	**₱858,197**	₱–
Accrued expenses	**1,486,340**	4,895,016
Accrued interest (Note 9)	**3,478,582**	–
Due to:		
Related parties (Note 9)	**49,806,524**	32,450,387
Third party	**29,059,856**	29,059,856
Withholding taxes	**46,002**	189,082
	₱84,735,501	₱66,594,341

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 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 or common significant influence which include affiliates. Related parties may be individual or corporate entities.

Except as otherwise stated, outstanding balances at period-end are unsecured and are to be settled in cash throughout the financial year.

In the ordinary course of business, the Group transacts with associates, affiliates, jointly controlled entities and other related parties on advances, loans, reimbursement of expenses and management service agreements.

The transactions and balances of accounts as at September 30, 2022 and December 31, 2021 and for the nine-month period ended September 30, 2022 and 2021 are:

	For the nine months ended September 30, 2022 (Unaudited)					
			Outstanding Balance			
Company	Amount/ Volume	Nature	Receivable	Payable	Terms	Conditions
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)	**(₱1,526)**	Management and professional fees	**₱–**	**₱116,400**	30–60 day terms; noninterest-bearing	Unsecured
BPGC						
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	**₱4,963,776**	Advances	**₱–**	**₱4,963,776**	Due and demandable,noninterest-bearing	Unsecured
Intermediate Parent Company						
ACEN						
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	**₱7,680,416**	Employee cost and professional fees	**₱–**	**₱10,128,416**	Due and demandable,noninterest-bearing	Unsecured
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	**–**	Management and professional fees capitalized as deferred exploration cost	**–**	**12,023,039**	Due and demandable, noninterest-bearing	Unsecured
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	**–**	Management and professional fees charged to consortium partner	**–**	**5,100,000**	Due and demandable, noninterest-bearing	Unsecured
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	**4,713,471**	Advances	**–**	**17,474,893**	Due and demandable, noninterest-bearing	Unsecured
Due to related parties (see Note 8)	**₱17,356,137**	Management and professional fees/Advances	**₱–**	**₱49,806,524**	Due and demandable, noninterest-bearing	Unsecured
Accrued interest expense (see Noe 8)	**₱3,478,582**	Accrued interest expense on short-term loans	**₱–**	**₱3,478,582**	Interest-bearing	Unsecured
Short-term loans	**₱127,000,000**	Short-term loans	**₱–**	**₱127,000,000**	Interest-bearing	Unsecured

	As at and for the Year Ended December 31, 2021 (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)	₱–	Management and professional 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 and professional 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 and professional 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)	4,967,189	Advances	–	12,544,461	30–60 day terms; noninterest-bearing	Unsecured
Entities Under Common Control of Intermediate Parent Company						
ACES						
Accrued expenses and other current liabilities - Due to related parties (see Note 8)	134,400	Management and professional fees	–	117,926	30–60 day terms; noninterest-bearing	Unsecured
Due to related parties (see Note 8)	₱5,101,589		₱–	₱32,450,387		

Short-term Loans

On December 10, 2021, the ACEX BOD approved the availment of a short-term loan from ACEN of up to ₱150.00 million to fund the initial subscription by ACEX to shares in BCEI and authorized the ACEX to secure bank loans in an aggregate amount of up to ₱150.00 million to be guaranteed by ACEN subject to the payment of a guarantee fee. On December 13, 2021, the ACEN BOD approved the short-term loan up to ₱150.00 million in favor of ACEX. As at September 30, 2022, a total of ₱127.00 million was already availed to ACEX to fund its investment in BCEI.

Interest expense related to the short-term loan amounted to ₱3.47 million for the nine-month period ended September 30, 2022. The loan is subjected to 3.875% p.a. payable on or before November 10, 2022.

Compensation of Key Management Personnel

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

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., ₱50,000,000 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

Capital Stock

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (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 September 30, 2022 and December 31, 2021 are held by 2,898 equity holders.

11. Basic/Diluted Loss Per Share

Basic and diluted EPS are computed as follows:

	For the nine months ended September 30	
	2021 (Unaudited)	2020 (Unaudited)
(a) Net loss attributable to equity holders of the Parent Company	**₱47,802,525**	₱30,123,258
(b) Weighted average number of common shares outstanding	**250,000,001**	250,000,001
Basic/diluted loss per share (a/b)	**₱0.191**	₱0.120

12. Material Partly Owned Subsidiary

Financial information of Palawan55 is provided below:

	For the nine months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Equity interest held by NCI	**30.65%**	30.65%
Accumulated balances of NCI	**(₱4,377,362)**	(₱3,933,999)
Net loss (income) allocated to NCI	**(252,775)**	1,710,014

The summarized financial information of Palawan55 is provided below.

Statements of Comprehensive Income

	For the nine months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Foreign exchange loss (gain) - net	**(₱907,186)**	(₱238,835)
Expenses	**82,440**	5,817,999
Total comprehensive loss (income)	**(₱824,746)**	₱5,579,164
Attributable to NCI	**(₱252,775)**	₱1,710,014

Statements of Financial Position

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Total current assets	**₱5,454,940**	₱8,145,145
Total noncurrent assets	**57,150,549**	55,676,987
Total current liabilities	**(76,889,152)**	(78,930,541)
Total capital deficiency	**(₱14,283,663)**	(₱15,108,409)
Attributable to equity holders of the Parent Company	**(₱9,906,301)**	(₱10,478,272)
NCI	**(₱4,377,362)**	(₱4,630,137)

Cash Flow Information

	For the nine months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Net cash flows provided by:		
Operating activities	**(₱1,216,642)**	₱12,248,976
Investing activities	**(1,473,562)**	(8,372,503)
Financing activity	**–**	–

There were no dividends paid to NCI in the nine-month period ended September 30, 2022 and 2021.

13. Financial Risk Management Objectives and Policies

Objectives and Investment Policies

The funds of the entities are held directly by the ACEN Group and are managed by the Corporate Finance and Treasury Group ("CFT").

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 will yield to trump the absolute requirement that the principal amount of investment be preserved and placed in liquid instruments

The CFT 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.

CFT focuses on the following major risks that may affect its transactions:
- Foreign exchange risk
- Credit or counterparty risk
- Liquidity risk
- Interest rate risk

Corporate Planning and Investor Relations ("CPIR") focuses on the following major risks that may affect its transactions:
- Market risk
- Equity price risk

Commercial Operations focuses on commodity price 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.

<u>Risk Management Process</u>

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 September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	In US$	**In Philippine Peso**	In US$	In Philippine Peso
Financial Assets				
Cash and cash equivalents	**US$143,725**	**₱8,466,840**	US$314,839	₱15,985,635
Trade receivable under 'Receivables'	**–**	**–**	–	–
	143,725	**8,466,840**	314,839	15,985,635
Financial Liability				
Due to third party under 'Accounts payable and other current liabilities'	**(14,574)**	**(858,554)**	–	–
	US$129,151	**₱7,608,286**	US$314,839	₱15,985,635

Exchange rates used were ₱58.91 to $1.00 and ₱50.774 to $1.00 as at September 30, 2022 and December 31, 2021, 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 CFT before it is executed subject to the Chief Financial Officer (CFO) approval. Exposure limits are tracked for every transaction and CFT 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.

	September 30, 2022 (Unaudited)					
	Neither Past Due nor Impaired			**Past Due but not Impaired**	**Past Due Individually Impaired**	**Total**
	Class A	**Class B**	**Class C**			
Trade receivables	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Due from third party	**–**	**–**	**–**	**–**	**20,000,000**	**20,000,000**
Others	**–**	**–**	**–**	**27,601**	**–**	**27,601**
	₱–	**₱–**	**₱–**	**₱27,601**	**₱20,000,000**	**₱20,027,601**

	December 31, 2021 (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 September 30, 2022 is more than enough to pay its accrued expenses and withholding taxes totaling ₱1.53 million (see Note 8) and operating expenses

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.

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 2022 and 2021.

Capital includes all the items appearing in the equity section of the Group's consolidated statements of financial position at net capital deficiency of ₱34.77 million as at September 30, 2022 and net equity of ₱12.77 million as at December 31, 2021.

Fair Value of Financial Assets and Financial Liabilities
Cash, 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.

In 2022 and 2021, there were no transfers between levels of fair value measurement.

Offsetting of Financial Instruments
There was no offsetting of financial instruments as at September 30, 2022 and December 31, 2021.

14. 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 nine-month period ended September 30, 2022, and for the year ended December 31, 2021 were at ₱1.47 million and ₱13.09 million, respectively, mainly on deferred exploration cost (see Note 7).

As at September 30, 2022, the Group has not started commercial operations yet and has no revenue or gross profit. The total assets of the segment of ₱176.96 million and ₱79.37 million and liabilities amounting to ₱211.74 million and ₱66.59 million as at September 30, 2022 and December 31, 2021, respectively, are the same as that reported in the consolidated statements of financial position.

ANNEX B

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

The following discussion and analysis of financial position and results of operations of ACE Enexor, Inc. or "ACEX" and its subsidiary should be read in conjunction with the unaudited interim consolidated financial statements as at September 30, 2022, for the nine months ended September 30, 2022 and 2021 and the audited consolidated financial statements as at December 31, 2021. The unaudited interim consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards.

Corporate Highlights:

- On January 14, 2022, the Parent Company, Batangas Clean Energy, Inc. (BCEI) and Red Holdings B.V. ("Gen X Energy"), a wholly owned subsidiary of Gen X Energy L.P., executed a Shareholders' Agreement and Subscription Agreements for ACEX to subscribe to a total of 150,002 shares in BCEI for a total subscription price of ₱150.22 million. ACEX will subscribe to shares in BCEI such that the Parent Company and Gen X Energy will each own a 50% interest in BCEI. Gen X Energy L.P. is a portfolio company of Blackstone Inc., the world's largest alternative asset manager.

- As of September 2022, the Parent Company's cost of investment in BCEI amounted to ₱126.78 million. This was funded by ACEN's ₱150.00 million short-term facility, of which ₱ 127.00 million was already availed by ACEX.

Financial Highlights:

<u>Consolidated Statements of Income</u>

	For the nine months ended September 30		Increase (Decrease)	
	2022	2021	**Amount**	**%**
Expenses	**₱23,597,755**	₱32,587,730	(₱8,989,975)	(28%)
Other charges loss (income) - net	**23,951,995**	(754,458)	24,706,453	(3,275%)
Loss before income tax	**47,549,750**	31,833,272	15,716,478	49%
Benefit from income tax	–		–	–
Net Loss	**₱47,549,750**	₱31,833,272	₱15,716,478	49%

The following are the material changes in the Consolidated Statements of Comprehensive Income for the nine months ended September 30, 2022 and 2021:

- Last year's expenses included full impairment of the Parent Company's service SC 6A amounting to ₱23.38 million. Excluding this provision for impairment, expenses as of September 2022 is higher than same period last year mainly driven by the increase in professional fees and employees cost aggregating to ₱18.45 million (vs. ₱8.28 million last year), filing and registration fees (₱1.82 million increase), and advertising and promotion ₱0.77 million (vs. nil last year).
- Other charges (income) - net mainly came from equity in net losses of the Parent Company's joint venture investee (BCEI) amounting to ₱21.92 million and ₱3.48 million interest expense on short-

term loan from ACEN, partly offset by foreign exchange gains from dollar-denominated deposits with the appreciation of the US dollar.

Consolidated Statements of Financial Position

	September 2022	December 2021	**Increase (Decrease)**	
			Amount	**%**
Current Assets				
Cash	**₱14,568,161**	₱22,993,727	(₱8,425,566)	(37%)
Receivables	**27,601**	226,443	(198,842)	(88%)
Noncurrent Assets				
Investment in a joint venture	**₱104,862,009**	₱–	₱104,862,009	–
Property and equipment	**329,205**	448,957	(119,752)	(27%)
Deferred exploration costs	**57,150,548**	55,676,987	1,473,561	3%
Current Liabilities				
Accounts payable and other current liabilities	**₱84,735,501**	₱66,594,341	₱18,141,160	27%
Short-term loans payable	**127,000,000**	–	127,000,000	–

The following are the material changes in the Consolidated Statements of Financial Position as at September 30, 2022 and December 31, 2021:

- Decrease in Cash was primarily due to payment of the various expenditures related to the Group's activities for the current period aggregating to ₱8.42 million such as creditable and expanded withholding taxes, professional fees, documentary stamp tax and filing and registration fees.
- Decrease in Receivables was primarily due to clean-up of long-outstanding items.
- Investment in joint venture pertains to the Parent Company's ownership interest in BCEI which includes subscription cost (₱126.78 million) and accumulated share in net loss (₱21.92 million)
- Decrease in Property and equipment is due to depreciation.
- Increase in Deferred exploration costs was primarily due to due to the additional expenditures related to SC 55.
- Accounts payable increased mainly due to accrued expenses, employee cost and professional fees, as well as accrued interest expense booked as of September 30, 2022, nil in 2021.
- Short-term loans payable pertains to the Parent Company's availment of ACEN's short-term loan facility to fund the initial subscription to BCEI.

Financial Soundness Indicators

Key Performance Indicator	Formula	Sep 2022	Dec 2021	Increase (Decrease)	
				Amount	%
Liquidity Ratios					
Current Ratio	Current assets / Current liabilities	**0.07**	0.35	(0.28)	(80%)
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets / Current liabilities	**0.07**	0.35	(0.28)	(80%)
Solvency Ratios					
Debt-to-equity ratio	Total liabilities / Total equity	**(6.09)**	5.21	(11.30)	(217%)
Asset-to-equity ratio	Total assets / Total equity	**(5.09)**	6.21	(11.30)	(182%)
Net bank Debt to Equity Ratio	Short & long-term loans - Cash & Cash Equivalents / Total Equity	**N/A**	N/A	N/A	N/A
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 with the availment of short-term loan from ACEN.

Debt-to-equity ratio

The Group's debt-to-equity ratio is negative with the capital deficiency reported as of September 2022.

Asset-to-equity ratio

As of September 30, 2022, asset-to-equity ratio is negative with the capital deficiency reported for 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 third quarter of 2022:

- 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.
- On September 5, 2022, the DOE approved the relinquishment of SC 6A following the Consortium's compliance with all its technical and financial obligation with DOE.
- ACEX's subsidiary, Palawan 55, has 75% participating interest in SC 55 and is the Operator.
- The SC 6A consortium paid its outstanding financial obligations to the DOE in full as required for the DOE's approval of the former's relinquishment of said service contract. ACEX has 7.78% interest in SC 6 Block A.
- 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 July 1, 2022 to September 30, 2022

SC 55 (Ultra Deepwater West Palawan)

Palawan55 Exploration and Production Corporation awaits the approval of the Palawan Council for Sustainable Development (PCSD) of the transfer of Strategic Environment Planning (SEP) Clearance from the former Operator, BHP Billiton to itself as current operator.

Palawan55 met with the DOE to discuss policy issues, including its request for unequivocal assurance that the government would protect and defend the drilling operations in SC 55 in light of the ongoing maritime dispute in the West Philippine Sea.

Enexor's subsidiary, Palawan55 Exploration & Production Corporation, has 75% participating interest in SC 55 and is the operator.

SC 6 Block A (Northwest Palawan)

The Department of Energy (DOE) approved the relinquishment of SC 6A on September 05, 2022 following the Consortium's compliance with all its technical and financial obligation with DOE.

Certified Correct:
RAYMUNDO A. REYES, JR.
General Manager

ANNEX C

Reports on SEC Form 17-C
The Parent Company submitted SEC form 17-C and Press Statements to PSE, SEC on the following matters in the third quarter ended September 30, 2022:

1. July 14, 2022 – Public Ownership Report for the quarter ended 30 June 2022.
2. July 14, 2022 – List of Top 100 Stockholders for the period ended 30 June 2022.
3. August 11, 2022 – Quarterly Report for the period ended 30 June 2022.