Emerson T. Azul

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Sent:	Tuesday, April 16, 2024 12:00 AM
To:	Emerson T. Azul
Subject:	Re: CGFD_PETROENERGY RESOURCES CORPORATION_2023 17A Report

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1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15.BP-FCLC 20.S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through https://efast.sec.gov.ph/user/login.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

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1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	4	-	0	8	8	8	0

COMPANY NAME

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	SEC	N/A

COMPANY INFORMATION

Group's Email Address	Group's Telephone Number	Mobile Number
corpaffairs@petroenergy.com.ph	8637-2917	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,991	7/27	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Maria Cecilia L. Diaz De Rivera	mlderivera@petroenergy.com.ph	8637-2917	N/A

CONTACT PERSON's ADDRESS

7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig 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 the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its efficiencies.*

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
PetroEnergy Resources Corporation
7th Floor, JMT Building, ADB Avenue
Ortigas Center, Pasig City

Opinion

We have audited the consolidated financial statements of PetroEnergy Resources Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimation of oil reserves and recoverability of Wells, Platforms and Other Facilities and Related Assets

The estimation oil reserves for Etame block in Gabon, West Africa is a focus area because the resulting estimates have a material impact on the consolidated financial statements, as these are utilized in the impairment testing and the calculation of depletion expense of the investments. These investments comprise wells, platforms and other facilities under Property, plant and equipment amounting to ₱605.04 million, deferred oil exploration costs amounting to ₱321.32 million, and production license presented under Intangible assets amounting to ₱21.96 million as of December 31, 2023. There are inherent uncertainties involved in estimating oil reserve quantities because of the exercise of significant management judgment and consideration of inputs from independent and internal geologists and the complex contractual arrangements involved as regards the Group's share of reserves in the exploration and production sharing contract areas. This uncertainty also depends on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The recoverability of the investments is affected also by fluctuating crude oil prices, among others, and that are tested for impairment when there are indications that the carrying values of these investments may exceed their recoverable amounts. The assessment of the recoverable amount of these investments requires significant judgment and involves estimation using assumptions about future production levels and costs, as well as external inputs such as oil prices and discount rate. Hence, such assessment is a key audit matter in our audit.

The disclosures in relation to oil reserves are included in Notes 5, 11, 12 and 16 to the consolidated financial statements.

Audit response

We considered the competence, capabilities and objectivity of the geologists engaged by the Group to perform an independent assessment of its oil reserves given their qualifications, experience and reporting responsibilities. We reviewed the specialist's report and obtained an understanding of the nature, scope and objectives of their work and basis of the estimates including any changes in the reserves during the year. In addition, we tested the reserves estimates applied to the relevant areas of the consolidated financial statements including impairment testing and recognition of depletion expense.

We involved our internal specialist in evaluating the methodologies and the assumptions used in the impairment testing of these investments. These assumptions include future production levels and costs, as well as external inputs such as oil prices and discount rate. We compared the key assumptions used such as future production levels against oil reserves and costs against historical data. We tested the parameters used in the determination of the oil prices and discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect in the determination of the recoverable amounts of these investments.

Estimation of asset retirement obligations

The Group has provisions for the close-down, restoration and environmental obligations on its solar power plant in Tarlac, geothermal power plant in Batangas, wind power plant in Aklan, and interest in oil fields in Gabon totaling to ₱167.53 million as of December 31, 2023. The Group uses an external technical specialist to assess its share in abandonment cost in the Gabon oil fields, and an internal technical group to estimate the future restoration costs of its solar, geothermal and wind power plant sites. The estimation of the provisions requires significant management judgment in estimating future costs given the nature of each site, the operating activities done, and the facilities constructed, among other considerations. This calculation also requires the management to use a discount and inflation rates for these future costs to bring them to their present value at reporting date.

The Group's disclosures about asset retirement obligations are included in Notes 5 and 20 to the consolidated financial statements.

Audit response

We considered the competence, capabilities and objectivity of management's internal and external technical specialists given their qualifications, experience and reporting responsibilities. We reviewed the decommissioning reports and obtained an understanding from the internal and external technical specialists about their bases for identifying and estimating the Group's share in abandonment costs in the Gabon oil fields and restoration costs of its solar, wind and geothermal power plant sites. We also evaluated the discount and inflation rates used by comparing these to external data. We also reviewed the Group's disclosures on the assumptions that have the most significant effect in the determination of the amounts of these obligations.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ana Lea C. Bergado.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
Tax Identification No. 102-082-670
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-063-2023, September 12, 2023, valid until September 11, 2026
PTR No. 10079908, January 5, 2024, Makati City

April 15, 2024

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱2,334,304,367**	₱1,677,231,584
Short-term investments (Note 6)	**1,975,286,425**	946,044,355
Restricted cash (Note 7)	**293,744,077**	2,063,387,986
Receivables (Note 8)	**730,521,441**	452,192,649
Financial assets at fair value through profit or loss (Note 9)	**6,958,720**	7,540,090
Crude oil inventory (Note 24)	**13,676,052**	14,437,192
Current portion of contract assets (Note 35)	**127,134,899**	21,949,016
Other current assets (Note 10)	**232,238,237**	165,279,803
Total Current Assets	**5,713,864,218**	5,348,062,675
Noncurrent Assets		
Property, plant and equipment (Notes 5 and 11)	**12,208,332,826**	8,196,897,057
Deferred oil exploration costs (Notes 5 and 12)	**386,796,965**	311,883,011
Contract assets (Note 35)	**609,572,499**	274,409,474
Investments in joint venture (Note 13)	**2,882,000**	1,877,522,983
Right-of-use assets (Note 14)	**322,894,463**	342,614,655
Deferred tax assets - net (Note 22)	**18,349,138**	10,927,929
Investment properties (Note 15)	**1,611,533**	1,611,533
Intangible assets (Note 16)	**1,172,413,367**	140,262,493
Other noncurrent assets (Notes 17 and 20)	**1,445,572,602**	315,620,289
Total Noncurrent Assets	**16,168,425,393**	11,471,749,424
TOTAL ASSETS	**₱21,882,289,611**	₱16,819,812,099
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 18)	**₱798,052,764**	₱551,463,206
Current portion of loans payable (Note 19)	**3,699,707,830**	947,144,643
Current portion of lease liabilities (Note 14)	**54,756,559**	22,734,502
Income tax payable (Note 22)	**14,329,114**	5,995,154
Total Current Liabilities	**4,566,846,267**	1,527,337,505
Noncurrent Liabilities		
Loans payable - net of current portion (Note 19)	**4,178,456,690**	2,530,784,409
Lease liabilities - net of current portion (Note 14)	**269,881,742**	306,059,838
Asset retirement obligations (Note 20)	**167,532,915**	66,230,330
Accrued retirement liabilities (Note 20)	**30,603,592**	12,077,639
Total Noncurrent Liabilities	**4,646,474,939**	2,915,152,216
Total Liabilities	**9,213,321,206**	4,442,489,721

	December 31	
	2023	2022
Equity		
Attributable to equity holders of the Parent Company		
Capital stock (Note 21)	**₱568,711,842**	₱568,711,842
Additional paid-in capital (Note 21)	**2,156,679,049**	2,156,679,049
Retained earnings (Note 21)	**3,669,829,291**	3,182,613,298
Remeasurements of net accrued retirement liability - net of tax (Note 20)	**(12,472,150)**	4,104,237
Share in other comprehensive income of a Joint Venture (Note 13)	**–**	(78,815)
Cumulative translation adjustment (Note 21)	**114,499,681**	114,499,681
Equity reserve (Note 21)	**1,334,950,575**	736,716,986
	7,832,198,288	6,763,246,278
Non-controlling interests (Note 31)	**4,836,770,117**	3,963,021,100
Deposit for stock subscription (Notes 21 and 31)	**–**	1,651,055,000
Total Equity	**12,668,968,405**	12,377,322,378
TOTAL LIABILITIES AND EQUITY	**₱21,882,289,611**	₱16,819,812,099

See accompanying Notes to Consolidated Financial Statements.

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2023	2022	2021
REVENUES			
Electricity sales (Notes 4 and 35)	**₱2,326,772,267**	₱1,695,931,748	₱1,899,726,215
Oil revenues (Note 35)	**623,038,856**	726,054,534	461,246,131
Other revenues (Note 35)	**62,662,074**	129,112,773	61,981,804
	3,012,473,197	2,551,099,055	2,422,954,150
COST OF SALES			
Cost of electricity sales (Note 23)	**1,059,755,456**	752,403,321	760,968,319
Oil production (Note 24)	**315,347,519**	355,336,217	236,284,770
Depletion (Note 11)	**101,223,727**	85,286,880	76,513,364
Change in crude oil inventory (Note 24)	**761,140**	(1,820,516)	22,473,648
Cost of other revenues (Note 23)	**60,776,865**	127,388,501	61,357,825
	1,537,864,707	1,318,594,403	1,157,597,926
GROSS INCOME	**1,474,608,490**	1,232,504,652	1,265,356,224
GENERAL AND ADMINISTRATIVE EXPENSES (Note 25)	**266,767,569**	221,232,231	180,825,547
OTHER INCOME (CHARGES) – Net			
Interest income (Notes 6, 7, 8, and 35)	**225,839,685**	51,154,475	12,913,159
Share in net income of a joint venture (Note 13)	**50,738,697**	81,512,921	100,127,158
Net foreign exchange gains (losses)	**(3,103,808)**	12,377,485	5,086,734
Fair value changes on financial assets at fair value through profit or loss (Note 9)	**(530,445)**	(47,138)	55,641
Accretion expense (Note 20)	**(6,944,814)**	(3,622,334)	(3,478,294)
Reversal of (provision for) impairment loss (Notes 5, 11 and 12)	**(77,167,996)**	11,299,369	(164,323,294)
Interest expense (Notes 14 and 19)	**(408,735,771)**	(292,324,806)	(333,375,545)
Loss on remeasurement of previously held interest (Note 13)	**(45,894,709)**	-	-
Miscellaneous income - net (Note 26)	**61,037,000**	30,047,518	18,416,546
	(204,762,161)	(109,602,510)	(364,577,895)
INCOME BEFORE INCOME TAX	**1,003,078,760**	901,669,911	719,952,782
PROVISION FOR INCOME TAX (Note 22)	**(58,898,292)**	(38,592,892)	(54,480,634)
NET INCOME	**944,180,468**	863,077,019	665,472,148
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on net accrued retirement liability - net of tax (Note 20)	**(18,868,006)**	9,668,661	11,191,652
Share in other comprehensive income (loss) of a joint venture (Note 13)	**78,815**	761,152	(393,255)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(18,789,191)**	10,429,813	10,798,397
TOTAL COMPREHENSIVE INCOME	**₱925,391,277**	₱873,506,832	₱676,270,545

(Forward)

	Years Ended December 31		
	2023	2022	2021
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱515,651,585**	₱548,523,238	₱325,461,592
Non-controlling interests (Note 31)	**428,528,883**	314,553,781	340,010,556
	₱944,180,468	₱863,077,019	₱665,472,148
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱499,154,013**	₱557,736,949	₱329,461,712
Non-controlling interests (Note 31)	**426,237,264**	315,769,883	346,808,833
	₱925,391,277	₱873,506,832	₱676,270,545
EARNINGS PER SHARE FOR NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY - BASIC AND DILUTED (Note 30)	**₱0.9067**	₱0.9645	₱0.5723

See accompanying Notes to Consolidated Financial Statements.

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Retained Earnings (Note 21)	Remeasurement of Net Accrued Retirement Liability	Share in OCI of a Joint Venture (Note 13)	Cumulative Translation Adjustment (Note 21)	Equity Reserve (Note 21)	Total	Non-controlling Interests (Note 31)	Deposit for Stock Subscription (Notes 21 and 31)	Total
BALANCES AT DECEMBER 31, 2020	**₱568,711,842**	**₱2,156,679,049**	**₱2,337,064,060**	**(₱8,924,964)**	**(₱263,445)**	**₱114,499,681**	**₱80,049,238**	**₱5,247,815,461**	**₱2,583,102,254**	**₱–**	**₱7,830,917,715**
Net income	–	–	325,461,592	–	–	–	–	325,461,592	340,010,556	–	665,472,148
Remeasurement gain (loss) on net accrued retirement liability	–	–	–	4,354,050	–	–	–	4,354,050	6,837,602	–	11,191,652
Share in OCI of a joint venture	–	–	–	–	(353,930)	–	–	(353,930)	(39,325)	–	(393,255)
Total comprehensive income	–	–	325,461,592	4,354,050	(353,930)	–	–	329,461,712	346,808,833	–	676,270,545
Cash dividends	–	–	–	–	–	–	–	–	(201,673,600)	–	(201,673,600)
Increase in non-controlling interests - stock issuances	–	–	–	–	–	–	–	–	8,300,000	–	8,300,000
BALANCES AT DECEMBER 31, 2021	**568,711,842**	**2,156,679,049**	**2,662,525,652**	**(4,570,914)**	**(617,375)**	**114,499,681**	**80,049,238**	**5,577,277,173**	**2,736,537,487**	**–**	**8,313,814,660**
Net income	–	–	548,523,238	–	–	–	–	548,523,238	314,553,781	–	863,077,019
Remeasurement gain on net accrued retirement liability	–	–	–	8,675,151	–	–	–	8,675,151	993,510	–	9,668,661
Share in OCI of a joint venture	–	–	–	–	538,560	–	–	538,560	222,592	–	761,152
Total comprehensive income (loss)	–	–	548,523,238	8,675,151	538,560	–	–	557,736,949	315,769,883	–	873,506,832
Cash dividends	–	–	(28,435,592)	–	–	–	–	(28,435,592)	(122,800,000)	–	(151,235,592)
Deposit for stock subscription	–	–	–	–	–	–	–	–	–	1,651,055,000	1,651,055,000
Change in ownership without loss of control	–	–	–	–	–	–	656,667,748	656,667,748	1,030,763,729	–	1,687,431,477
Increase in non-controlling interests - stock issuances	–	–	–	–	–	–	–	–	2,750,000	–	2,750,000
BALANCES AT DECEMBER 31, 2022	**568,711,842**	**2,156,679,049**	**3,182,613,298**	**4,104,237**	**(78,815)**	**114,499,681**	**736,716,986**	**6,763,246,278**	**3,963,021,100**	**1,651,055,000**	**12,377,322,378**
Net income	–	–	515,651,585	–	–	–	–	515,651,585	428,528,883	–	944,180,468
Remeasurement gain on net accrued retirement liability	–	–	–	(16,576,387)	–	–	–	(16,576,387)	(2,291,619)	–	(18,868,006)
Share in OCI of a joint venture	–	–	–	–	78,815	–	–	78,815	–	–	78,815
Total comprehensive income	–	–	515,651,585	(16,576,387)	78,815	–	–	499,154,013	426,237,264	–	925,391,277
Cash dividends	–	–	(28,435,592)	–	–	–	–	(28,435,592)	(25,000,000)	–	(53,435,592)
Application of deposit for stock subscription (Note 21)	–	–	–	–	–	–	–	–	1,634,762,579	(1,651,055,000)	(16,292,421)
Change in ownership without loss of control (Note 21)	–	–	–	–	–	–	598,233,589	598,233,589	(598,233,589)	–	–
Acquisition of non-controlling interests (Notes 21 and 31)	–	–	–	–	–	–	–	–	(1,965,153,794)	–	(1,965,153,794)
Acquisition of NCI from business combination (Note 13)	–	–	–	–	–	–	–	–	1,196,723,942	–	1,196,723,942
Increase in non-controlling interests - stock issuances (Note 31)	–	–	–	–	–	–	–	–	204,412,615	–	204,412,615
BALANCES AT DECEMBER 31, 2023	**₱568,711,842**	**₱2,156,679,049**	**₱3,669,829,291**	**(₱12,472,150)**	**₱–**	**₱114,499,681**	**₱1,334,950,575**	**₱7,832,198,288**	**₱4,836,770,117**	**₱–**	**₱12,668,968,405**

See accompanying Notes to Consolidated Financial Statements

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,003,078,760**	₱901,669,911	₱719,952,782
Adjustments for:			
Depletion, depreciation and amortization (Notes 11, 14 and 16)	**730,880,693**	551,078,397	520,848,217
Interest expense (Notes 14 and 19)	**408,735,771**	292,324,806	333,375,545
Provision for (reversal of) impairment loss (Notes 5, 11 and 12)	**77,167,996**	(11,299,369)	164,323,294
Loss on remeasurement of previously held interest (Note 13)	**45,894,709**	–	–
Share in net income of a joint venture (Note 13)	**(50,738,697)**	(81,512,921)	(100,127,158)
Interest income (Notes 6, 7, 8 and 35)	**(225,839,685)**	(51,154,475)	(12,913,159)
Movement in accrued retirement liability (asset)	**(2,129,878)**	(4,343,624)	9,494,154
Provision for probable losses (Notes 17 and 25)	**12,011,345**	6,105,757	5,004,048
Change in estimate of ARO	**–**	(1,232,259)	(4,354,636)
Accretion expense (Note 20)	**6,944,814**	3,622,334	3,478,294
Net gain on sale of equipment and investment (Note 26)	**(1,671,563)**	(337,611)	(530,125)
Net unrealized foreign exchange loss (gain)	**3,103,807**	(2,663,406)	(291,553)
Fair value changes on financial assets at fair value through profit or loss (Note 9)	**530,445**	47,138	(55,641)
Dividend income (Note 9)	**(26,969)**	(79,047)	(38,134)
Operating income before working capital changes	**2,007,941,548**	1,602,225,631	1,638,165,928
Decrease (increase) in:			
Receivables	**(154,034,306)**	(37,465,978)	(116,826,655)
Contract assets (Note 35)	**(60,510,461)**	(74,120,369)	(89,550,940)
Other current assets	**69,546,872**	(749,567,023)	(44,294,863)
Increase in accounts payable and other liabilities	**157,724,533**	153,102,244	39,323,783
Cash generated from operations	**2,020,668,186**	894,174,505	1,426,817,253
Interest received	**152,770,663**	28,340,045	12,506,262
Income taxes paid, including movement in creditable withholding taxes	**(78,878,062)**	(51,390,749)	(47,760,500)
Net cash provided by operating activities	**2,094,560,787**	871,123,801	1,391,563,015
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for:			
Acquisitions of property, plant and equipment (Note 11)	**(1,843,551,556)**	(659,351,144)	(203,768,133)
Deferred oil exploration costs (Note 12)	**(75,217,430)**	(208,597,575)	(59,035,023)
Deferred development costs (Note 17)	**(427,579,398)**	(74,301,563)	(15,482,026)
Acquisitions of intangibles (Note 17)	**(3,899,131)**	(8,704,649)	(1,416,833)
Advances to contractors (Note 17)	**(33,521,873)**	(45,777,526)	–
Acquisition through business combination – net of cash acquired (Note 13)	**(210,446,391)**	–	–
Dividends received (Notes 9 and 13)	**26,969**	79,047	38,134
Proceeds from sale of property, plant and equipment	**82,013**	1,110,936	1,088,425
Decrease in short-term investments	**740,401,839**	–	–
Decrease (increase) in other noncurrent assets	**(46,426,555)**	(61,405,058)	73,585,322
Net cash used in investing activities	**(1,900,131,513)**	(1,056,947,532)	(204,990,134)

(Forward)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of debt - net of deferred financing costs (Notes 19 and 32)	**₱3,946,036,089**	₱561,000,000	₱268,500,000
Subscription of capital stock – NCI (Note 31)	**204,412,637**	1,693,681,477	–
Payments of:			
Acquisition of NCI (Notes 21 and 31)	**(1,965,153,794)**	–	–
Loans (Notes 19 and 32)	**(1,272,135,055)**	(1,155,920,789)	(954,174,350)
Interest (Notes 14, 19 and 32)	**(337,024,238)**	(291,405,251)	(287,786,290)
Dividends to NCI (Notes 31 and 32)	**(25,000,000)**	(122,800,000)	(201,673,600)
Lease liabilities (Notes 14 and 32)	**(38,214,856)**	(37,490,050)	(37,300,137)
Payment of equity issuance cost (Note 21)	**(16,292,421)**	–	–
Dividends by the Parent Company (Notes 21 and 32)	**(28,435,592)**	(28,435,593)	–
Net cash generated (used) in financing activities	**468,192,770**	618,629,794	(1,212,434,377)
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(5,549,261)**	2,663,420	291,553
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**657,072,783**	435,469,483	(25,569,943)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,677,231,584**	1,241,762,101	1,267,332,044
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱2,334,304,367**	₱1,677,231,584	₱1,241,762,101

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. Organization

PetroEnergy Resources Corporation ("PERC" or "PetroEnergy" or the "Parent Company") is a publicly-listed domestic corporation. Its registered office and principal place of business is 7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City.

PERC was organized on September 29, 1994 as Petrotech Consultants, Inc. to provide specialized technical services to its then parent company, Petrofields Corporation, and to companies exploring for oil in the Philippines.

In 1997, PERC simultaneously adopted its present name and changed its primary purpose to oil exploration and development and mining activities. Subsequently in 1999, PERC assumed Petrofields' oil exploration contracts in the Philippines and the Production Sharing Contract covering the Etame discovery block in Gabon, West Africa.

On August 11, 2004, PERC's shares of stock were listed at the Philippine Stock Exchange (PSE) by way of introduction.

In 2009, following the enactment of Republic Act No. 9513, otherwise known as the "Renewable Energy Act of 2008" (RE Law), PERC amended its articles of incorporation to include among its purposes the business of generating power from renewable sources such as, but not limited to, biomass, hydro, solar, wind, geothermal, ocean and such other renewable sources of power.

On March 31, 2010, PERC incorporated PetroGreen Energy Corporation ("PetroGreen" or "PGEC"), its 75%-owned subsidiary (77%-owned in 2022), to act as its renewable energy arm and holding company. PGEC ventured into renewable energy development and power generation through its subsidiaries and affiliate: (a) Maibarara Geothermal, Inc. ("MGI", 65%-owned) - owner and Renewable Energy (RE) developer of the 20 MW Maibarara Geothermal Power Project (MGPP-1) in Santo Tomas, Batangas and its expansion, the 12 MW MGPP-2; (b) PetroSolar Corporation ("PetroSolar or PSC", 56%-owned) – owner and RE developer of the 50 MW_{DC} Tarlac Solar Power Project (TSPP-1) in Tarlac City and its 20 MW_{DC} expansion (TSPP-2); and (c) PetroWind Energy Inc. ("PetroWind or PWEI", 40%-owned subsidiary in 2023 (joint venture in 2022) - owner and developer of the 36 MW Nabas Wind Power Project (NWPP-1) and its 13.2 MW expansion (NWPP-2) in Nabas and Malay, Aklan.

In 2023, PetroEnergy made direct acquisition of shares in PetroGreen, PetroWind and PetroSolar. In 2023 also, PGEC incorporated new RE entities which are disclosed in detail in Note 1c. The subsidiaries of PetroEnergy and the respective percentages of ownership are disclosed in Note 4.

b. Nature of Operations

The Group's two (2) main energy businesses are: (1) upstream oil exploration and development, and (2) power generation from renewable energy resources including, (a) geothermal, (b) solar, and (c) wind.

Upstream Oil Exploration and Development
Petroleum production is on-going in the Etame (Gabon) concession, while the other petroleum concessions in the Philippines are still in the advanced exploration stages or pre-development stages.

Renewable Energy
Geothermal Energy
MGI's geothermal projects are the 20 MW MGPP-1 in Sto. Tomas, Batangas that started commercial operations on February 8, 2014 and its expansion, the 12 MW MGPP-2 that started commercial operations on April 30, 2018.

Solar Energy
PetroSolar's solar power projects are the 50 MWDC TSPP-1 in Tarlac City, Tarlac that started commercial operations on February 10, 2016 and its 20 MWDC expansion (TSPP-2) which has been commissioned and tested on April 22, 2019.

Wind Energy
PetroWind's wind power projects are the NWPP located in Nabas, Aklan. The 36 MW Phase 1of the project (NWPP-1) commenced commercial operations on June 10, 2015. Whereas, an expansion project, the 13.2 MW Wind Power Project (NWPP-2), is underway. At least three turbines are targeted to commence operations by April 2024.

c. Acquisition of Shares of Stock

On April 24, 2023, PERC and EEI Power Corporation (EEIPC) entered into a Share Purchase Agreement (SPA), wherein PERC agreed to purchase all of EEIPC's equity interests in PGEC (7.5%), PetroSolar (44%), and PWEI (20%) on different payment schedules. PERC executed the respective Deeds of Absolute Sale and fully paid EEIPC the purchase price for the latter's shares in PWEI, PSC and PGEC on May 10, 2023, August 1, 2023, and August 31, 2023, respectively.

This acquisition resulted in changes in the classification of investment in PWEI as well as Group's interest and non-controlling interests (NCI) in the three entities mentioned (see Notes 4, 5, 13, 21 and 31).

d. Pipeline RE Projects

On March 5, 2021, PetroGreen and Copenhagen Energy A/S, a Danish company and affiliate of CE Pacific ApS (CE), executed the Heads of Terms as basis for the potential collaboration on the development of offshore wind (OSW) power projects in the Philippines and creation of SPVs that will develop the projects. Pursuant to the Heads of Terms, PGEC and CE entered into Joint Venture Agreements (JVAs) that will govern the obligations of the parties in the development of the Northern Luzon, Northern Mindoro and East Panay OSW projects, and incorporated three special purpose vehicles (SPVs) in November 2022 namely: BuhaWind Energy Northern Luzon Corporation (BuhaWind NL), BuhaWind Energy Northern Mindoro Corporation (BuhaWind NM) and BuhaWind Energy East Panay Corporation (BuhaWind EP) [collectively called BuhaWind Energy]. PGEC owns 40% and 60% equity interest in each of the OSW SPVs as of December 31, 2023 and 2022, respectively. The DOE approved the assignment of PGEC's DOE wind service contracts to Buhawind EP, Buhawind Energy NM and Buhawind NL on December 27, 2023, December 29, 2023 and February 21, 2024, respectively.

On August 31, 2023, the Securities and Exchange Commission (SEC) approved the incorporation of Rizal Green Energy Corporation (RGEC), PGEC's 100%-owned subsidiary that shall hold shares in the RE companies that will develop the solar power projects in Bohol, Pangasinan, Isabela and Nueva Ecija.

On September 13, 2023, RGEC incorporated Dagohoy Green Energy Corporation (DGEC), the RE entity that will own, develop, and operate the Dagohoy Solar Power Project in Bohol. On February 28, 2024, the DOE approved the assignment of PGEC's DOE operating contract to DGEC.

On October 14, 2023, RGEC incorporated San Jose Green Energy Corporation (SJGEC), the RE entity that will own, develop and operate the San Jose Solar Power Project in Nueva Ecija. On July 19, 2023, the DOE approved the assignment of V-Mars Solar Energy Corporation's DOE service contract to PGEC, allowing PGEC to develop the San Jose Solar Power Project in Nueva Ecija. On February 23, 2024, PGEC submitted the application for assignment of the DOE service contract to SJGEC.

On October 14, 2023, RGEC incorporated Bugallon Green Energy Corporation (BGEC), the RE entity that will own, develop, and operate the Bugallon Solar Power Project in Pangasinan. As of December 31, 2023, the transfer of the PGEC's DOE service contract to BGEC is still being processed by the DOE.

On August 16, 2023, PGEC acquired 100% of BKS Green Energy Corp.'s (BKS) shares of stock, a Filipino corporation that holds the service contract over the Limbauan Solar Power Project in Isabela.

e. Approval of Consolidated Financial Statements
The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 15, 2024.

2. Basis of Preparation

Basis of Preparation
The accompanying consolidated financial statements have been prepared under the historical cost basis, except for financial assets carried at fair value through profit or loss (FVTPL) which are measured at fair value, and crude oil inventory which is valued at net realizable value (NRV).

The financial statements are presented in Philippine Peso (PHP or ₱), which is the Parent Company's functional currency. All amounts are rounded to the nearest PHP unless otherwise stated.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2023. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2023

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7*, Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21*, Lack of exchangeability*

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

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2023 on the Group's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

4. Summary of Material Accounting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023. The financial statements of the subsidiaries are prepared in the same reporting year as the Parent Company, using consistent accounting policies.

Below are the subsidiaries, which are all incorporated in the Philippines, with their respective percentage ownership as of December 31:

	2023	2022	2021
Direct interest:			
PetroGreen*	**75%**	76.92%	90%
PetroSolar**	**44%**	–	–
PetroWind***	**20%**	–	–
Navy Road Development Corporation (NRDC) – dormant company	**100%**	100%	100%
Indirect interest:			
Percentage share of PetroGreen in its subsidiaries:			
MGI	**65%**	65%	65%
PetroSolar	**56%**	56%	56%
PetroWind***	**40%**	–	–
BKS****	**100%**	–	–
RGEC*****	**100%**	–	–
Subsidiaries of RGEC:*****			
DGEC	**100%**	–	–
SJGEC	**100%**	–	–
BGEC	**100%**	–	–

**Change in % of ownership is the result of PERC's acquisition of PetroGreen's shares from EEIPC and new shares issued to Kyuden (Notes 1, 21 and 31)*
***Arises from PERC's acquisition of PetroSolar's shares from EEIPC (Notes 1, 21 and 31)*
**** Arises from PERC's acquisition of PetroWind's shares from EEIPC which resulted in consolidation of PetroWind; effective interest of the Group is 50% thereafter (Notes 1 and 13)*
*****Acquired subsidiary in 2023 (Note 1)*
******Newly incorporated subsidiaries in 2023 (Note 1)*

Subsidiaries are entities controlled by PERC. PERC controls an investee if and only if PERC has:

a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b) exposure, or rights, to variable returns from its involvement with the investee; and
c) the ability to use its power over the investee the amount of the investor's returns.

When PERC has less than a majority of the voting or similar rights of an investee, PERC considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) the contractual arrangement with the other vote holders of the investee;
b) rights arising from other contractual arrangements; and
c) the Group's voting rights and potential voting rights.

PERC 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. Consolidations of a subsidiary begins when PERC obtains control over the subsidiary and ceases when PERC loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date PERC gains control until the date PERC ceases to control the subsidiary.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments where necessary are made to ensure consistency with the policies adopted by the Group. All intra-group balances and transactions, intra-group profits and expenses and gains and losses are eliminated during consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests (NCI), the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to NCI are also recorded in equity.

NCI are presented separately from the Parent Company's equity. The portion of profit or loss and net assets in subsidiaries not wholly owned are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity, and within equity in the consolidated statement of financial position under 'Non-controlling interests'.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks (demand deposits). Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the dates of acquisition and that are subject to an insignificant risk of change in value.

<u>Short-term Investments</u>
This pertains to interest bearing time deposits with terms of more than 3 months but not more than one year.

<u>Restricted Cash</u>
Restricted cash is recognized when the Group reserves a portion of its cash for a specific purpose such as to pay loan interest charges and loan principal amortization, and that there are contractual restrictions directly related to the use of and access of the bank accounts. This includes cash held under escrow accounts. Restricted cash that are expected to be used for a period of no more than 12 months after the financial reporting period are classified as current assets, otherwise, these are classified as noncurrent assets.

<u>Financial Instruments</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets – Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flow that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Group has no financial asset classified as financial assets at FVOCI.

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, short-term investments, receivables, restricted cash, and refundable deposits.

Financial assets at FVTPL
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the consolidated statement of profit or loss when the right of payment has been established.

The Group's financial assets at FVTPL includes marketable equity securities and investment in golf club shares.

Impairment of financial assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities – Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, financial liabilities at amortized cost (loans and borrowings) or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accrued expenses, excluding statutory liabilities, loans payable and lease liabilities. The Group does not have financial liabilities at FVTPL.

Subsequent measurement
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

Derecognition of Financial Assets and Financial Liabilities
Financial assets
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Crude Oil Inventory
Crude oil inventory is stated at NRV at the time of production. NRV is the estimated selling price less cost to sell. The estimated selling price is the market values of crude oil inventory at the time of production.

Other Current Assets
This account comprises supplies inventory, refundable deposits, prepayments and advances to suppliers.

Supplies inventory refers to parts purchased for used in operations. Supplies inventory are stated at the lower of cost or NRV. Cost is determined using the specific identification method. NRV is the current replacement cost of supplies inventory.

Prepayments are expenses paid in advance and recorded as asset before these are utilized. The prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred. Prepayments that are expected to be realized for a period of no more than 12 months after the financial reporting period are classified as current assets, otherwise, these are classified as noncurrent assets.

Advances to suppliers are reclassified to the proper asset or expense account and deducted from the supplier's billings as specified in the provisions of the contract.

Property, Plant and Equipment
Property, plant and equipment, except for land, are stated at cost less accumulated depletion, depreciation and amortization and any accumulated impairment losses. Land is stated at cost less any accumulated impairment losses. The initial cost of the property, plant and equipment consists of its purchase price, including any import duties, taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use and abandonment costs.

Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to the consolidated statement of comprehensive income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Wells, platforms and other facilities related to oil operations are depleted using the units-of-production method computed based on estimates of proved reserves. The depletion base includes the exploration and development cost of the producing oilfields.

Land improvements consist of betterments, site preparation and site improvements that ready land for its intended use. These include excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, and fences.

Property, plant and equipment are depreciated and amortized using the straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Power plant, FCRS and production wells	25
Office condominium units	15
Land improvements	5
Transportation equipment	4 to 5
Office improvements	3
Office furniture and other equipment	2 to 3

The useful lives and depletion, depreciation and amortization methods are reviewed periodically to ensure that the period and method of depletion, depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction in progress represents property, plant and equipment under construction and is stated at cost. This includes the cost of construction to include materials, labor, professional fees, borrowing costs and other directly attributable costs. Construction in progress is not depreciated until such time the construction is completed.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited or charged to current operations.

When the assets are retired or otherwise disposed of, the cost and the related accumulated depletion, depreciation and amortization and any accumulated impairment losses are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. In a business combination achieved in stages, the acquirer shall remeasure its previously held equity

interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the reporting period in which the combination occurs because either the fair values to be assigned to the acquiree's identifiable assets or liabilities or the consideration of the combination can be determined only provisionally, the acquirer shall account for the business combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months from the acquisition date as follows: (i) the carrying amount of the identifiable assets or liabilities that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable assets or, liabilities being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Deferred Oil Exploration Costs
PERC follows the full cost method of accounting for exploration costs determined on the basis of each SC area. Under this method, all exploration costs relating to each SC are tentatively deferred pending determination of whether the area contains oil reserves in commercial quantities.

Deferred oil and gas exploration costs are assessed at each reporting period for possible indications of impairment. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case or is considered as areas permanently abandoned, the costs are written off through the consolidated statement of comprehensive income. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

The exploration costs relating to the SC where oil in commercial quantities are discovered are subsequently reclassified to “Wells, platforms and other facilities” shown under “Property and equipment” account in the consolidated statements of financial position upon substantial completion of the development stage.

Deferred Development Costs – Geothermal included in Other Noncurrent Assets

All costs incurred in the geological and geophysical activities such as costs of topographical, geological and geophysical studies, rights of access to properties to conduct those studies, salaries and other expenses of geologists, geophysical crews, or others conducting those studies are charged to profit or loss in the year such costs are incurred.

If the results of initial geological and geophysical activities reveal the presence of geothermal resource that will require further exploration and drilling, subsequent exploration and drilling costs are accumulated and deferred under the “Other noncurrent assets” account in the consolidated statement of financial position.

These costs include the following:

- costs associated with the construction of temporary facilities;
- costs of drilling exploratory and exploratory type stratigraphic test wells, pending determination of whether the wells can produce proved reserves; and
- costs of local administration, finance, general and security services, surface facilities and other local costs in preparing for and supporting the drill activities, etc. incurred during the drilling of exploratory wells.

If tests conducted on the drilled exploratory wells reveal that these wells cannot produce proved reserves, the capitalized costs are charged to expense except when management decides to use the unproductive wells for recycling or waste disposal.

Once the project’s technical feasibility and commercial viability to produce proved reserves are established, the exploration and evaluation assets shall be reclassified to “Property, plant and equipment” and depreciated accordingly.

Deferred Development Costs – Solar and Wind Power Projects included in Other Noncurrent Assets

These are costs incurred in the development of the RE projects. Costs are capitalized if the technological and economic feasibility is confirmed, usually when a project development has reached a defined milestone according to an established project management model. These costs include the following:

- costs incurred for the RE projects
- costs of administration, finance, general and security services and other costs attributed to the RE projects.

Deferred development costs of RE projects are recognized under “Other noncurrent assets” in the statement of financial position. Once the project’s technical feasibility and commercial viability has been established, development costs shall be reclassified to “Property, plant and equipment” and depreciated accordingly.

Investment in a Joint Venture (JV)

A JV 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. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investment in a JV is accounted for under the equity method of accounting.

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

The consolidated statement of comprehensive income reflects the Group's share of the financial performance 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 JV, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses from transactions between the Group and the JV are eliminated to the extent of the interest of the JV.

The aggregate of the Group's share in profit or loss of a JV is shown under "Other income (charges)" in the consolidated statement of comprehensive income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the JV.

The financial statements of the JV are prepared in the same reporting period of 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 for the investment in a JV, the Group determines whether it is necessary to recognize an impairment loss on its investment in a JV. At each reporting date, the Group determines whether there is objective evidence that the investment in JV is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the JV and its carrying value, then recognizes the loss in the consolidated statement of comprehensive income.

Upon loss of joint control over the JV, 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 comprehensive income.

Contract Assets
A contract asset is recognized for the earned consideration for goods or services transferred to a customer before the customer pays or before payment is due. Contract assets are measured at the present value of future collections to be received over a period of time. Contract assets that are expected to be received within 12 months after the financial reporting period are classified as current assets, otherwise, these are classified as noncurrent assets.

Intangible Assets (Other than Goodwill)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets are amortized using the straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Customer relationship	27
Land rights	25
Production license	10
Software license	1.5 to 3

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Interest in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognized in relation to its interest in a joint operation its:

- assets, including its share of any assets held jointly
- liabilities, including its share of any liabilities incurred jointly
- revenue from the sale of its share of the output arising from the joint operation
- share of the revenue from the sale of the output by the joint operation
- expenses, including its share of any expenses incurred jointly

The Group accounts for the assets it controls and the liabilities it incurs, the expenses it incurs and the share of income that it earns from the sale of crude oil by the joint operations.

The Group's participating interest in the Etame block in Gabon, West Africa and participating interests in Philippine service contracts (SCs) are classified as joint operations.

Impairment of Nonfinancial Assets (excluding Goodwill)

The Group assesses at each reporting date whether there is an indication that an asset (e.g., property, plant and equipment, investment properties, deferred costs, intangible assets and right-of-use assets) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depletion, depreciation and amortization had no impairment loss been recognized for the asset in prior years.

Capital Stock and Additional Paid-in Capital
The Group records common stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When any member of the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity.

Retained Earnings
Retained earnings represent the cumulative balance of consolidated net income, effects of changes in accounting policy and other capital adjustments, net of dividend declaration.

Cumulative Translation Adjustment
Cumulative translation adjustment represents the resulting exchange differences in the remeasurement of accounts due to change in functional currency.

Equity Reserve
Equity reserve is made up of equity transactions other than equity contributions such as gain or loss resulting from increase or decrease of ownership without loss of control.

Dividend Distribution
Cash dividends on capital stock are recognized as a liability and deducted from retained earnings when approved by the BOD.

Revenue Recognition
Revenue is recognized when the control of petroleum and electricity are transferred to the customer at an amount that reflects the consideration which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is the principal in its revenue arrangements.

Electricity sales
Revenues from sale of electricity using renewable energy is consummated and recognized over time whenever the electricity generated by the Group is transmitted through the transmission line designated by the buyer, for a consideration.

Oil revenues
Revenue from crude oil is recognized at a point in time when the control of the goods has transferred from the sellers (Consortium) to the buyer at the delivery point. Revenue is measured at the fair value of the consideration received.

The revenue recognized from the sale of petroleum products pertains to the Group's share in revenue from the joint operations. The revenue sharing is accounted for in accordance with PFRS 11, *Joint Arrangements*.

Other Revenues
Revenues from passed on wheeling charges are consummated and recognized over time whenever the electricity generated by the Group is transmitted through MERALCO's distribution system, for a consideration. Revenues from pass-on Wholesale Electricity Spot Market (WESM) transactions are consummated and recognized over time whenever the electricity generated by the Group is traded through WESM, for a consideration.

Interest income
Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

Dividend income
Dividend income is recognized according to the terms of the contract, or when the right of the payment has been established.

Share in Net Income of a Joint Venture
Share in net income of a joint venture represents the Group's share in profit or loss of its joint venture.

Miscellaneous Income
Miscellaneous income is recognized when the Group's right to receive the payment is established.

Costs and Expenses
Cost of electricity sales
Costs of electricity sales pertain to direct costs in generating electricity power which includes operating and maintenance costs (O&M) for power plant and fluid collection and reinjection system (FCRS), depreciation and other costs directly attributed to producing electricity.

Oil production
Oil production are costs incurred to produce and deliver crude oil inventory, including transportation, storage and loading, among others.

Change in crude oil inventory
Change in crude oil inventory pertains to the movement of beginning and ending crude oil inventory charged as part of cost of sales.

General and administrative expenses
General and administrative expenses constitute costs of administering the business.

Costs and expenses are recognized as incurred.

Income Taxes
Current Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date.

Deferred Tax
Deferred tax is provided using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except to the extent that the deferred tax liabilities arise from the: a) initial recognition of goodwill; or b) the initial recognition of an asset or liability in a transaction which is not: i) a business combination; and ii) at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences with certain exceptions, and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred tax assets, however, are not recognized when it arises from the: a) initial recognition of an asset or liability in a transaction that is not a business combination; and b) at the time of transaction, affects neither the accounting income nor taxable profit or loss.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered. The Group does not recognize deferred tax assets and deferred tax liabilities that will reverse during the income tax holiday (ITH).

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in profit or loss or other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Subsidiaries operating in the Philippines file income tax returns on an individual basis. Thus, the deferred tax assets and deferred tax liabilities are offset on a per entity basis.

Leases

Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use assets includes the amount of lease liability recognized, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

	Number of Years
Office space	2
Land	18 to 25

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies to the leases of low-value assets recognition exemption to leases that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Retirement Benefits
The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated statement of comprehensive income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Asset Retirement Obligation (ARO)
The Group records present value of estimated costs of legal and constructive obligations required to restore the oilfields and plant sites upon termination of its operations. The nature of these restoration activities includes dismantling and removing structures, rehabilitating settling ponds, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed or the ground or environment at the sites are disturbed. When the liability is initially recognized, the present value of the estimated cost is capitalized as part of the carrying amount of the ARO assets (included under "Property, plant and equipment") and ARO liability.

Liability and capitalized costs included in oil properties is equal to the present value of the Group's proportionate share in the total decommissioning costs of the consortium on initial recognition. Additional costs or changes in decommissioning costs are recognized as additions or charges to the corresponding assets and ARO when they occur.

For closed sites or areas, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

If the decrease in liability exceeds the carrying amount of the asset, the excess shall be recognized immediately in profit or loss.

For the oil operation, the Group depreciates ARO assets based on units-of-production method.
For the renewable energy, the Group depreciates ARO assets on a straight-line basis over the estimated useful life of the related asset or the service contract term, whichever is shorter, or written off as a result of impairment of the related asset.

The Group regularly assesses the provision for ARO and adjusts the related liability and asset.

Foreign Currency-Denominated Transactions and Translation
The consolidated financial statements are presented in PHP, which is the Parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency using the exchange rate at date of transaction. Monetary assets and liabilities denominated in foreign currencies are reinstated to the functional currency using the closing exchange rate at reporting date.

All exchange differences are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Earnings Per Share
Basic earnings per share is computed on the basis of the weighted average number of shares outstanding during the year after giving retroactive effect to any stock split or stock dividends declared and stock rights exercised during the current year, if any.

Diluted earnings per share is computed on the basis of the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services, serves different markets subject to different risks and returns. Financial information on business segments is presented in Note 29 to the consolidated financial statements.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's situation at the reporting date (adjusting events) are reflected in the financial statements, if any. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments, estimates and assumptions are reflected in the consolidated financial statements, as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Determination of Functional Currency
The Parent Company determines its functional currency based on economic substance of underlying circumstances relevant to the Parent Company. The functional currency has been determined to be the PHP based on the economic substance of the Parent Company's business circumstances.

Capitalization of Deferred Oil Exploration Costs and Deferred Development Costs
Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. If the accounting policy on capitalization of development costs are not met, such costs are expensed.

As of December 31, 2023 and 2022, the carrying value of deferred oil explorations costs amounted to ₱386.80 million and ₱311.88 million, respectively (see Note 12), and the Group's deferred development costs amounted to ₱342.23 and ₱74.12 million as of December 31, 2023 and 2022, respectively (see Note 17).

Classification of Joint Arrangements
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 assesses their rights and obligations arising from the arrangement and specifically considers:

- the structure of the joint arrangement – whether it is structured through a separate vehicle
- when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - the legal form of the separate vehicle
  - the terms of the contractual arrangement
  - other facts and circumstances, considered on a case by case basis

This assessment often requires significant judgment. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting of the investment.

The Group's investment in PetroWind in 2022 and Buhawind Energy are structured in a separate incorporated entity. The Group and the parties to the agreement only have the right to the net assets of the joint venture through the terms of the contractual arrangement. Accordingly, the joint arrangement is classified as a joint venture. As of December 31, 2023 and 2022, the Group's investment in a joint venture amounted to ₱2.88 million and ₱1.88 billion, respectively (see Note 13).

The Group and the parties to the agreement in investment in Gabon, West Africa and investments in petroleum concessions in the Philippines have joint control over its rights to the assets and obligations for the liabilities, relating to the arrangement. Accordingly, the joint arrangements are classified as joint operations (see Notes 11 and 12).

Change in classification of investment in PetroWind
Prior to May 2023, PetroGreen's 40% equity interest in PetroWind is accounted as investment in joint venture. The other 60% equity interest are owned by EEIPC (20%) and BCPG Wind Cooperatief U.A. (40%).

In May 2023, PERC acquired EEIPC's 20% equity interest in PWEI (Note 1c), bringing the combined ownership of the Group in PWEI to 60% (effective interest of 50% for the Group thereafter). Considering all relevant facts and circumstances in evaluating control over PWEI, the Group assessed that, through PGEC, it already controls the relevant activities of PWEI. Consequently, PWEI was consolidated starting May 2023 (see Note 13).

The Group considered the voting rights and the following factors, to be sufficient to give the Group, through PGEC, control over the relevant activities of PWEI:
- PWEI's key management personnel are related parties of the Group.
- Majority of the members of PWEI's governing body, including the BOD, are related parties of the Group.

Estimates and Assumptions
The key assumptions concerning the future and other key 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.

Purchase price allocation in business combination and goodwill
The Group's consolidated financial statements and financial performance reflect the value of PWEI after the business combination. The Group accounts for the acquired business using the acquisition method, which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities at the acquisition date. Any excess in the purchase price over the fair market values of the net assets acquired is recorded as goodwill in the consolidated statement of financial position. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Group's financial position and performance. The provisional fair values of the net assets acquired are disclosed in Note 13. The business combination resulted in provisional goodwill amounting to ₱741.45 million (see Notes 13 and 16).

Estimation of Geothermal Field Reserves
The Group performed volumetric reserve estimation to determine the reserves of the Maibarara geothermal field. As a requirement for project financing, the Group engaged at its own cost the New Zealand firm Sinclair Knight Merz (SKM) in 2011 to undertake a comprehensive third-party technical review of the Maibarara geothermal field. This review included analysis of the resource assessment performed in-house by the Group as well as a separate SKM reserve estimation and numerical modeling of the Maibarara reserves.

The Group's simulation indicated a mean (P50) proven reserves of 27.8 MW for 25 years. In contrast, SKM calculated the P50 reserves at 44 MW. At 90% probability (P90), the reserves calculated are 28 MW and 12 MW by SKM and the Group, respectively. SKM concluded that the approach taken by the Group is conservative as it limits reservoir thickness to depths where a maximum thickness of 280°C will be encountered although the measured temperature reached as high as 324°C. There is reasonable confidence that the 20 MW (gross) plant development is feasible as the P90 level appears also conservative as with the Group's approach. In addition, SKM identified indicated reserves, translating to 10 MW-26 MW in the area south of and outside the current area of development.

Also, there is a likely geothermal potential south of the proven area where two old wells were drilled and encountered high fluid temperatures (T ~ 300°C). MGI identified the southern block as a probable reserve area. SKM in 2011 suggested that the southern block can be classified as Indicated Resource based on the Australian Code as high temperatures have been intersected by the two wells. SKM estimated that the stored heat in the Southern Block has a resource potential equivalent to 12 MW for a project life of 25 years.

An updated reserves estimation using the stored-heat calculation was made in 2015 by the Group as a result of reservoir and production performance and the 2014 drilling campaign. The 2014 drilling proved that the current resource area can produce around 33.1 MW, more than enough to meet the steam requirement of the existing 20 MW power plant plus the 12 MW expansion power plant. Using Monte Carlo simulation to estimate the reserves, the proven resource area has an 80% probability of delivering between 18.1 MW to 50.9 MW over a 25-year operating period. This Monte Carlo simulation also showed that the expected mean reserve for the proven resource area is 30.4 MW for 25 years.

The Group engaged a U.S. firm Geothermal Science, Inc. (GSI) in 2015 to perform a third-party technical appraisal of the resource for the planned 12 MW expansion. This third-party review was also made as a requirement for the project financing of MGPP-2 or M2. GSI adopted the technique from the US Geological Survey Circular 790 in making the probabilistic calculation of the geothermal reserves at Maibarara. Based on this approach, GSI estimates that Maibarara has a minimum or proven reserves of 40.2 MW, P90 for 25 years plant life and Most Likely Reserve of 61.6 MW, P50 for 25 years of plant life.

In 2022, the Group conducted an internal assessment on its Reserves Estimates, which incorporated the results of the 2018 Magnetotellurics (MT) Resistivity Survey by Premier Geo-Exel, Inc (PGEI) indicating a resource in the North/Northeast of the existing field. By 2023, the Group engaged third-party service providers, Geothermal Resource Group (GRG) and WestJEC, to validate the results of MGI's 2022 Reserves Estimates. Based on the results, Maibarara has an estimated minimum or proven reserve ranging from 44 to 78 MW at P90 for 25 years of plant life and Most Likely Reserve of 75 to 114 MW at P50 for 25 years of plant life.

The Group commenced producing power commercially on February 8, 2014. As of December 31, 2023 and 2022, operational production wells within the field are capable of producing approximately 46 MW and 41.4 MW, respectively, at full-bore capacity. These production wells including the complement reinjection wells are concentrated on the proven resource area.

As of December 31, 2023 and 2022, there has been no significant change in the estimated reserves that would affect the carrying value and useful life of the Group's property, plant and equipment.

Estimation of Proved and Probable Oil Reserves
The Parent Company assesses its estimate of proved and probable reserves on an annual basis. The estimate is based on the technical assumptions and is calculated in accordance with accepted volumetric methods, specifically the probabilistic method of estimation. Probabilistic method uses known geological, engineering and economic data to generate a range of estimates and their associated probabilities.

All proved and probable reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. Estimated oil reserves are utilized in the impairment testing and the calculation of depletion expense using the unit of production method of the investments.

As of December 31, 2023 and 2022, the carrying value of "Wells, Platforms and other Facilities" under "Property, Plant and Equipment" amounted to ₱605.04 million and ₱763.83 million, respectively (see Note 11).

Estimation of Useful Lives of Property, Plant and Equipment
The Group reviews on an annual basis the estimated useful lives of property, plant and equipment based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depletion, depreciation and amortization expense and decrease noncurrent assets.

There is no change in the estimated useful lives of property, plant and equipment as of December 31, 2023, and 2022 (see Note 11).

Impairment of Nonfinancial Assets
The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost of disposal and its value in use.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources,* are as follows:

- the period for which the Group has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The related balances of the Group's nonfinancial assets as of December 31 follow:

	2023	2022
Property, plant and equipment (Note 11)	**₱12,208,332,826**	₱8,196,897,057
Right-of-use assets (Note 14)	**322,894,463**	342,614,655
Deferred oil exploration costs (Note 12)	**386,796,965**	311,883,011
Intangible assets (Note 16)	**1,172,413,367**	140,262,493
Deferred development costs (Note 17)	**560,886,192**	74,115,084
Investment properties (Note 15)	**1,611,533**	1,611,533
	₱14,652,935,346	₱9,067,383,833

There are no indicators of impairment that would trigger impairment review in 2023 and 2022 other than those mentioned below.

Gabon, West Africa
The Parent Company believes that the fluctuation in crude oil prices in the market, political risks in Gabon, discount rates and changes in other assumptions such as change in production profile which is based on continued production until the term of the existing PSC are indicators that the assets might be impaired or if there is reversal of prior impairment loss.

In 2018, the Gabonese Government allowed the sixth amendment to the Exploration Production Sharing Contract ("EPSC") that extends the exploitation period for the production licenses by ten (10) years, or from September 2018 until September 2028, extendible by five (5) years and by a final extension of 5 more years. The extension of the EPSC will allow the consortium to maximize the use of the existing facilities that are already in place to increase or maintain production until the field's extended life (see Note 11).

SC 14-C2 – West Linapacan
SC 14-C2 has not yet expired and was granted with a 15-year extension of the SC as approved by the DOE from December 18, 2010 to December 18, 2025. The SC 14-C2 consortium proceeded with a third-party technical evaluation to assess potential production opportunities. With the SC nearing its expiration in December 2025, the assets were tested for impairment.

SC 6A – Octon-Malajon Block
In March 31, 2021, Philodrill, the operator, gave notice to the DOE that the Joint Venture has elected not to enter the 12th year of the final 15-year term of SC 61 and consequently surrender the Service Contract.

Impairment loss (reversal)
In assessing whether impairment is required, the carrying value of the asset is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Given the nature of the Parent Company's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, unless indicated otherwise, the recoverable amount used in assessing the impairment loss is value in use.

The Parent Company estimates value in use using a discounted cash flow model using a discount rate of 14.39% in 2023, 14.64% in 2022, and 10.00% in 2021.

The Parent Company recognized impairment (reversal of impairment) loss for the years ended December 31 presented on a net basis:

	2023	2022	2021
Wells, platforms and other facilities – net (Note 11)	**₱76,864,520**	(₱11,893,541)	₱22,489,016
Deferred oil exploration costs – net (Note 12)	**303,476**	594,172	141,834,278
	₱77,167,996	(₱11,299,369)	₱164,323,294

The assets subjected for impairment comprise of wells, platforms and other facilities under Property, plant and equipment amounting to ₱605.04 million and ₱763.83 million, deferred oil exploration costs amounting to ₱321.32 million and ₱311.88 million, and production license presented under Intangible assets amounting to ₱21.96 million and ₱26.85 million as of December 31, 2023 and 2022, respectively (see Notes 11, 12 and 16).

Estimation of Asset Retirement Obligations
The Group has various legal obligation to decommission or dismantle its assets related to the oil production, geothermal energy, solar power and wind power projects at the end of each respective service contract. In determining the amount of provisions for restoration costs, assumptions and estimates are required in relation to the expected costs to restore sites and infrastructure when such obligation exists. The Group recognizes the present value of the obligation to dismantle and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated on a straight-line basis over the useful life of the related assets (for the renewable energy) and based on units-of-production method based on estimates of proved reserves (for the oil operations).

Cost estimates expressed at projected price levels until dismantling date are discounted using rates ranging from 6.01% to 7.32% in 2023 and 7.13% to 7.16% in 2022 to take into account the timing of payments. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense (see Note 20).

Changes in the asset retirement obligation that result from a change in the current best estimate of cash flow required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in profit or loss as it occurs.

While the Group has made its best estimate in establishing the asset retirement obligation, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Asset retirement obligation as of December 31 follows (see Note 20):

	2023	2022
Oil production	**₱48,056,253**	₱41,728,602
Wind power project	**46,671,960**	–
Solar power project	**60,429,322**	16,992,650
Geothermal energy project	**12,375,380**	7,509,078
	₱167,532,915	₱66,230,330

Recoverability of input VAT
The Group maintains an allowance for input VAT based on an assessment of the recoverability of these assets using the historical success rate of VAT refunded from the Bureau of Internal Revenue (BIR). A review is made by the Group on a continuing basis annually to determine the adequacy of the allowance for losses. The carrying value of input VAT amounted to ₱430.09 and ₱138.32 million as of December 31, 2023 and 2022, respectively (see Note 17).

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As of December 31, 2023 and 2022, the Group did not recognize deferred tax assets on certain temporary differences, NOLCO and MCIT as the Group believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future against which the tax benefits can be realized prior to their expiration (see Note 22).

Estimation of retirement benefits
The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuation. The actuarial valuation involves making various assumptions including determination of discount rates and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each accounting period. The accrued retirement liabilities (asset) of the Group is disclosed in Note 20.

6. Cash and Cash Equivalents and Short-term Investments

	2023	2022
Cash on hand and in banks	**₱771,239,068**	₱434,700,436
Cash equivalents	**1,563,065,299**	1,242,531,148
Cash and Cash Equivalents	**₱2,334,304,367**	₱1,677,231,584
Short-term investments	**₱1,975,286,425**	₱946,044,355

Short-term investments have maturities of more than three (3) months to one (1) year and earn annual interest at rates that ranged from 5.875% to 6.30% in 2023, and 5.25% to 5.75% in 2022.

Interest income earned on cash and cash equivalents and short-term investments amounted to ₱200.85 million, ₱36.29 million and ₱12.91 million in 2023, 2022 and 2021, respectively.

7. Restricted Cash

	2023	2022
Debt service payment and reserve accounts	**₱293,744,077**	₱413,219,105
Cash held under escrow for stock subscription	–	1,629,242,070
Share in Etame escrow fund – current portion	–	20,926,811
	₱293,744,077	₱2,063,387,986

Debt service payment and reserve accounts
This refers to the amount of fund that the Group is required to maintain in the Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) pursuant to the Omnibus Loan and Security Agreement (OLSA) of MGI, PetroSolar and PetroWind, respectively (see Note 19). The funds maintained in these accounts are used to pay the forthcoming debt service scheduled every year until the loan is fully paid off. Under the OLSA, where the banks are one of the parties, the banks shall have the exclusive control over and exclusive right of withdrawal from the restricted cash accounts.

Cash held under escrow for stock subscription
This represents the remaining funds held under escrow related to the Share Subscription Agreement between PetroGreen and Kyuden International Corporation (Kyuden), which was released from the escrow fund in January 2023 (Note 31). Interest income earned on restricted cash amounts to ₱0.84 million in 2023 and ₱7.6 million in 2022.

Share in Etame escrow fund – current portion
As of December 31, 2022, this represents Parent Company's share in the current portion of the Abandonment Fund related to FPSO decommissioning and Etame Field Asset Retirement Obligations. These funds were released from the escrow account in February 2023.

8. Receivables

	2023	2022
Trade receivables:		
Electricity sales (Note 27)	**₱438,732,703**	₱301,053,996
Oil revenues	**57,339,972**	37,868,318
Other trade receivables (Note 27)	**3,464,223**	60,180,225
Non-trade receivables:		
Interest receivable	**86,809,859**	23,487,735
Bid bond deposits	**47,000,000**	–
Receivables from related party (Note 27)	**36,664,312**	6,232,978
Consortium operator	**2,682,452**	2,682,452
Receivable from contractors	**37,010,692**	15,245,231
Others	**23,499,680**	8,124,166
	733,203,893	454,875,101
Less allowance for impairment losses	**2,682,452**	2,682,452
	₱730,521,441	₱452,192,649

Accounts receivables are generally on 30 days credit term. Interest income earned from the delayed payment of FiT differential and other receivable amounted to ₱12.65 million, ₱0.45 million and ₱0.22 million in 2023, 2022 and 2021, respectively.

Bid bond deposits pertains to Green Energy Auction Program (GEAP) bid bond paid to Department of Energy (DOE) for solar power projects. The said bond shall be refunded to the Group in 2024 after furnishing the performance bond.

9. Financial Assets at Fair Value Through Profit or Loss

	2023	2022
Marketable equity securities	**₱6,188,720**	₱6,770,090
Investment in golf club shares	**770,000**	770,000
	₱6,958,720	₱7,540,090

Net gain (loss) on fair value changes on financial assets at FVTPL included in profit loss amounted to (₱0.53 million), (₱0.05 million), and ₱0.06 million in 2023, 2022 and 2021, respectively. Dividend income received from equity securities amounted to ₱0.03 million, ₱0.08 million and ₱0.04 million in 2023, 2022 and 2021, respectively (see Note 26).

10. Other Current Assets

	2023	2022
Supplies inventory	**₱150,572,239**	₱116,790,791
Prepaid expenses	**57,485,232**	27,199,944
Advances to suppliers	**15,220,728**	8,004,724
Prepaid income taxes	**8,301,235**	11,068,121
Others	**658,803**	2,216,223
	₱232,238,237	₱165,279,803

Supplies Inventory
Supplies inventory refers to purchased supplies and parts that are intended to be used for operations and maintenance.

Prepaid Expenses
Prepaid expenses include various prepaid insurances, services and rent. Prepaid expenses also include advance payment for Real Property Taxes (RPT), Stand-by Letter of Credit (SBLC) charges and operations and maintenance professional fees.

11. Property, Plant and Equipment

	2023								
	Power plants	FCRS and production wells – geothermal	Wells, platforms and other facilities	Land and land improvements	Office condominium units and improvements	Transportation equipment	Office furniture and other equipment	Construction in progress	Total
Cost									
Balances at beginning of year	₱7,353,955,059	₱1,979,689,474	₱2,400,854,155	₱387,043,899	₱42,547,992	₱76,958,664	₱173,541,036	₱217,311,973	₱12,631,902,252
Additions	184,722,551	122,078,552	15,508,544	241,363,085	5,898,854	11,880,409	15,702,679	1,246,396,882	1,843,551,556
Additions from business combination (Note 13)	4,156,559,006	–	–	300,076,535	32,053,622	11,074,263	30,471,911	91,140,921	4,621,376,258
Change in ARO estimate (Note 20)	48,581,945	4,330,447	3,788,781	–	–	–	–	–	56,701,173
Disposal	(190,524,365)	–	–	–	–	–	(53,660)	–	(190,578,025)
Reclassifications	25,886,592	18,980,737	–	–	–	–	12,877,879	(57,745,208)	–
Balances at end of year	11,579,180,788	2,125,079,210	2,420,151,480	928,483,519	80,500,468	99,913,336	232,539,845	1,497,104,568	18,962,953,214
Accumulated depletion and depreciation									
Balances at beginning of year	2,040,397,532	477,572,498	1,467,772,639	41,650,521	41,172,900	48,337,063	148,849,441	–	4,265,752,594
Depletion and depreciation	446,848,761	85,099,217	101,223,727	21,857,070	4,727,523	9,777,330	14,259,587	–	683,793,215
Additions from business combination (Note 13)	1,641,868,724	–	–	(41,344,613)	(4,656,999)	7,423,263	16,107,518	–	1,619,397,893
Disposals	(60,386,775)	–	–	–	–	–	(53,660)	–	(60,440,435)
Balances at end of year	4,068,728,242	562,671,715	1,568,996,366	22,162,978	41,243,424	65,537,656	179,162,886	–	6,508,503,267
Accumulated impairment losses									
Balances at beginning of year	–	–	169,252,601	–	–	–	–	–	169,252,601
Impairment loss (Note 5)	–	–	76,864,520	–	–	–	–	–	76,864,520
Balances at end of year	–	–	246,117,121	–	–	–	–	–	246,117,121
Net book values	₱7,510,452,546	₱1,562,407,495	₱605,037,993	₱906,320,541	₱39,257,044	₱34,375,680	₱53,376,959	₱1,497,104,568	₱12,208,332,826

2022

	Power plants	FCRS and production wells – geothermal	Wells, platforms and other facilities	Land and land improvements	Office condominium units and improvements	Transportation equipment	Office furniture and other equipment	Construction in progress	Total
Cost									
Balances at beginning of year	₱7,266,699,681	₱1,617,441,653	₱2,222,351,170	₱380,583,987	₱41,590,986	₱55,638,192	₱164,394,339	₱169,850,551	₱11,918,550,559
Additions	11,781,744	93,661,764	207,643,523	5,349,116	957,006	22,876,865	9,146,697	399,988,315	751,405,030
Change in ARO estimate (Note 20)	(7,356,406)	–	(29,140,538)	–	–	–	–	–	(36,496,944)
Disposal	–	–	–	–	–	(1,556,393)	–	–	(1,556,393)
Reclassifications	82,830,040	268,586,057	–	1,110,796	–	–	–	(352,526,893)	–
Balances at end of year	7,353,955,059	1,979,689,474	2,400,854,155	387,043,899	42,547,992	76,958,664	173,541,036	217,311,973	12,631,902,252
Accumulated depletion and depreciation									
Balances at beginning of year	1,713,893,490	399,670,764	1,382,485,759	37,091,904	40,719,915	42,357,120	136,141,426	–	3,752,360,378
Depletion and depreciation	326,504,042	77,901,734	85,286,880	4,558,617	452,985	6,810,778	12,708,015	–	514,223,051
Disposals	–	–	–	–	–	(830,835)	–	–	(830,835)
Balances at end of year	2,040,397,532	477,572,498	1,467,772,639	41,650,521	41,172,900	48,337,063	148,849,441	–	4,265,752,594
Accumulated impairment losses									
Balances at beginning of year	–	–	181,146,142	–	–	–	–	–	181,146,142
Impairment loss-net (Note 5)	–	–	(11,893,541)	–	–	–	–	–	(11,893,541)
Balances at end of year	–	–	169,252,601	–	–	–	–	–	169,252,601
Net book values	₱5,313,557,527	₱1,502,116,976	₱763,828,915	₱345,393,378	₱1,375,092	₱28,621,601	₱24,691,595	₱217,311,973	₱8,196,897,057

Change in ARO estimate and transfers from advances to contractors, deferred oil exploration costs and development costs are considered as noncash investing activities.

Depletion and depreciation expense charged to profit or loss follow:

	2023	2022	2021
Cost of electricity sales (Note 23)	**₱569,320,859**	₱418,160,625	₱399,787,122
Depletion	**101,223,727**	85,286,880	76,513,364
General and administrative expenses (Note 25)	**13,248,629**	10,775,546	6,234,502
	₱683,793,215	₱514,223,051	₱482,534,988

Depletion of wells, platforms and other facilities is presented as a separate item under cost of sales in the consolidated statements of comprehensive income.

As of December 31, 2023 and 2022, the participating interest of PERC in various service contracts areas are as follows:

Gabonese Oil Concessions	2.525%
SC 14-C2 – West Linapacan	4.137%

Foreign Operations

Gabon, West Africa

Background

The Group holds approximately 2.53% participating interest in the Exploration and Production Sharing Contract covering the Etame block in Gabon, West Africa (the "Etame Marin Permit"). The other parties in the consortium are Addax Petroleum Etame, Inc. (33.90%) and VAALCO Gabon (Etame), Inc. (63.58%) (the "Gabon Consortium"), are leaders in their respective areas of operation. VAALCO is the Consortium's operator, and is in charge of conducting the exploration and production activities in the Gabon contract area.

The EPSC is a contract with the Gabonese Government that gives the holder of the said EPSC exclusive rights and obligations to perform exploration, exploitation, and production activities and in the case of the consortium, within the Etame Marin Permit area.

In August 2021, the Consortium entered into a Bareboat Charter Agreement and Operating Agreement with World Carrier Offshore Services Corporation (World Carrier) to provide and operate a Floating Storage and Offloading (FSO) unit at the Etame Marin field for up to eight (8) years with additional option periods available upon the expiration of the current 20-year Floating Production, Storage and Offloading (FPSO) contract with BW Offshore in September 2022.

In December 2021, the consortium commenced a four-well drilling program in the Etame, Avouma and North Tchibala fields using the Borr Norve jack-up drilling rig, aimed to sustain field production to above 20,000 BOPD.

Etame-8H sidetrack was completed in February 2022. Avouma-3H sidetrack was completed in April 2022, South Tchibala-1HB sidetrack in July 2022, and North Tchibala-2H sidetrack in November 2022. Workovers were also conducted on Ebouri-2H, North Tchibala-1H and Southeast Etame-4H wells within 2022. This resulted in an increase in overall crude production of ~18,000-20,000 BOPD by the end of 2022.

Given the extended EPSC period, the Consortium is currently firming up the most feasible Integrated Field Development Plan (IFDP) to extract the remaining recoverable oil volumes until at least 2028 up to 2038 (final extension). This IFDP may include: 1) production from sour oil reserves, 2) outfield drilling opportunities, and 3) facility maintenance strategies.

Update on Production
Production was routed to the Petroleo Nautipa, the spread-moored (FPSO) vessel from the Etame, Avouma-Southeast Etame-North Tchibala and Ebouri platforms, and from the wells tied to the subsea Etame manifold. The produced oils were processed and exported from the FPSO, which had a storage capacity of one million barrels of oil (MMBO).

Throughout 2022, facility reconfiguration works were being completed in parallel for the hook-up and commissioning of the new FSO vessel Teli, which replaced the Petroleo Nautipa FPSO vessel in mid-October 2022. The FSO vessel is now operational and receiving crude from all Etame Marin platform wells. The two (2) old subsea wells – Etame-6H and Etame-7H – which were originally connected directly to the old Petroleo Nautipa FPSO, have been hooked-up to the FSO last December 30, 2022.

Crude production comes from four (4) oil fields (Etame, Avouma, Ebouri and North Tchibala).

In 2023, total crude production reached 6.25 MMBO. The Consortium managed 10 liftings, resulting in net crude export of 6.009 MMBO, with crude oil market prices ranging from US$ 75 – US$ 90 per barrel.

In 2022, total crude production reached 5.94 MMBO. The Consortium managed 11 liftings, resulting in net crude export of 5.133 MMBO, with crude oil market prices ranging from US$76 – US$133 per barrel.

In 2021, total crude production reached 5.42 MMBO. The Consortium managed 11 liftings, resulting in net crude export of 5.867 MMBO, with crude oil market prices ranging from US$ 50 – US$85 per barrel.

Since the Gabon oilfield has been put on-line in 2002, a total of 135.66 MMBO has been extracted to date over the last 21 years.

As of December 31, 2023 and 2022, PetroEnergy has investments in Gabon, West Africa included in "Wells, platforms and other facilities" account under "Property, plant and equipment" amounting to ₱605.04 million and ₱763.83 million, respectively. With the fluctuation in crude oil prices and recoverable oil reserves, impairment loss (reversal of impairment loss) was recognized amounting to ₱76.86 million in 2023, (₱74.14 million) in 2022 and (₱121.59 million) in 2021 [see Note 5].

Philippine Operations

SC 14-C2 – West Linapacan, Northwest Palawan
West Linapacan was discovered in the early 1990s. It produced oil from 1992 to 1996, peaking at 18,000 BOPD, before it was shut-in due to early water incursion.

The SC 14C2 Consortium, led by operator Philodrill Corp., negotiated with a potential farmee for the drilling of potential drilling targets, in exchange for a majority share and Operatorship of SC 14C2. This farm-in is subject to the approval of the DOE.

While the consortium awaited the farmee's completion of the farm-in documentation, Philodrill continued to do in-house G&G work over at the West Linapacan area at the interim. For compliance, a "Transition Work Program and Budget, covering November 2020 to March 2021 was submitted to the DOE in November 2020 and was approved.

Throughout the second half of 2022, the SC 14-C2 consortium proceeded with a third-party technical evaluation of the West Linapacan B field, to assess potential production opportunities.

On May 11, 2023, the SC 14-C2 consortium approved to unitize the service contract with SC 6B, subject to the issuance of a DOE Department Circular regarding application for new petroleum service contract. However, the circular which was subsequently issued on December 18, 2023 stated that the application process for new petroleum service contracts would be issued in a supplementary guideline.

While waiting for the supplementary guideline, the consortium continues to evaluate farm-in proposals from interested parties. On December 29, 2023, the DOE approved the 2024 Work Program and Budget submitted by the Consortium. SC 14-C2 is due to expire in December 2025.

Due to the limited term remaining, the Group assessed the recoverability of the investment included in "Wells, platforms and other facilities" account under "Property, plant and equipment" and recorded impairment loss amounted to ₱0.30 million and ₱62.84 million in 2023 and 2022 (nil in 2021), respectively.

As of December 31, 2023 and 2022, PetroEnergy's investments in the West Linapacan Oilfield included in "Wells, platforms and other facilities" account under "Property, plant and equipment" amounts to nil.

Maibarara Geothermal Power Project
Geothermal Renewable Energy Service Contract (GRESC) No. 2010-02-012
Following the DOE Philippine Energy Contracting Round for Geothermal in 2009, PERC signed the Service Contract for the Maibarara Geothermal Power Project (MGPP) on February 1, 2010. PERC then conducted pre-development activities in 2010 to 2011. In order to carry out the development and operations of the MGPP, PetroEnergy (through its subsidiary, PetroGreen) then created Maibarara Geothermal, Inc. (MGI) along with Trans-Asia Oil and Energy Development Corporation ("Trans-Asia", subsequently renamed as PHINMA Energy Corporation or "PHINMA", and now known as ACEN Corporation or "ACEN") and PNOC Renewable Corporation (PNOC RC), with 65%, 25%, and 10% equity ownerships, respectively.

In June 2019, ACEN, the energy platform of Ayala Corporation, completed the acquisition of PHINMA, including PHINMA's 25% share in MGI.

20 MW Maibarara-1 Geothermal Power Plant (MGPP-1)
The DOE confirmed the commerciality of the 20-MW MGPP-1 in 2011, allowing MGI to proceed with the MGPP's development stage, involving 1) the drilling of two (2) wells to complete the steam production and reinjection well capacities, and 2) the construction of the steamfield and power plant facilities. The MGPP-1's 115kV Transmission Line system was successfully connected to the existing Manila Electric Company (MERALCO) line in September 2013. Upon completion of the reliability and performance testing, the MGPP-1 went on commercial operations on February 8, 2014. All electricity generated are sold to offtaker, ACEN, following the aforementioned acquisition of PHINMA by ACEN.

On February 08-27, 2021, the Maibarara-1 facility had a scheduled minor maintenance shutdown. Various maintenance activities for the unit's mechanical and electrical, and instrumentation facilities, as well as for the switchyard and transmission lines, were carried-out by MGI technical staff and private contractors.

MGPP-1 underwent its second major preventive maintenance shutdowns (PMS) in February 2022; the first being conducted in 2016.

On June 23-28, 2023, the MGPP-1 and 2 power plants had an opportunity maintenance shutdown during the relocation of transmission line and stub poles affected by SLEX-TR4 construction. Various maintenance activities for the plants' mechanical, electrical, and instrumentation facilities, as well as for the switchyard and transmission lines, were carried-out by MGI technical staff and private contractors.

On the steamfield side, the two (2) production wells dedicated to MGPP-1 operations Mai-6D and MB-12D continued to behave consistently with dynamic but sustainable production.

Separated brine from the production wells and power plant condensates are pumped into the two (2) reinjection wells, MB-14RD and MB-17RD, to recharge the reservoir and comply with the environmental standards.

MGPP-1 delivered 159.85 GWh and 134.48 GWh of electricity in 2023 and 2022, respectively.

12 MW Maibarara-2 Geothermal Power Plant (MGPP-2)
With the stable performance of the reservoir, MGI decided to pursue an expansion of the MGPP. There was at least 5 MW of excess steam supply from the MGPP-1 wells, and with the ~6 MW capacity of the new well, an expansion of 12 MW was decided and approved in 2015 (MGPP-2).

Major power plant components from Fuji Electric Co. Ltd. ("Fuji", the same supplier as the MGPP-1) were delivered and installed on site from March to April 2017. MGPP-2 was first synchronized to the grid on March 9, 2018, with the full 12 MW attained on March 18, 2018. Reliability tests were then conducted from March 18 to 27, 2018, during which the power plant was on full 12 MW operation.

The Energy Regulatory Commission (ERC) formally notified MGI of the approval of MGPP-2's Certificate of Compliance (COC) application on April 26, 2018. Subsequently, the MGPP-2 was accepted into the Wholesale Electricity Spot Market (WESM) on April 30, 2018 – pegging the MGPP-2's start of Commercial Operations on the same date. This operationally started the application of MGPP-2's Electricity Supply Agreement (ESA) with PHINMA, now ACEN, wherein all of MGPP-2's generated electricity are sold to ACEN.

Workover operations were conducted on production well MB-15D in June 2022. After which, new production well MB-18D was drilled in September 2022 and hooked-up in November 2022. To date, the field's total gross output is now being sustained at ~33 MW.

Steam flow requirements of the MGPP-2 are also supplied by two (2) production wells MB-12D and MB-18D with the common steam line.

MGPP-2 transmitted 95.77 GWh and 70.23 GWh of electricity in 2023 and 2022, respectively.

Both the MGPP-1 and the MGPP-2 are registered with the Board of Investments and are enjoying the incentives under the Renewable Energy Act of 2008.

<u>*Tarlac Solar Power Project (TSPP)*</u>

Solar Energy Service Contract (SESC) No. 2015-03-115

The SESC for the TSPP was awarded by the DOE on March 19, 2015. On June 17, 2015, PGEC and affiliate EEI Power Corporation ("EEIPC", 100% subsidiary of EEI Corporation), incorporated PetroSolar to undertake the development of the TSPP.

50 MWDC Tarlac Solar Power Project-1 (TSPP-1)

On June 22, 2015, PetroGreen and solar farm lot owner, Luisita Industrial Park Corporation (LIPCO), executed a Lease Agreement for the 55-hectare solar farm development. This was assigned to PetroSolar on September 15, 2015. As the LIPCO property is within the Central Technopark, which is under the jurisdiction of the Philippine Economic Zone Authority (PEZA), PetroSolar was able to register as an Ecozone Utilities Enterprise on July 28, 2015, entitling it to the incentives available to PEZA locators.

After only four (4) months of ground works, the TSPP-1 was completed by mid-January 2016 and was able to export power to the grid on January 27, 2016. The DOE eventually gave its Certificate of Endorsement (COE) – Feed-in-Tariff (FiT) for TSPP-1, with an official Commercial Operations Date on February 10, 2016. Subsequently, on April 6, 2016, PSC executed its Renewable Energy Payment Agreement (REPA) with the National Transmission Corporation (TransCo), assuring the TSPP-1's revenues from the FiT payment of ₱8.69/kWh from 2016 to 2036.

The total energy exported to the grid was 72.82 GWh and 70.33 GWh in 2023 and 2022, respectively.

20 MWDC Tarlac Solar Power Project (TSPP-2)

On September 17, 2018, the BOI formally awarded to PetroSolar the latter's Certificate of Registration for the 20 MWDC TSPP-2. This approval entitles the TSPP-2 to enjoy duty-free importations, and a seven-year Income Tax Holiday (ITH), among others.

After the site construction works for the TSPP-2 were completed in March 2019 and its registration with the WESM was secured from the Independent Electricity Market Operator of the Philippines Inc. (IEMOP) on April 21, 2019, the TSPP-2 started exporting power to the grid on April 22, 2019 as part of its testing and commissioning activities. The ERC conducted its technical inspections for the TSPP-2 on May 31, 2019, as part of PetroSolar's Certificate of Compliance (COC) for TSPP-2.

On February 27, 2020 and March 18, 2020, the DOE formally issued to PSC the Certificate of Confirmation of Commerciality (COCOC) and the Certificate of Endorsement (COE) for TSPP-2, respectively. The COE is a prerequisite to the issuance of the Certificate of Compliance (COC) by the ERC. The COC will determine the official Commercial Operations Date (COD) for TSPP-2.

The ERC issued a Provisional Approval to Operate (PAO) to TSPP-2 on December 16, 2021, subject to PSC's compliance to 1) public offering requirement and 2) terms under PSC's Point-to-Point application, once approved. The said PAO is valid until December 15, 2022, and sets TSPP-2's WESM COD to January 25, 2022.

On October 25, 2022, PSC submitted application for validity extension of the PAO for TSPP-2. While evaluation of the application was underway, ERC issued 2023 COC revised guidelines that extended the effectivity of TSPP-2's PAO until December 15, 2024.

In December 2023, PSC completed the construction of the TSPP-2 49 MWac substation. PSC will use this new substation once it receives approval from ERC.

TSPP-2 exported 30.36 GWh and 29.40 GWh in 2023 and 2022, respectively.

Nabas Wind Power Project (NWPP)

Wind Energy Service Contract (WESC) No. 2009-09-002

The service contract for the Nabas Wind Power Project (NWPP) covers 2,000 hectares of public and private lands in rolling terrain located near the northwestern tip of Panay Island. It lies about 6 km southeast of Caticlan, and electricity-deficient Panay and Boracay islands are natural markets of future power from NWPP.

It was decided that the NWPP will be constructed in two phases: Phase 1 for the existing 36 MW NWPP-1, consisting of 18 Wind Turbine Generators (WTG); while Phase 2 will be a 14 MW development that will have seven (7) WTGs (NWPP-2). Later on, Phase 2 capacity was finalized to be 13.2 MW with six (6) WTGs.

On May 26, 2013, the DOE issued the Confirmation of Commerciality for the 36 MW NWPP-1, making it the third WESC to be declared commercially feasible. Construction of NWPP-1 started in December 2013 and was completed in the first half of 2015.

On June 16, 2015, the DOE released the COE for FIT Eligibility (COE-FIT), endorsing the official start of commercial operation to be June 10, 2015. On August 17, 2015, the ERC approved PWEI's COC for NWPP-1. This confirms the commercial operations date of the wind farm to be June 10, 2015.

On May 13, 2020, the DOE formally awarded to PetroWind the Certificate of Confirmation of Commerciality (COCOC) for the planned Nabas-2 Wind Power Project (NWPP-2). This signifies that NWPP-2 has been approved for construction as being commercially feasible.

In February 17, 2021, the DENR-EMB Region 6 issued the amended Environmental Compliance Certificate (ECC) to PetroWind for NWPP-2, while the Forest Land Use Agreement (FLAG) has been signed by the DENR Central Office in January 4, 2022.

On June 24, 2022, PWEI's NWPP-2 was formally announced as the winning bidder for the 20-MW Visayas wind allocation of the DOE's Green Energy Auction Program (GEAP), for a 20-year offtake term. On September 28, 2022, the DOE issued to PWEI its Certificate of Award for the GEAP wind allocation.

PWEI awarded to VESTAS the NWPP-2 WTG Supply, Supervision, and Services Agreements on December 13, 2022. On the other hand, PWEI also awarded and issued the Notice to Proceed (NTP) to EEI Corporation (EEI) the contract for the NWPP-2 Main Balance of Plant (BoP) for the Civil, Electrical (Substation and Switching Station, and Electrical Feeder Lines), including WTG Electro-Mechanical Works installation.

On January 13, 2023, DENR signed Special Agreement for Protected Areas (SAPA) of NWPP-2. This agreement allows PWEI to develop NWPP-2 in the approved area for at least 25 years. PWEI also secured tree cutting permit within private lands and forestlands on March 16, 2023.

The additional construction in progress in 2023 mainly pertains to ₱1.2 billion construction of NWPP-2 which is expected to be completed in April 2025.

By December 2023, EEI substantially completed the construction of the NWPP-2 substation, switching station and WTG 20-22 feeder lines, and erection of WTG 20. Three (3) turbines are expected to be connected to the grid by April 2024.

The annual total energy exported to the grid were 88.64 GWh, 80.79 GWh and 91.31 GWh in 2023, 2022, and 2021, respectively.

12. Deferred Oil Exploration Costs

The movements in deferred oil exploration costs are as follows:

	2023	2022
Cost		
Balances at beginning of year	**₱615,456,554**	₱418,786,296
Additions	**75,217,430**	196,670,258
Balances at end of year	**690,673,984**	615,456,554
Accumulated impairment losses		
Balances at beginning of year	**303,573,543**	302,979,372
Impairment loss (Note 5)	**303,476**	594,171
Balances at end of year	**303,877,019**	303,573,543
	₱386,796,965	₱311,883,011

Details of deferred oil exploration costs as of December 31 are as follows:

	2023	2022
Cost		
Gabonese Oil Concessions (Note 11)	**₱622,113,463**	₱547,199,509
SC. No. 75 – Offshore Northwest Palawan	**65,175,859**	65,175,859
SC. No. 14 – C2 (West Linapacan)	**3,384,662**	3,081,186
	690,673,984	615,456,554
Accumulated impairment losses		
Gabonese Oil Concessions (Note 11)	**300,492,357**	300,492,357
SC. No. 14 – C2 (West Linapacan)	**3,384,662**	3,081,186
	303,877,019	303,573,543
	₱386,796,965	₱311,883,011

Philippine Oil Operations – Development Phase

Under the SCs entered into with the DOE covering certain petroleum contract areas in various locations in the Philippines, the participating oil companies (collectively known as "Contractors") are obliged to provide, at their sole risk, the services, technology and financing necessary in the performance of their obligations under these contracts. The Contractors are also obliged to spend specified amounts indicated in the contract in direct proportion to their work obligations.
However, if the Contractors fail to comply with their work obligations, they shall pay to the government the amount they should have spent, but did not, in direct proportion to their work obligations. The participating companies have Operating Agreements among themselves which govern their rights and obligations under these contracts.

The full recovery of these deferred costs is dependent upon the discovery of oil in commercial quantities from any of the petroleum concessions and the success of future development thereof.

As of December 31, 2023 and 2022, the remaining participating interest of the Parent Company in Petroleum SC areas is SC 75 – Offshore Northwest Palawan wherein the Parent Company has 15% interest.

SC 75 – Offshore Northwest Palawan
Service Contract 75 (SC 75) was signed on December 27, 2013 with partners PXP Energy Corporation (PXP energy) [50%] and PNOC-Exploration Corporation (35%). The block covers the West Philippine Sea with an area of 616,000 hectares.

On October 14, 2020, the DOE issued a formal notice to the SC 75 consortium, lifting the Force Majeure imposed since September 2015. Through this letter, the consortium was notified to resume its Work Program commitments under SC 75, including the committed ~1,000 sq.km 3D seismic survey over the identified leads in SC 75.

On January 6, 2022, the SC 75 consortium officially engaged Shearwater Geoservices Ltd. For the ~1,100 sq.km 3D seismic survey over SC 75 using the M/V Geo Coral seismic vessel. However, the programmed 3D seismic acquisition campaign was suspended on April 6, 2022 after Operator PXP Energy received a written directive from the DOE to put all exploration activities on hold until the Security, Justice and Peace Coordinating Cluster (SJPCC) issues the necessary clearance to proceed. On April 11, 2022, PXP declared a Force Majeure event over the suspended seismic survey.

The SC 75 consortium is awaiting further instructions from the DOE, while all contracted vessels and personnel for the seismic survey have since demobilized from the SC 75 area.

SC 6A – Octon-Malajon Block
This is one of the first exploration areas in offshore Palawan. It includes about 165,000 hectares of relatively shallow water areas where a string of wells has found non-commercial oil accumulations in varied reservoir horizons. DOE granted in June 2009 the final 15-year extension of the SC-6A service contract.

In 2019, consortium operator Philodrill completed seismic interpretation and mapping works for the northern portion of the Octon-Malajon block, using recent and old SC 6A seismic data and subsurface data from the adjacent Galoc

In 2020, Philodrill engaged Dubai-based consultants LMKR to conduct Quantitative Interpretation (QI) works to determine possible drilling opportunities in the northern portion of the block (Malajon field); the results of which were provided to the consortium in January 2021.

In March 31, 2021, Philodrill gave notice to the DOE that the Joint Venture has elected not to enter the 12th year of the final 15-year term of SC 61 and consequently surrender the Service Contract. The limited term remaining in the SC 6-A until its expiry in February 2024 exacerbated by the Covid-19 situation, greatly hampered the timely execution of the programs that the Joint Venture envisage undertaking to pursue appraisal programs and potential development opportunities in the area. Following the above, as of December 31, 2021, the Group has written-off the ₱159.298 million deferred cost. The DOE formally approved the relinquishment of SC 6-A on September 5, 2022. PERC held a 16.667% participating interest in SC 6-A.

13. Investments in Joint Venture and Business Combination

All joint ventures are incorporated in the Philippines. Details of the Company's investments with respective percentages of ownership follow:

	2023		2022	
Joint ventures	**Percentages of ownership**	**Carrying values**	**Percentages of ownership**	**Carrying values**
BUHAWIND EP	60%	**₱1,234,000**	40%	₱420,000
BUHAWIND NL	60%	**934,000**	40%	420,000
BUHAWIND NM	60%	**714,000**	40%	420,000
PWEI	–	–	40%	1,876,262,983
		₱2,882,000		₱1,877,522,983

Buhawind NL, Buhawind NM, and Buhawind EP
As disclosed in Note 1d, the SEC approved the incorporation of BuhaWind Energy entities. PGEC initially invested ₱420,000 for each of the Companies and accounted those as investment in joint ventures.

Throughout 2022 and 2023, PGEC and CE proceeded with several feasibility studies for the three (3) offshore wind blocks, namely 1) desktop wind and met-ocean resource studies, 2) power market study, and 3) desktop site characterization studies in preparation for detailed geophysical and geotechnical studies.

Specifically for the Northern Luzon block, PGEC and CE commenced with additional pre-development studies, namely 1) initial environmental pre-scoping study, 2) SIS application with NGCP, and 3) initial discussions with contractors for on-site wind measurement campaign.

In 2023, PGEC made an addition investment of ₱1.70 million in Buhawind Energy. Also, in 2023 PGEC sold 20% of its interest in BuhaWind Energy for ₱1.77 million which resulted to a gain of ₱1.69 million.

As of December 31, 2023, these entities are still in the organization stage and have not yet started its operations.

PetroWind Energy Inc.
Prior to May 2023, PetroGreen's 40% interest in PetroWind is accounted for as investment in joint venture. The other 60% interest are owned by EEIPC (20%) and BCPG Wind Cooperatief U.A. (40%).

As disclosed in Notes 1 and 5, the Group, through PGEC, consolidated PWEI starting May 2023 as the Group gain control over the relevant activities of PWEI.

The following tables summarizes the results of the business combination, including the purchase price allocation. The net assets recognized in the 2023 consolidated financial statements were based on a provisional assessment of their fair value. The valuation has not been completed by the date the 2023 consolidated financial statements were approved for issue by the BOD.

Assets	
Cash and cash equivalents	₱441,078,571
Receivables	124,294,486
Contract asset	379,838,447
Other current assets	136,505,306
Property, plant and equipment	3,001,978,366
Customer relationship	310,311,852
Other noncurrent assets	477,222,750
	4,871,229,778
Liabilities	
Accounts payable and accrued expenses	107,390,978
Loans payable	1,731,204,893
Asset retirement liability	38,067,512
Accrued retirement liability	2,756,541
	1,879,419,924
Total identifiable net assets at fair value	2,991,809,854
Non-controlling interest	(1,196,723,942)
Goodwill	741,446,021
Cost of acquisition/Total consideration	₱2,536,531,933

Cash	₱651,524,962
Fair value of previously held interest	1,885,006,971
Cost of acquisition/Total consideration	₱2,536,531,933

Fair value of previously held interest	₱1,885,006,971
Carrying value of previously held interest	1,930,901,680
Loss on remeasurement of previously held interest	₱45,894,709

Net cash outflow from the acquisition is as follows:

Cash consideration	₱651,524,962
Less Cash acquired from PWEI	441,078,571
Net cash outflow	₱210,446,391

Had the transaction taken place at the beginning of 2023, the contribution to the net income would have amounted to ₱236.62 million. Since this is a step acquisition, the contribution to the net income for the eight-month period ended December 31, 2023 amounted to ₱109.77 million from the date of acquisition.

The movements in the carrying value of Investment in PetroWind follow:

Balance at January 1, 2022	₱1,734,947,347
Share in net income of a joint venture	81,512,921
Additional investment during the year	59,041,563
Share in other comprehensive income	761,152
Balance at December 31, 2022	1,876,262,983
Shae in net income of a joint venture for the four months ended April 30, 2024	50,738,697
Additional investment	3,900,000
Balance prior to the business combination	1,930,901,680
Reclassification to investment in subsidiary	(1,930,901,680)
Carrying amount of investment in joint venture	₱–

The cost of the investment in joint venture amounted to ₱576.98 million. The carrying value of the investment in joint venture prior to the business combination is equivalent to the Group's 40% share in PetroWind's equity, plus the fair value adjustment of ₱764.49 million recognized when the Group lost control over PetroWind in 2014.

Selected financial information of PetroWind as of April 30, 2023 and December 31, 2022 follows:

	2023	2022
Current assets	**₱744,687,424**	₱734,099,328
Noncurrent assets	**3,986,016,585**	3,642,274,467
Current liabilities	**(347,390,978)**	(340,675,972)
Noncurrent liabilities	**(1,532,028,946)**	(1,321,010,473)
Equity	**₱2,851,284,085**	₱2,714,687,350

Summary of statements of comprehensive income of PetroWind for the four months ended April 30, 2023, and for the years ended December 31, 2022 and 2021 follows:

	2023	2022	2021
Revenue (electricity sales and other income)	₱311,846,141	₱735,294,265	₱771,620,028
Cost and expenses	(169,786,905)	(518,807,350)	(523,143,700)
Income before tax	142,059,236	216,486,915	248,476,328
Tax benefit (provision)	(15,212,493)	(12,704,614)	1,841,567
Net income	126,846,743	203,782,301	250,317,895
Group's share in net income	₱50,738,697	₱81,512,921	₱100,127,158
Other comprehensive income (loss)	₱–	₱1,902,881	(₱983,137)
Group's share other comprehensive income (loss)	₱761,152	₱761,152	(₱393,255)

The detailed disclosure on PWEI's NCI and December 31, 2023 financial information is presented in Note 31.

Goodwill amounting to ₱741.45 million, which was determined provisionally, represents the fair value of expected synergies arising from the business acquisition of PWEI and is yet to be finalized. Management did not note any indicators of impairment on the provisional goodwill as of

December 31, 2023. Impairment testing will commence in the period when the initial accounting will be finalized, which should not be more than 12 months from the date of acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

Based on the provisional valuation performed, the Group has identified other intangible asset which is the customer relationship with an estimated useful life of 27 years based on the remaining term of PWEI's service contract for the NWPP. The carrying value of customer relationship as of December 31, 2023 amounted to ₱302.55 million, net of amortization during the period amounting to ₱7.76 million (see Note 16).

14. **Leases**

The Group entered into lease contracts for office spaces and land used as geothermal field and photovoltaic (PV) solar power facility. The office space lease agreements are for a period of two (2) years and are renewable by mutual agreement of both parties.

The land lease agreement (LLA) with NPC and PSALM for the geothermal field in Sto. Tomas, Batangas has a lease term of twenty-five (25) years, extendable for another 25 years upon mutual agreement of both parties.

The two lease agreements with Luisita Industrial Park Corporation (LIPCO) for land used for the photovoltaic solar power facility in Tarlac is for a period of 25 years, renewable by mutual agreement of both parties, generally under the same terms and conditions, with escalation clause of 3% for TSPP-1 and 2% for TSPP-2 every 2 years.

The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets.

The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for all other leases, including leases of vehicles and parking slots.

The rollforward analyses of right-of-use assets follow:

		2023	
	Land	**Office Spaces**	**Total**
Cost			
Beginning balance	**₱420,180,224**	**₱12,748,688**	**₱432,928,912**
Additions	**–**	**3,861,156**	**3,861,156**
Ending balance	**420,180,224**	**16,609,844**	**436,790,068**
Accumulated depreciation			
Beginning balance	**80,487,446**	**9,826,811**	**90,314,257**
Depreciation (Notes 21 and 23)	**20,144,765**	**3,436,583**	**23,581,348**
Ending balance	**100,632,211**	**13,263,394**	**113,895,605**
Net Book Value	**₱319,548,013**	**₱3,346,450**	**₱322,894,463**

	2022		
	Land	Office Spaces	Total
Cost			
Beginning balance	₱420,180,224	₱9,736,694	₱429,916,918
Additions		3,011,994	3,011,994
Ending balance	420,180,224	12,748,688	432,928,912
Accumulated depreciation			
Beginning balance	60,342,680	6,328,880	66,671,560
Depreciation (Notes 21 and 23)	20,144,766	3,497,931	23,642,697
Ending balance	80,487,446	9,826,811	90,314,257
Net Book Value	₱339,692,778	₱2,921,877	₱342,614,655

The depreciation of the right-of-use of the lands in Tarlac and Batangas are presented as part of "Cost of electricity sales" while the depreciation of the right-of-use of office spaces are presented as part of "General and administrative expenses" in the consolidated statement of comprehensive income.

No lease liability was recognized for leases of land that have been fully prepaid. The rollforward analyses of lease liabilities follow:

	2023	2022
Beginning balance	**₱328,794,340**	₱332,828,866
Payments	**(38,214,856)**	(37,490,050)
Interest expense	**30,197,662**	30,443,530
Additions	**3,861,155**	3,011,994
Ending balance	**324,638,301**	328,794,340
Less current portion	**54,756,559**	22,734,502
Noncurrent portion	**₱269,881,742**	₱306,059,838

The following are the amounts recognized in the consolidated statements of comprehensive income:

	2023	2022	2021
Interest expense on lease liabilities	**₱30,197,662**	₱30,443,530	₱30,816,714
Depreciation expense of right-of-use assets	**23,581,350**	23,642,697	23,647,953
Rent expense – short-term leases	**949,621**	1,230,951	5,587,145
Rent expense – low-value assets	**1,213,536**	868,617	1,040,893
	₱55,942,169	₱56,185,795	₱61,092,705

Shown below is the maturity analysis of the undiscounted lease payments as of December 31:

	2023	2022
Within one year	**₱36,773,088**	₱34,737,976
After one year but not more than five years	**144,542,939**	142,460,919
More than five years but less than 10 years	**474,614,538**	511,293,446
	₱655,930,565	₱688,492,341

15. Investment Properties

As of December 31, 2023 and 2022, this account consists of land and parking lot space with cost amounting to ₱1.61 million and is being held for capital appreciation.

The fair value of the investment properties of the Group is between ₱1 million to ₱1.70 million as of December 31, 2023 and 2022. The Group determined the fair values of the Group's investment properties on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made.

As of December 31, 2023 and 2022, the fair value of the investment properties is classified under the Level 3 category.

Except for insignificant amounts of real property taxes on the investment properties, no other expenses were incurred, and no income was earned in relation to the investment properties in 2023, 2022 and 2021.

16. Intangible Assets and Goodwill

	2023					
	Goodwill	**Customer Relationship**	**Land Rights**	**Production License**	**Software and Others**	**Total**
Cost:						
Balances at beginning of year	**₱–**	**₱–**	**₱152,249,710**	**₱45,074,178**	**₱45,093,625**	**₱242,417,513**
Additions	–	–	**1,027,900**	–	**2,871,231**	**3,899,131**
Business combination (Note 13)	**741,446,021**	**310,311,852**	–	–	–	**1,051,757,873**
Balances at end of year	**741,446,021**	**310,311,852**	**153,277,610**	**45,074,178**	**47,964,856**	**1,298,074,517**
Accumulated Amortization:						
Balances at beginning of year	–	–	**42,122,421**	**18,491,972**	**41,540,627**	**102,155,020**
Amortization	–	**7,757,796**	**6,432,621**	**4,622,993**	**4,692,720**	**23,506,130**
Balances at end of year	–	**7,757,796**	**48,555,042**	**23,114,965**	**46,233,347**	**125,661,150**
Net Book Values	**₱741,446,021**	**₱302,554,056**	**₱104,722,568**	**₱21,959,213**	**₱1,731,509**	**₱1,172,413,367**

	2022			
	Land Rights	Production License	Software and Others	Total
Cost:				
Balances at beginning of year	₱152,249,710	₱45,074,178	₱44,346,200	₱241,670,088
Additions	–	–	747,425	747,425
Balances at end of year	152,249,710	45,074,178	45,093,625	242,417,513
Accumulated Amortization:				
Balances at beginning of year	36,032,432	13,868,979	39,040,958	88,942,369
Amortization	6,089,989	4,622,993	2,499,669	13,212,651
Balances at end of year	42,122,421	18,491,972	41,540,627	102,155,020
Net Book Values	₱110,127,289	₱26,582,206	₱3,552,998	₱140,262,493

Intangible assets (other than goodwill) pertain to land rights, which refers to grant of easement of right of way entered by PetroSolar to construct, operate, maintain, repair, replace and remove poles, wire, cables, apparatus, and equipment and such other apparatus and structures needed for the transmission line. This also includes production license and software for accounting and for geological interpretation of Gabon Etame oil fields.

Amortization expense charged to profit or loss follows:

	2023	2022	2021
Cost of electricity sales (Note 23)	**₱18,498,310**	₱8,062,199	₱7,886,613
General and administrative expenses (Note 25)	**384,827**	527,459	2,155,670
Oil production operating expenses (Note 24)	**4,622,993**	4,622,993	4,622,993
	₱23,506,130	₱13,212,651	₱14,665,276

17. Other Noncurrent Assets

	2023	2022
Deferred development costs	**₱560,886,192**	₱74,115,084
Input VAT	**432,536,352**	148,710,625
Advances to contractors	**406,420,331**	45,777,526
Restricted cash	**17,297,610**	31,451,424
Others (Note 20)	**30,879,118**	25,956,475
	1,448,019,603	326,011,134
Less allowance for probable losses	**2,447,001**	10,390,845
	₱1,445,572,602	₱315,620,289

Input VAT
Input VAT represents VAT passed on from purchases of goods and services that can be claimed against any future liability to the BIR for output VAT from sale of goods and services. Input VAT also includes outstanding input VAT claims that were applied for refund with the BIR.

Advances to contractors
Advances to contractors pertain to the downpayments to various contractors for the purchase of materials and equipment.

Restricted cash

This pertains to the Parent Company's share in the non-current portion of escrow fund for the abandonment of the Etame Marine Permit.

Deferred development costs
These pertains to costs incurred in the exploration, development, production and expansion of renewable energy projects.

	2023	2022
Balances at beginning of year	**₱74,115,084**	₱19,337,621
Additions	**486,771,108**	56,785,743
Write-offs	**–**	(2,008,280)
Balances at end of year	**₱560,886,192**	₱74,115,084

Others
Other noncurrent assets pertain to noncurrent portion of prepaid insurance, security deposits, advances to contractors and lot owners and balance of MERALCO account billing deposits.

18. Accounts Payable and Accrued Expenses

	2023	2022
Accounts payable	**₱376,970,153**	₱263,327,290
Accrued expenses		
Utilities	**176,168,939**	167,881,381
Interest (Note 19)	**102,024,402**	32,622,802
Deferred development cost	**34,339,951**	–
Sick/vacation leaves	**22,259,971**	19,048,554
Profit share	**15,278,985**	15,611,876
Professional fees	**9,429,903**	14,511,222
Operations and maintenance	**3,649,721**	–
Due to related party (Note 27)	**72,800**	565,760
Others	**1,291,600**	6,969,784
Withholding taxes and other tax payables	**25,481,621**	27,387,054
Provision for probable loss	**7,344,223**	–
Due to NRDC	**2,269,737**	2,269,737
Others	**21,470,758**	1,267,746
	₱798,052,764	₱551,463,206

Accounts payable mainly consists of payable to suppliers and contractors that are currently involved in the development, construction and operations of energy projects. Accounts payable also includes unclaimed checks pertaining to dividends payable amounting to ₱33.93 million and ₱10.96 million as of December 31, 2023 and 2022, respectively (see Note 31).

The Group's accounts payable and accrued expenses are due within one year.

19. Loans Payable

The Group's loans payable as of December 31 follow:

	2023	2022
Principal, balance at beginning of year	**₱3,488,375,640**	₱4,083,296,429
Add availments during the year	**3,946,036,089**	561,000,000
Effect of business combination (Note 13)	**1,774,159,119**	–
Less principal payments during the year	**1,272,135,055**	1,155,920,789
Principal, balance at end of year	**7,936,435,793**	3,488,375,640
Less unamortized deferred financing cost	**58,271,273**	10,446,588
	7,878,164,520	3,477,929,052
Less current portion – net of unamortized deferred financing cost	**3,699,707,830**	947,144,643
Noncurrent portion	**₱4,178,456,690**	₱2,530,784,409

PetroEnergy's short-term loans payable

PetroEnergy entered into unsecured loan agreements to finance its investments in Renewable Energy Projects.

Omnibus Credit Line Agreement (OCLA) with the Development Bank of the Philippines (DBP)
On April 27, 2015, the Parent Company entered into an OCLA with DBP which provides a credit facility in the principal amount not exceeding ₱420 million. Effective January 19, 2021, the credit facility was decreased to ₱300 million. Loans payable to DBP as of December 31, 2022 are as follows:

- ₱63 million with interest rate of 5.8% and maturity on January 10, 2023
- ₱108 million with interest rate of 5.5% and maturity on January 26, 2023
- ₱80 million with interest rate of 5.8% and maturity on June 23, 2023

In 2023, the Parent Company already paid the outstanding short-term loans from DBP.

Short-Term Loan Facility with the Bank of the Philippine Island (BPI)

On April 19, 2023, the Parent Company entered into a short-term loan facility with BPI which provides a principal amount not exceeding ₱2.6 billion plus P1.0 billion blanket line with 1 year validity. Loans payable to BPI as of December 31, 2023 are as follows:

- ₱200 million with interest rate of 7.00% and maturity on April 11, 2024
- ₱551.52 million with interest rate of 7.00% and maturity on May 2, 2024
- ₱61.26 million with interest rate of 7.00% and maturity on February 28, 2024
- ₱1.25 billion with interest rate of 7.50% and maturity on January 31, 2024
- ₱422.51 million with interest rate of 7.50% and maturity on January 31, 2024
- ₱272.86 million with interest rate of 7.50% and maturity on January 31, 2024

On January 28, 2024, the Parent Company secured a 10-year long-term loan facility from BPI amounting to ₱2.55 billion with the following drawdown and with maturity date of January 31, 2034:

- ₱1.95 billion with interest rate of 7.2984%; Promissory Note (PN) Date: January 31, 2024
- ₱62.5 million with interest rate of 7.4449%; PN Date: February 28, 2024
- ₱201.5 million with interest rate of 7.4224%; PN Date: April 11, 2024

The proceeds were used to settle the short-term loans due in January to April 2024.

Short-term Loan with Rizal Commercial Banking Corporation (RCBC)
In 2020, the Parent Company obtained a clean loan from RCBC amounting to ₱150.00 million with interest rate of 4.5%, which was paid in 2021.

On November 15, 2021, PetroEnergy obtained a loan from RCBC amounting to ₱120.00 million with interest of 4.5%, which was paid in 2022.

Interest expense related to these loans amounted to ₱107.76 million, ₱9.68 million and ₱11.98 million in 2023, 2022 and 2021, respectively. Accrued interest payable amounted to ₱27 million and ₱0.56 million as of December 31, 2023 and 2022, respectively (see Note 18).

PetroGreen's long-term loans payable
Long-term loan with RCBC
On November 16, 2020, PetroGreen obtained a new long-term unsecured loan from RCBC amounting to ₱400.00 million. The loan bears interest at a fixed rate of 4.74% payable semi-annually. The principal amount is payable in five equal annual installments starting November 11, 2021.

As of December 31, 2023 and 2022, the outstanding balance of these loans, net of unamortized deferred financing costs, amounted to ₱159.56 million and ₱239.16 million, respectively.

Interest expense of PetroGreen related to these loans amounted to ₱12.06 million, ₱16.24 million and ₱20.40 million in 2023, 2022 and 2021, respectively. Accrued interest payable amounted to ₱0.85 million and ₱1.27 million as of December 31, 2023 and 2022, respectively (see Note 18).

MGI's long-term loans payable

Project Loan Facility Agreements with RCBC

On May 19, 2016, MGI, together with PetroGreen, PHINMA and PNOC RC executed the Project Loan Facility Agreement with RCBC for a ₱1,400.00 million project loan to finance the design, development and construction of MGPP-2 or M2.

On September 5, 2016, MGI, together with PetroGreen, PHINMA and PNOC RC executed another Project Loan Facility Agreement with RCBC for a ₱2,100.00 million project loan to finance the design, development and construction of MGPP-1 or M1. This was done to consolidate the outstanding principal of the term loan under the 2011 OLSA with RCBC and BPI, incidental costs, general corporate expenditures and working capital requirement.

MGPP-1 or M1 new Loan

The new MGPP-1 or M1 loan amounting to ₱2,100.00 million has a term of ten (10) years from the drawdown date of October 10, 2016. Interest and principal are payable semi-annually. Interest payment started on October 12, 2016, while the twenty (20) semi-annual principal payments started on April 12, 2017.

Interest rate is fixed for the first five (5) years from drawdown date, based on the sum of the prevailing 5-year fixed benchmark rate on the pricing date and the margin of 1.75% (the "Initial Interest Rate"). On the repricing date, the interest for the remaining five (5)-year term of the loan will be the higher of (i) the sum of then prevailing 5-year fixed benchmark rate plus the margin of 1.75%, or (ii) the initial interest rate.

Interest expense recognized from the loan amounted to ₱57.70 million, ₱71.52 million and ₱82.86 million in 2023, 2022 and 2021, respectively.

MGPP-2 or M2 Expansion Loan

The MGPP-2 or M2 Expansion Loan amounting to ₱1,400.00 million has a term of twelve (12) years including thirty-six (36) months grace period from initial drawdown date of June 2, 2016. Interest and principal are payable semi-annually. Interest payment started on October 12, 2016, while the eighteen (18) semi-annual principal payments started on October 12, 2019.

Interest rate is fixed for the first seven (7) years from the initial drawdown date based on the sum of the prevailing 7-year fixed benchmark rate on the pricing date and the applicable margin of (1) 2.25% per annum prior to commercial operations date, or (2) 1.75% per annum from and after the Commercial Operations Date (the "Initial Interest Rate"). For subsequent drawdowns, interest rate will be the three (3) –day simple average interpolated rate based on the remaining tenor and computed using the straight-line method. On the repricing date, the interest for the remaining five (5)-year term of the loan will be the higher of (i) the sum of the then prevailing 5-Year fixed benchmark rate plus the applicable margin, or (ii) the weighted average interest rate during the first seven (7) years of the loan. Interest expense amounted to ₱43.15 million, ₱75.00 million and ₱83.46 million in 2023, 2022 and 2021 respectively.

Accrued interest payable of MGI's loans amounted to ₱20.58 million and ₱22.89 million as of December 31, 2023 and 2022, respectively (see Note 18).

As of December 31, 2023 and 2022, the total outstanding balance of these loans amounted to ₱1,572.86 million and ₱1,978.74 million respectively.

The loan covenants covering the outstanding debt of MGI include, among others, the following conditions: maintenance at all times of Debt-to-Equity (DE) Ratio of not greater than 70:30, Default Debt Service Coverage Ratio (DSCR) of at least 1.10x both until full payment of the Loans, and Dividend DSCR of at least 1.20x. MGI is also required to transfer in the DSPA equivalent to one-sixth (1/6) of the amount sufficient to pay for the forthcoming debt service scheduled in April and October of every year until the loan is fully paid off (see Note 9). As of December 31, 2023 and 2022, MGI has been compliant with the above conditions.

PetroSolar's long-term loans payable
On November 12, 2015, the PetroSolar, together with PetroGreen and EEIPC, as third party mortgagors and pledgors, entered into a ₱2,600.00 million OLSA with PNB and DBP specifically to partially finance the design, development, procurement, construction, operation and maintenance of its TSPP.

PetroSolar shall fully pay the loan for the pro-rata account of each lender within twelve (12) years from and after the date of the initial drawdown. Interest and principal are payable semi-annually. Interest payment started on May 27, 2016, while the twenty-two (22) semi-annual principal payments started on November 27, 2016.

The rate of the interest applicable to the facility or the relevant part thereof for each interest period shall be fixed for the first seven periods (7) from the initial drawdown date (the Initial Interest Rate). Prior to the FIT entitlement and collection of FIT revenues of the borrower, the rate shall be the higher of: (i) the aggregate of the seven (7) year PDST-R2 and the initial credit spread of 2.25%, or (ii) the minimum interest rate of 5.75%. Upon FIT entitlement of at least 40MW and collection of FIT revenues by the borrower equivalent to an aggregate of at least ₱473.00 million within a period not exceeding twelve (12) consecutive months, the rate shall be the higher of (i) the weighted average interest rate in previous drawdowns less the step down credit spread of 0.25%, or (ii) minimum interest rate, and which interest rate shall be applied beginning the following month immediately succeeding the month wherein the aforesaid FIT entitlement and FIT revenue collection thresholds were satisfied. PetroSolar met the criteria for FIT entitlement and aggregate collection of at least ₱473 million within 12 months which resulted to a lower interest rate effective July 2017.

On November 25, 2022, the OLSA reached the 7th year of its term. The repricing date, based on the OLSA, shall occur by the end of the 7th year from the initial drawdown date, on which date, the interest rate for the remaining five (5) year tenor will be repriced. The new applicable interest rate is 9.12% after the repricing. This was renegotiated to be reduced from 9.12% to 8.59% which was approved by the bank and made effective starting May 26, 2023. The applicable interest rate as of December 31, 2023 and 2022 is equal to 8.59% and 9.12%, respectively.

The loan covenants covering the outstanding debt of PetroSolar include, among others, maintenance of debt-to-equity ratio of 75:25 and establishment of DSPA required balance (see Note 7). As of December 31, 2023 and 2022, PetroSolar is in compliance with the said loan covenants.

As of December 31, 2023 and 2022, the outstanding balance of this loan amounted to ₱783.88 million and ₱1,007.42 million, respectively.

Interest expense of PetroSolar related to the loans amounted to ₱89.63 million, ₱89.81 million and ₱104.23 million in 2023, 2022 and 2021, respectively. Accrued interest payable amounted to ₱5.95 million and ₱7.89 million as of December 31, 2023 and 2022, respectively (see Note 18).

PetroSolar mortgaged all of its property and equipment related to TSPP-1 as collateral in connection with the loan (see Note 11).

PetroWind long-term loans

NWPP-1

On November 4, 2013, PetroWind entered into ₱2.80 billion OLSA with DBP to finance the NWPP-1. Subsequently, on June 4, 2015, an amended agreement was entered between PetroWind and DBP for an increase in credit line amounting to ₱200.00 million.

The loan shall be fully paid and liquidated in 15 years from and after the date of initial borrowing. Principal and interest shall be repaid in 25 equal semi-annual installments with its first principal and interest payment made last January 10, 2017.

The rate of interest to be paid on interest date is 6.32% per annum, equal to benchmark rate plus 225 basis points (bps) per annum or 5.50% per annum, whichever is higher, subject to repricing every 5 years. The new interest rate after the first repricing date last January 10, 2019 is 9.01% per annum. This was renegotiated to be reduced from 9.01% to the higher between the benchmark rate plus 125 bps per annum or 7.00% per annum. The reduced interest rate of 7% per annum was approved by the bank and made effective starting July 2, 2019. This amendment did not result to the extinguishment of the loan.

The total interest expense incurred amounted to ₱98.73 million in 2023. Interest payable amounted to ₱47.65 million as of December 31, 2023 (see Note 18).

NWPP-2

On February 22, 2023, entered into ₱1.81 billion OLSA with DBP to finance the NWPP-2. The principal shall be payable in twenty-five (25) equal semi-annual installments in arrears to commence at the earlier of thirty-sixth (36^{th}) month from initial drawdown or six (6) months from COD until fully paid. The interest shall be for fixed two (2) years based on the higher of 2-year BVAL plus 1.0% p.a. or 6.25% p.a. determined at the time of drawdown subject to repricing.

PetroWind has drawn a total of ₱1.35 billion as of December 31, 2023, the remaining balance will be subsequently drawn in 2024.

The total interest expense incurred amounted to ₱35.97 million in 2023.

For NWPP-1 and NWPP-2, the loan covenants require PetroWind to maintain a debt-to-equity ratio of 70:30 and maintain a DSRA required balance equivalent to one principal plus one interest amortization at all times until full settlement of the loan. As of December 31, 2023, PetroWind is in compliance with the said loan covenants.

PetroWind pledged all of its property and equipment items as collateral to secure its borrowings (see Note 11).

Deferred financing costs

Deferred financing costs are incidental costs incurred in obtaining the loan which includes documentary stamp tax, transfer tax, chattel mortgage, real estate mortgage, professional fees, arranger's fee and other costs directly attributable in obtaining the loan. The balance of unamortized deferred financing costs is presented as a deduction from the loans payable account and is amortized over the term of the loan using the effective interest rate method.

Details of the Groups' unamortized deferred financing costs follow:

	2023	2022
Balance at beginning of year	**₱10,446,588**	₱20,771,233
Addition from business combination (Note 13)	**42,954,226**	–
Additions	**11,109,295**	–
Less amortization during the year	**(6,238,836)**	(10,324,645)
Balance at end of year	**₱58,271,273**	₱10,446,588

20. **Other Noncurrent Liabilities**

Asset Retirement Obligation

The Group has recognized its share in the abandonment costs associated with the Etame, Avouma and Ebouri oilfields located in Gabon, West Africa, geothermal field located in Sto. Tomas Batangas, photovoltaic (PV) solar power facility in Tarlac, and wind power facility in Aklan.

Movements in this account follow:

	2023	2022
Balance at beginning of year	**₱66,230,330**	₱92,810,843
Additions	**37,661,653**	921,276
Change in estimates (Note 11)	**56,701,174**	(37,729,203)
Accretion expense	**6,944,814**	3,622,334
Foreign exchange adjustment	**(5,056)**	6,605,080
Balance at end of year	**₱167,532,915**	₱66,230,330

Discount rates ranging from 6.01% to 7.32% in 2023 and 7.13% to 7.16% in 2022 were used in estimating the provisions (see Note 5).

Accrued Retirement Benefits

The Group has defined benefit retirement plans (the Plan) for all of its employees. The Plan provides for normal and early retirement, as well as death and disability benefits and is funded and noncontributory. The latest retirement valuation was as of December 31, 2023.

The retirement fund is administered by RCBC, appointed as trustee. The fund has no investments in the Group's equity as of December 31, 2023 and 2022.

Pension benefits cost consists of:

	2023	2022
Current service cost	**₱7,094,022**	₱5,944,279
Net interest expense	**3,397**	833,286
Pension benefits cost	**₱7,097,419**	₱6,777,565

The accrued retirement liabilities (net retirement asset) recognized in the consolidated statements of financial position as of December 31 are as follows:

	2023	2022
Net retirement asset (Note 17)	**₱8,075,630**	₱10,263,804
Accrued retirement liabilities	**(30,603,592)**	(12,077,639)

	2023	2022
Present value of defined benefit obligation	**₱88,628,376**	₱52,263,194
Fair value of plan assets	**(66,100,414)**	(50,449,359)
Accrued retirement liabilities (asset)	**₱22,527,962**	₱1,813,835

The movements in the accrued retirement liabilities (asset) recognized in the consolidated statements of financial position are as follows:

	2023	2022
Beginning balance	**₱1,813,835**	₱18,386,746
Pension benefits cost	**7,097,419**	6,777,565
Re-measurement loss (gains) on defined benefit plan	**22,844,005**	(12,229,287)
Contributions	**(9,227,297)**	(11,121,189)
Ending balance	**₱22,527,962**	₱1,813,835

Changes in the present value of the defined benefit obligation are as follows:

	2023	2022
Beginning balance	**₱52,263,194**	₱65,660,315
Current service cost	**7,094,022**	5,944,279
Interest cost	**4,263,490**	3,258,038
Benefits paid	**–**	(8,244,875)
Actuarial loss (gain)	**25,007,670**	(14,354,563)
Ending balance	**₱88,628,376**	₱52,263,194

Changes in the fair value of plan assets as of December 31 are as follows:

	2023	2022
Beginning balance	**₱50,449,359**	₱47,273,569
Interest income	**7,353,745**	2,424,752
Actuarial loss	**(929,987)**	(2,125,276)
Benefit paid	**–**	(8,244,875)
Contributions	**9,227,297**	11,121,189
Ending balance	**₱66,100,414**	₱50,449,359

The components of net plan assets are as follows:

	2023	2022
Cash and cash equivalents	**₱22,601,746**	₱10,955,120
Investments in quoted government securities	**43,025,617**	39,303,301
Interest receivable	**494,022**	258,159
Trust fee payable	**(20,971)**	(67,221)
	₱66,100,414	₱50,449,350

The principal actuarial assumptions used in determining retirement benefits benefit obligation as of December 31 follows:

	2023	2022
Salary rate increase	**8.00%**	8.00%
Discount rate	**6.10% to 6.16%**	7.31% to 7.39%

21. Equity

Under the existing laws of the Republic of the Philippines, at least 60% of the Parent Company's issued capital stock should be owned by citizens of the Philippines for the Parent Company to own and hold any mining, petroleum or renewable energy contract area. As of December 31, 2023, the total issued and subscribed capital stock of the Parent Company is 99.83% Filipino and 0.17% non-Filipino as compared to 99.77% Filipino and 0.23% non-Filipino as of December 31, 2022.

As of December 31, 2023 and 2022, paid-up capital consists of:

Capital stock – ₱1 par value	
Authorized – 700,000,000 shares	
Issued and outstanding	₱568,711,842
Additional paid-in capital	2,156,679,049
	₱2,725,390,891

The Group's track record of capital stock follows:

	Number of shares registered	**Issue/offer price**	**Date of SEC approval**	**Number of holders as of year-end**
Listing by way of introduction - August 11, 2004	84,253,606	₱3/share	August 4, 2004	
Add (deduct):				
25% stock dividend	21,063,402	₱1/share	September 6, 2005	
30% stock dividend	31,595,102	₱1/share	September 8, 2006	
1:1 stock rights offering	136,912,110	₱5/share	May 26, 2010	
December 31, 2010	273,824,220			2,149
Deduct: Movement	–			(26)
December 31, 2011	273,824,220			2,123
Deduct: Movement	–			(10)
December 31, 2012	273,824,220			2,113
Deduct: Movement	–			(41)
December 31, 2013	273,824,220			2,072
Deduct: Movement				(29)
December 31, 2014	273,824,220			2,043
Add (Deduct):				
2:1 stock rights offering	136,912,110	₱4.38/share	June 3, 2015	(15)
December 31, 2015	410,736,330			2,028
Deduct: Movement	–			(1)
December 31, 2016	410,736,330			2,027
Deduct: Movement	–			(15)
December 31, 2017	410,736,330			2,012
Add (Deduct):				
1.2:6 stock rights offering	157,975,512	₱4.8/share	January 8, 2018	(8)

(Forward)

	Number of shares registered	Issue/offer price	Date of SEC approval	Number of holders as of year-end
December 31,2018	568,711,842			2004
Deduct: Movement	–			(5)
December 31,2019	568,711,842			1,999
Deduct: Movement	–			(1)
December 31,2020	568,711,842			1,998
Deduct: Movement	–			(5)
December 31,2021	568,711,842			1,993
Deduct: Movement				(2)
December 31,2022	568,711,842			1,991
Deduct: Movement	–			–
December 31,2023	568,711,842			1,991

On July 26, 2017, at the BOD meeting, the Parent Company was authorized to raise approximately one billion pesos (₱1,000,000,000) in capital, by offering and issuing to all eligible stockholders as of record date, the rights to subscribe up to all of the existing unissued common shares of the Parent Company ("Stock Rights Offer").

On September 29, 2017, the Parent Company filed its application for the listing and trading of rights shares with the PSE. On December 13, 2017, the PSE approved the application to list the Rights Shares.

The rights offer entitled eligible stockholders as of record date of January 12, 2018 to subscribe to one rights share for every 2.6 shares held at an offer price of ₱4.80 per share.

The rights offer was undertaken on January 22 to 26, 2018. Following the close of the offer period, the Parent Company successfully completed the stock rights offer for 157,975,512 common shares with gross proceeds of ₱758.28 million and was subsequently listed on the PSE on February 2, 2018.

The proceeds from the stock rights offer were used for the development and expansion plans of the Group's renewable energy projects, general corporate requirements, and payments of loans and the related interest.

On November 29, 2023, the BOD of PERC approved the declaration of 5% cash dividend or ₱0.05 per share to all stockholders of record as of December 14, 2023 and payable on December 28, 2023.

On July 28, 2022, the BOD of PERC approved the declaration of 5% cash dividend or ₱0.05 per share to all stockholders of record as of August 15, 2022 and payable on September 8, 2022.

Cumulative Translation Adjustment
In 2018, because of the change in business circumstances of the Parent Company, management changed its functional currency from United States Dollar (USD) to PHP effective January 31, 2018. All resulting exchange differences in the remeasurement of USD balances to PHP balances were recognized as 'Cumulative Translation Adjustment'.

Equity Reserve and Deposit for Future Stock Subscription
On June 9, 2015, PetroEnergy sold its 10% interest in PetroGreen to EEIPC, bringing its ownership in PetroGreen from 100% to 90%. The transaction was accounted as an equity transaction since there was no change in control.

The effect of change in the ownership interest in PetroGreen on the equity attributable to owners of PetroEnergy as a result of the sale of 10% to EEI is summarized as follows:

Consideration received from NCI	₱206,000,000
Carrying amount of NCI sold	(125,950,762)
Excess of consideration received recognized in equity	₱80,049,238

On October 14, 2022, PetroGreen issued 363,244,840 shares to Kyuden (Note 31) resulting to the decrease in the ownership interest of PetroEnergy in PetroGreen from 90% to 76.92%. The transaction was accounted as an equity transaction since there was no loss of control.

The effect of change in the ownership interest in PetroGreen on the 2022 equity attributable to owners of PetroEnergy is summarized as follows:

Consideration received from NCI	₱1,687,431,477
Carrying amount of NCI sold	(1,030,763,729)
Excess of consideration received recognized in equity	₱656,667,748

In January 2023, the Group classified the 2022 deposit for stock subscription received from Kyuden under escrow fund (Note 7) amounting to ₱1.63 billion into NCI and Equity Reserve (excess of consideration over carrying value of NCI sold) after Kyuden acquired the 10.47% additional ownership interest in PGEC through completion of all the requirements in the subscription agreement (see Note 31). The deposit for future stock subscription is considered a non-cash financing activity in 2022. Kyuden's ownership interest as of December 31, 2023 in PGEC is 25%.

The effect of change in the ownership interest in PetroGreen on the 2023 equity attributable to owners of PetroEnergy is summarized as follows:

Consideration received from NCI*	₱1,634,762,579
Carrying amount of NCI sold	(925,716,414)
Excess of consideration received recognized in equity	₱709,046,165

**Net of equity transaction cost amounting to ₱16.29 million*

The effect of change in the ownership interest in PetroSolar on the equity attributable to owners of PetroEnergy as a result of PERC's acquisition of EEIPC's 44% interest (Note 1c) is summarized as follows:

Consideration	₱1,443,942,735
Carrying amount of NCI acquired	(1,285,392,308)
Excess of consideration paid recognized in equity	₱158,550,427

The effect of change in the ownership interest in PetroGreen on the equity attributable to owners of PetroEnergy as a result of PERC's acquisition of EEIPC's 7.5% interest (Note 1c) is summarized as follows:

Consideration	₱521,211,059
Carrying amount of NCI acquired	(568,948,930)
Excess of carrying amount recognized in equity	(₱47,737,871)

As of December 31, 2023 and 2022, the balance of equity reserve account amounts to ₱1,334.95 million and ₱736.71 million, respectively.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may increase its debt from creditors, adjust the dividend payment to shareholders or issue new shares.

As of December 31, 2023 and 2022, the Group monitors capital using a debt-to-equity ratio, which is total liabilities divided by total equity.

The Group's sources of capital as of December 31 are as follows:

	2023	2022
Loans payable	**₱7,878,144,894**	₱3,477,929,052
Capital stock	**568,711,842**	568,711,842
Additional paid-in capital	**2,156,679,049**	2,156,679,049
Retained earnings	**3,780,133,229**	3,182,613,298
Equity reserve	**2,652,917,182**	736,716,986
	₱17,036,586,196	₱10,122,650,227

The table below demonstrates the debt-to-equity ratio of the Group as of December 31:

	2023	2022
Total liabilities	**₱9,214,944,519**	₱4,442,489,721
Total equity	**12,998,431,090**	12,377,322,378
Debt-to-equity ratio	**0.71:1**	0.36:1

Based on the Group's assessment, the capital management objectives were met in 2023 and 2022.

22. **Income Taxes**

The provision for (benefit from) income tax consists of:

	2023	2022	2021
Current	**₱65,021,230**	₱39,621,178	₱61,593,316
Deferred	**(6,122,938)**	(1,028,286)	(7,112,682)
	₱58,898,292	₱38,592,892	₱54,480,634

The components of the Group's net deferred tax assets (liabilities) are as follows:

	2023	2022
Deferred income tax assets on:		
Net asset retirement obligations	**₱16,406,217**	₱15,866,420
Interest on FIT adjustment	**4,765,802**	2,096,435
Past service cost and provision	**1,394,786**	805,369
Unrealized foreign exchange loss	**701,343**	–
Accrued retirement liability	**518,911**	354,528
	23,787,059	19,122,752
Deferred income tax liabilities on:		
Crude oil inventory	**(3,419,013)**	(3,609,298)
Net retirement asset	**(2,018,908)**	(2,565,951)
Unrealized foreign exchange gain	–	(2,019,574)
	(5,437,921)	(8,194,823)
Deferred income tax assets – net	**₱18,349,138**	₱10,927,929

As of December 31, 2023 and 2022, the Group did not recognize deferred tax assets on NOLCO, MCIT and allowance for impairment losses, with details as follow as of December 31.

	2023	2022
Allowance for impairment loss	**₱207,243,532**	₱207,243,532
NOLCO	**186,660,892**	165,677,258
MCIT	**9,950,647**	6,040,694
	₱403,855,071	₱378,961,484

As of December 31, 2023 and 2022, the Group did not recognize deferred tax assets on the above as the Group believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future, prior to their expiration, against which the tax benefits can be realized.

Details of the NOLCO and MCIT follow:

	NOLCO		MCIT	
	2023	2022	**2023**	2022
Beginning balance	**₱165,677,258**	₱377,080,656	**₱6,040,694**	₱4,864,684
Additions	**20,983,634**	28,868,005	**4,476,610**	3,505,526
Applied	–	(181,031,532)	–	–
Expiration	–	(59,239,871)	**(566,657)**	(2,329,516)
Ending balance	**₱186,660,892**	₱165,677,258	**₱9,950,647**	₱6,040,694

		NOLCO			MCIT	
Year Incurred	Year of Expiration	**2023**	2022	Year of Expiration	**2023**	2022
2023	2026	**₱20,983,634**	₱–	2026	**₱4,476,610**	₱–
2022	2025	**28,868,005**	28,868,005	2025	**3,505,526**	3,505,526
2021	2026	**72,333,602**	72,333,602	2024	**1,968,511**	1,968,511
2020	2025	**64,475,651**	64,475,651	2023	–	566,657
		₱186,660,892	₱165,677,258		**₱9,950,647**	₱6,040,694

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The taxable income of the Parent Company is subject to minimum corporate income tax rate.

On June 20, 2023, the BIR issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the MCIT rate to 2% of gross income effective July 1, 2023 pursuant to RA No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

Consequently, the Parent Company recognized MCIT using the effective rate of 1.5% in 2023 in accordance with RMC 69-2023.

On January 30, 2009, RA No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, known as the "Renewable Energy Act of 2008" (the Act), became effective. As provided for in the Act, RE developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the National Internal Revenue Code of 1997, after the seven (7) years of Income Tax Holiday (ITH), which commences from the first year of operations. MGI started its commercial operations on February 8, 2014 and April 30, 2018 for its BOI registered projects MGPP-1 and MGPP-2, respectively. Taxable income generated from MGPP-1 beginning February 8, 2021 is now subject to corporate tax of 10%. While taxable income from MGPP-2 for 2023 and 2022 is under ITH.

For PetroSolar, on July 28, 2015, the PSC registered with PEZA as an Economic Zone Utilities Enterprise to establish, operate and maintain its 50MW Solar Facility project at the Central Technopark and the sale of electricity in accordance with the representations, commitments and proposals set forth in its application.

PetroSolar shall pay the special tax rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes. Gross income earned refers to gross sales derived from any business activity, net of returns, discounts and allowances, less cost of sales, cost of production and allowable expenses as defined by PEZA. Income generated by TSPP-1 from sources outside of PEZA economic zone shall be subject to RCIT.

On January 30, 2009, Republic Act No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, known as the "Renewable Energy Act of 2008" (the Act), became effective. As provided for in the Act, Renewable Energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the Board of Investments, shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the National Internal Revenue Code of 1997, after the seven (7) years of Income Tax Holiday (ITH), which commences from the first year of commercial operations.

On December 16, 2021, the Energy Regulatory Commission issued TSPP-2's Provisional Authority to Operate (PAO) pending the ERC's approval of the Certificate of Compliance (COC). Due to the receipt of PAO, TSPP-2 is now entitled to ITH incentive.

The reconciliation of the statutory tax rate to the effective income tax rate shown in the consolidated statements of income follows:

	2023	2022	2021
Statutory tax rate	**25.00%**	25.00%	25.00%
Add (deduct) reconciling items:			
Income from entities subjected to lower rate and subject to ITH	**(19.14)**	(13.96)	(29.14)
Movement in unrecognized deferred tax assets	**1.04**	(3.76)	4.54
Nontaxable income	**(3.85)**	(0.83)	(0.33)
Unrealized loss (gain) on FVTPL	**0.01**	–	(0.01)
Nondeductible expenses and others	**2.81**	(2.17)	7.71
Effect or remeasurement of current and deferred income tax arising from change in tax rate due to CREATE Act	–	–	(0.20)
Effective income tax rate	**5.87%**	4.28%	7.57%

23. **Cost of Electricity Sales**

	2023	2022	2021
Electricity sales:			
Depreciation and amortization (Notes 11, 15 and 16)	**₱604,956,831**	₱446,660,175	₱427,818,501
Rental, insurance and taxes	**140,504,569**	104,970,100	114,032,759
Purchased services and utilities	**106,506,297**	45,167,036	56,297,222
Personnel costs	**92,052,924**	74,305,149	66,962,387
Repairs and maintenance	**43,461,184**	32,076,687	34,315,079
Business and other related expenses	**35,939,418**	18,649,108	27,166,918
Materials and supplies	**18,728,238**	19,233,303	19,932,253
Government share and royalty fees	**17,605,995**	11,341,763	14,443,200
	₱1,059,755,456	₱752,403,321	₱760,968,319

Cost of Other revenues
This pertains to the cost of Pass-on charges to ACEN.

	2023	2022	2021
Cost of other revenues:			
Trading Costs & Market Fees	**₱58,212,064**	₱87,260,321	₱–
Wheeling and Ancillary & Transmission Charges	**2,564,801**	40,128,180	61,357,825
	₱60,776,865	₱127,388,501	₱61,357,825

24. Crude Oil Inventory and Oil Production

Crude Oil Inventory

Crude oil inventory is stated at NRV at the time of production. Change in crude oil inventory amounting to ₱0.76 million, (₱1.82 million) and ₱22.47 million is included in "Cost of Sales" in the profit or loss in 2023, 2022 and 2021, respectively.

Cost of Oil Production

	2023	2022	2021
Production, transportation and other related expenses	**₱288,017,917**	₱278,136,016	₱178,665,694
Storage and loading expenses	**21,574,953**	67,099,781	48,992,296
Amortization (Note 16)	**4,622,993**	4,622,993	4,622,993
Supplies and facilities	**892,744**	443,012	284,802
Others	**238,912**	5,034,415	3,718,985
	₱315,347,519	₱355,336,217	₱236,284,770

25. General and Administrative Expenses

	2023	2022	2021
Salaries, wages and benefits	**₱121,252,673**	₱111,609,430	₱83,722,515
Taxes and licenses	**25,617,724**	9,131,360	6,808,337
Professional and other fees	**21,224,341**	20,354,280	22,921,901
Depreciation and amortization (Notes 11, 15 and 16)	**16,985,477**	14,498,696	11,893,360
Entertainment, amusement and recreation	**7,861,773**	5,767,198	5,092,354
Provision for probable losses	**7,344,223**	–	5,004,048
Transportation and travel	**5,801,413**	1,669,377	442,783
Gasoline, oil and lubricants	**5,173,288**	4,569,197	2,560,284
Communication	**4,657,346**	4,021,898	4,826,918
Insurance	**3,121,927**	3,306,506	3,302,799
Advertisement	**2,831,736**	1,960,593	542,124
Office supplies	**2,538,089**	2,154,736	1,522,627
Donation and contribution	**2,362,170**	1,525,747	1,529,759
Environmental and social expenses	**2,163,531**	1,879,197	4,739,978
Repairs and maintenance	**2,070,034**	2,526,327	3,225,513
Other services	**1,833,516**	1,719,038	2,620,513
Utilities	**1,715,408**	1,774,800	882,678
Research costs (Note 17)	**1,347,096**	7,767,044	3,107,931
Security and janitorial services	**1,261,299**	845,118	1,255,840
Rent expense (Note 14)	**1,166,975**	889,816	863,638
Condominium dues	**1,026,643**	1,156,762	1,327,547
Stock transfer expense	**671,627**	644,577	615,696
Business meetings	**462,183**	694,206	348,210
Dues and subscriptions	**352,195**	382,266	271,803
Training and seminar	**250,217**	647,303	672,039
Others (Note 17)	**25,674,665**	19,736,759	10,724,352
	₱266,767,569	₱221,232,231	₱180,825,547

Others, include miscellaneous expenses such as provision for input VAT disallowance, development assistance, notarization, bank charges, and reproduction expenses.

26. Miscellaneous Income (Charges)

	2023	2022	2021
Management income and timewriting fees (Note 27)	**₱36,797,533**	₱18,199,133	₱13,958,678
Revenue loss recovery (Note 35)	**20,132,010**	–	–
Rental income (Note 27)	**1,781,086**	1,818,027	1,474,996
Gain on sale of investment in joint venture (Note 13)	**1,685,688**	–	–
Dividend income (Note 9)	**26,969**	79,047	38,134
Gain on sale of equipment	**14,125**	338,503	588,606
Sale of carbon emission credits	**–**	10,649,201	–
Professional fees (Note 27)	**–**	610,000	610,000
Trustee fees	**(6,051,207)**	(3,441,674)	(3,649,996)
Others	**6,650,796**	1,795,281	5,396,128
	₱61,037,000	₱30,047,518	₱18,416,546

Trustee fees pertain to payments of the Group to the facility agent and account trustees for the M1 and M2 loans (see Note 19).

27. 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 considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to as ‘Affiliates’). Related parties may be individuals or corporate entities.

Significant transactions with related parties are as follows:

	Transactions for the Years Ended December 31		**Outstanding Balance Receivables (Payables)** (see Notes 8 and 18)		
Related Party/Nature	**2023**	2022	**2023**	2022	**Terms and Conditions**
Investor					
House of Investments, Inc					
Internal audit services	**₱873,600**	₱873,600	**₱–**	(₱509,600)	Note a
Joint Venture					
PetroWind					
Rental income	**285,714**	857,143	–	–	Note b
Timewriting fee	**5,539,939**	16,199,133	–	4,615,734	Note c
Management income	**666,667**	2,000,000	–	–	Note c
Advances – receivable	**2,334,037**	9,764,078	–	340,792	Note d
Advances – payables	–	56,160	–	(56,160)	Note d
			–	4,900,366	

(Forward)

Related Party/Nature	Transactions for the Years Ended December 31 2023	2022	Outstanding Balance Receivables (Payables) (see Notes 8 and 18) 2023	2022	Terms and Conditions
Affiliate					
AC Energy Corporation (ACEN)					
Electricity sales	**₱1,027,174,970**	₱823,196,490	**₱101,935,010**	₱102,355,875	Note e
Wheeling Charges	**50,560,116**	103,652,397	**3,464,223**	60,180,225	Note e
			105,399,233	162,536,100	
Affiliate					
EEI Power Corporation					
Other income	**₱–**	₱610,000	**₱683,200**	₱683,200	Note f
Affiliate					
LIPCO					
Land lease	**₱34,086,297**	₱33,845,770	**₱–**	₱–	Note g
Affiliate					
Enrique T. Yuchengco, Inc.					
Rental income	**929,657**	906,884	**455,165**	593,251	Note j

a. PetroEnergy has an Internal Audit Engagement arrangement with House of Investments, Inc. (HI). These are non-interest bearing and are due and demandable.

b. PetroGreen charges rental fees to PetroWind amounting to ₱71,429 every month. These are non-interest bearing and payable when due and demandable.

c. Timewriting fees are charged by PetroGreen for accounting, legal management and other support services rendered to PetroWind. Management income refers to charges by PetroEnergy to PetroWind. These are non-interest bearing and are due and demandable.

d. Advances represent reimbursements of costs and expenses.

e. Electricity sales to ACEN (formerly PHINMA) is pursuant to the Electricity Supply Agreement (see Note 35). This is due and payable on the last business day of the month succeeding the billing period and non-interest bearing if paid within the due date.

f. PetroGreen charged EEI Power Corporation (EEIPC) amounting to ₱550,000 plus VAT representing charges for the equity valuation study.

g. The Group leased 77 hectares of land area from LIPCO (Note 14). These are non-interest bearing and payable when due and demandable.

h. On November 12, 2015, PetroSolar entered into a ₱2.6 billion OLSA with PNB and DBP. PetroGreen and EEIPC signed as the third party mortgagors and pledgors (see Note 19).

i. PetroWind executed an OLSA with DBP for a loan facility amounting to ₱3.0 billion. PetroEnergy signed as guarantor and PetroGreen signed as guarantor, pledgor and third-party mortgagor (see Note 19).

j. On April 29, 2021, PGEC completed its first commercial and industrial (C&I) rooftop solar power project for the Enrique T. Yuchengco Bldg. in Binondo, Manila.

The building owner E.T. Yuchengco Inc. (ETY) and project owner PGEC signed a 15-year Rent-to-Own Agreement for a 140.8-kWp solar rooftop facility last January 14, 2021. The rental period commenced upon the project's completion in April 2021. After said 15-year cooperation period, PGEC will turn-over the said rooftop solar facility to ETY free of charge.

Compensation of Key Management Personnel
The Group has a profit-sharing plan for directors, officers, managers and employees as indicated in its by-laws. The amount, the manner and occasion of distribution is at the discretion of the BOD, provided that profit share shall not exceed 5% of the audited income before income tax and profit share.

The remuneration of the Group's directors and other members of key management are as follows:

	2023	2022	2021
Salaries and wages and other short-term benefits	**₱28,365,908**	₱24,751,739	₱20,810,412
Directors' fees	**8,476,813**	8,775,037	5,438,567
Retirement expense	**538,496**	927,633	1,935,011
	₱37,381,217	₱34,454,409	₱28,183,990

28. Financial Instruments

The Group's principal financial instruments include cash and cash equivalents, short-term investments, financial assets at FVTPL, receivables, restricted cash, contract assets, loans payable, accounts payable, accrued expenses and dividends payable. The main purpose of these financial instruments is to fund the Group's working capital requirements.

Categories and Fair Values of Financial Instruments
As of December 31, 2023 and 2022, the carrying amounts of the Group's financial assets and financial liabilities approximate their fair values except for loans payable and lease liabilities. The fair value of the loans payable as of December 31, 2023 and 2022 amounted to ₱7.88 billion and ₱3.49 billion compared to their carrying value of ₱7.94 billion and ₱3.48 billion, respectively.

The methods and assumptions used by the Group in estimating the fair value of financial instruments are:

Financial instruments	**Considerations**
Cash and cash equivalents, short-term investments, restricted cash, receivables, contract assets, accounts payable and accrued expenses, and short-term loans payable	Due to the short-term nature of the instruments, carrying amounts approximate fair values as at the reporting date.
Equity securities	Fair values are based on published quoted prices (Level 1).
Golf club shares	Fair values are based on quoted market prices at reporting date (Level 1).
Long-term loans payable	Fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar type of instruments. The fair value is derived using the prevailing PH BVAL rate in 2023 and 2022 (Level 3).

Lease liabilities	Estimated fair value is based on the discounted value of future cash flows using the prevailing PH BVAL rate in 2023 and 2022 (Level 3).

The fair value is based on the source of valuation as outlined below:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In 2023 and 2022, there were no transfers of financial instruments among all levels.

Financial Risk Management Objectives and Policies

The Group manages and maintains its own portfolio of financial instruments in order to fund its own operations and capital expenditures. Inherent in using these financial instruments are the following risks on liquidity, market and credit.

Financial Risks

The main financial risks arising from the Group's financial instruments are liquidity risk, market risk and credit risk.

a. Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations when due. The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations and to mitigate the effects of fluctuation in cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds as well as to obtain loan from financial institutions. As of December 31, 2023 and 2022, the Group has existing credit line facilities from which they can draw funds from (see Note 19).

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as of December 31, 2023 and 2022 based on contractual payments:

	2023			
	On demand	1 year or less	More than 1 year	Total
Financial Assets				
Financial assets at FVTPL	**₱6,958,720**	**₱–**	**₱–**	**₱6,958,720**
Financial assets at amortized cost:				
Cash and cash equivalents	**2,334,304,367**	–	–	**2,334,304,367**
Short-term investments	**1,975,286,425**	–	–	**1,975,286,425**
Accounts receivable	**185,205,824**	**458,505,758**	–	**643,711,582**
Interest receivable	**86,809,859**	–	–	**86,809,859**
Refundable deposits	–	**458,721**	**4,967,207**	**5,425,928**
Restricted cash	–	**293,744,077**	**17,297,610**	**311,041,687**
Contract assets	–	**127,134,899**	**609,572,499**	**736,707,398**
	4,588,565,195	**879,843,455**	**631,837,316**	**6,100,245,966**
Financial Liabilities				
Financial liabilities at amortized cost:				
Loans payable**	–	**780,533,583**	**7,097,611,310**	**7,878,144,893**
Lease liabilities	–	**54,756,559**	**269,881,742**	**324,638,301**
Accounts payable and accrued expenses*	**741,221,940**	–	–	**741,221,940**
	741,221,940	**835,290,142**	**7,367,493,052**	**8,944,005,134**
Net financial assets (liabilities)	**₱3,847,343,255**	**₱44,553,313**	**(₱6,735,655,736)**	**(₱2,843,759,168)**

**Excluding statutory payables*
***Includes future interest payments*

	2022			
	On demand	1 year or less	More than 1 year	Total
Financial Assets				
Financial assets at FVTPL	₱7,540,090	₱–	₱–	₱7,540,090
Financial assets at amortized cost:				
Cash and cash equivalents	1,677,231,584	–	–	1,677,231,584
Short-term investments	–	946,044,355	–	946,044,355
Accounts receivable	26,063,483	401,797,633	–	427,861,116
Other receivables	3,526,249	–	–	3,526,249
Interest receivable	23,487,736	–	–	23,487,736
Refundable deposits	–	449,351	5,323,862	5,773,213
Restricted cash	–	2,063,387,986	31,451,424	2,094,839,410
Contract assets	–	21,949,016	274,409,474	296,358,490
	1,737,849,142	3,433,628,341	311,184,760	5,482,662,243
Financial Liabilities				
Financial liabilities at amortized cost:				
Loans payable**	–	1,171,962,383	2,483,851,603	3,655,813,986
Lease liabilities	–	34,737,976	653,754,365	688,492,341
Accounts payable and accrued expenses*	524,076,152	–	–	524,076,152
	524,076,152	1,206,700,359	3,137,605,968	4,868,382,479
Net financial assets (liabilities)	₱1,213,772,990	₱2,226,927,982	(₱2,826,421,208)	₱614,279,764

**Excluding statutory payables*
***Includes future interest payments*

b. *Market Risk*

Market risk is the risk of loss on future earnings, on fair values or on future cash flows that may result from changes in market prices. The value of a financial instrument may change as a result of changes in equity prices, foreign currency exchanges rates, interest rates and other market changes.

Foreign Exchange Risk

Foreign currency risk is the risk that the value of the Group's financial instruments denominated other than the Group's functional currency diminishes due to unfavorable changes in foreign exchange rates. The Group's transactional currency exposures arise from cash and cash equivalents, receivables and accounts payable and accrued expenses.

The Group's foreign currency-denominated financial instruments as of December 31, 2023 and 2022 follow:

	2023		2022	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Financial assets				
Cash and cash equivalents	**\$3,560,220**	**₱197,830,741**	\$2,316,003	₱129,974,085
Receivables	**1,031,907**	**57,339,972**	674,774	37,868,318
Restricted Cash	**312,069**	**17,297,610**	933,326	52,378,235
	4,904,196	**272,468,323**	3,924,103	220,220,638
Financial liabilities				
Accounts payable and accrued expenses	**1,298,471**	**72,152,130**	1,187,125	66,621,466
Net exposure	**\$3,605,725**	**₱200,316,193**	\$2,736,978	₱153,599,172

As of December 31, 2023, and 2022, the exchange rates used for conversion are ₱55.567 and ₱56.120 per \$1, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in US dollar exchange rates. With all other variables held constant, the effect on the Group's income before income tax is as follows:

	Increase (decrease) in foreign currency	Effect on income before income tax
2023	+1%	(₱2,003,593)
	-1%	₱2,003,593
2022	+11%	(23,332,043)
	-11%	23,332,043

There is no other impact on the Group's equity other than those already affecting income before income tax.

Interest Rate Risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's loans payable. Interest rate of loans payable is fixed for the first five (5) years or first seven (7) years and will be repriced thereafter.

The table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net income. The Group used the forecasted one-year Treasury bill rate in performing the analysis.

Loans payable

2023	
Increase/decrease in interest rate (in basis points)	**Impact on income before tax**
+3% to +161%	**(₱83,086,922)**
-3% to -161%	**83,086,922**

2022	
Increase/decrease in interest rate (in basis points)	Impact on income before tax
+3% to +161%	(₱83,086,922)
-3% to -161%	83,086,922

There is no other impact on the Group's equity other than those already affecting income before income tax.

c. *Credit Risk*

Credit risk is the possibility of loss for the Group if its receivable counterparties fail to discharge their contractual obligations. With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents, short-term investments, receivables, financial assets at FVTPL, contract assets, and restricted cash, the Group's exposure to credit risk could arise from default of the counterparty.

The Group trades only with recognized, creditworthy third parties. However, the Group's credit risk exposure is concentrated on a few counterparties as inherent in the oil exploration and production and renewable energy businesses. The Group has a well-defined credit policy and established credit procedures. In addition, receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The table below summarizes the Group's gross maximum credit risk exposure from its financial instruments and contract asset. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

	2023	2022
Financial assets:		
Cash in banks and cash equivalents	**₱2,334,304,367**	₱1,673,197,584
Short-term investments	**1,975,286,425**	946,044,355
Receivables	**730,521,441**	452,192,649
Financial assets at FVTPL	**6,958,720**	7,540,090
Refundable deposits	**5,425,928**	5,323,862
Restricted cash	**311,041,687**	2,094,839,410
Contract assets	**736,707,398**	296,358,490
	₱6,100,245,966	₱5,475,496,440

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs.

b. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative *adjustments* or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The table below shows the aging by class of asset for the Group's financial assets and contract asset as of December 31, 2023 and 2022:

	2023			
	Current (High grade)	**More than 90 days (Standard grade)**	**Credit impaired**	**Total**
Financial assets:				
Cash and cash equivalents*	**₱2,333,643,164**	**₱–**	**₱–**	**₱2,333,643,164**
Short-term investments	**1,975,286,425**	**–**	**–**	**1,975,286,425**
Accounts receivable	**643,711,582**	**–**	**2,682,453**	**646,394,035**
Interest receivable	**86,809,859**	**–**	**–**	**86,809,859**
Financial assets at FVTPL	**6,958,720**	**–**	**–**	**6,958,720**
Refundable deposits	**5,425,928**	**–**	**–**	**5,425,928**
Restricted cash	**311,041,687**	**–**	**–**	**311,041,687**
Contract assets	**736,707,398**	**–**	**–**	**736,707,398**
	₱6,099,584,763	**₱–**	**₱2,682,453**	**₱6,102,267,216**

**excluding cash on hand*

	2022			
	Current (High grade)	More than 90 days (Standard grade)	Credit impaired	Total
Financial assets:				
Cash and cash equivalents*	₱1,673,197,584	₱–	₱–	₱1,673,197,584
Short-term investments	946,044,355	–	–	946,044,355
Accounts receivable	425,178,664	–	2,682,452	427,861,116
Other receivables	3,526,249	–	–	3,526,249
Interest receivable	23,487,736	–	–	23,487,736
Financial assets at FVTPL	7,540,090	–	–	7,540,090
Refundable deposits	5,773,213	–	–	5,773,213
Restricted cash	2,094,839,410	–	–	2,094,839,410
Contract assets	296,358,490	–	–	296,358,490
	₱5,475,945,791	₱–	₱2,682,452	₱5,478,628,243

**excluding cash on hand*

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, credit risk exposure is minimal. Financial assets are classified as a standard grade if the counterparties settle their obligation with the Group with tolerable delays. Low grade accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms. The Group's cash in banks, cash equivalents, accounts receivable, interest receivable and restricted cash have high grade credit quality.

29. Segment Information

For management purposes, the Group is organized into business units based on their products and has four reportable segments as follows:

- The oil production segment is engaged in the oil and mineral exploration, development and production.
- The geothermal energy segment develops and operates geothermal steamfields and power plants.
- The solar energy segment carries out solar energy operations of the Group.
- The wind energy segment carries out wind energy operations of the Group starting May 2023.
- Other activities pertain to research and investment activities.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

	2023						
	Oil Production	**Geothermal Energy**	**Solar Energy**	**Wind Energy**	**Other Activities**	**Elimination**	**Consolidated**
Segment revenue	**₱623,038,856**	**₱1,089,837,044**	**₱876,818,506**	**₱422,778,791**	**₱–**	**₱–**	**₱3,012,473,197**
Net income (loss)	**93,076,080**	**342,024,283**	**484,870,455**	**63,875,010**	**225,038,305**	**(264,703,667)**	**944,180,467**
Other comprehensive income (loss)	**(2,008,368)**	**(6,919,295)**	**(1,423,214)**	**(1,869,381)**	**(9,383,652)**	**–**	**(21,603,910)**

(Forward)

	2023						
	Oil Production	**Geothermal Energy**	**Solar Energy**	**Wind Energy**	**Other Activities**	**Elimination**	**Consolidated**
Other information:							
Segment assets except deferred tax asset	**₱6,371,818,411**	**₱5,537,464,412**	**₱4,284,879,707**	**₱5,285,903,767**	**₱6,154,389,855**	**(₱5,770,515,677)**	**₱21,863,940,475**
Deferred tax assets - net	**9,452,461**	**2,468,251**	**3,279,470**	**3,148,957**	**–**	**(6,455,342)**	**18,349,138**
Segment liabilities except deferred tax liabilities	**₱2,980,159,350**	**₱1,891,903,163**	**₱1,264,319,686**	**₱2,919,060,209**	**₱256,793,629**	**(₱98,914,829)**	**₱9,213,321,208**
Deferred tax liabilities - net	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Provision for (benefit from) income tax	**₱952,244**	**₱26,239,667**	**₱20,025,876**	**₱10,747,021**	**₱933,485**	**₱–**	**₱58,898,292**

	2022					
	Oil Production	Geothermal Energy	Solar Energy	Other Activities	Elimination	Consolidated
Segment revenue	₱726,054,533	₱952,309,263	₱872,735,258	₱–	₱–	₱2,551,099,055
Net income (loss)	226,622,580	146,845,509	459,345,015	216,801,086	(186,537,152)	863,077,038
Other comprehensive income (loss)	6,865,326	2,179,169	437,411	947,907	–	10,429,813
Other information:						
Segment assets except deferred tax assets	₱3,745,736,291	₱5,687,240,312	₱4,132,932,701	₱6,143,372,796	(₱2,900,391,814)	₱16,808,890,286
Deferred tax assets – net	₱6,539,828	₱1,809,192	₱2,578,909	₱–	₱–	₱10,927,929
Segment liabilities except deferred tax liabilities	₱413,796,718	₱2,376,124,993	₱1,400,771,566	₱270,625,881	(₱18,823,341)	₱4,442,495,817
Deferred tax liabilities – net	₱–	₱–	₱–	₱–	₱–	₱–
Provision for (benefit from) income tax	₱2,997,940	₱15,707,772	₱19,431,127	₱456,037	₱–	₱38,592,876

	2021					
	Oil Production	Geothermal Energy	Solar Energy	Other Activities	Elimination	Consolidated
Segment revenue	₱461,246,131	₱1,075,517,911	₱886,190,108	₱–	₱–	₱2,422,954,150
Net income (loss)	29,010,846	281,723,739	435,683,914	321,013,201	(401,959,552)	665,472,148
Other comprehensive income (loss)	(4,038,649)	16,898,918	(21,687)	(2,040,185)	–	10,798,397
Other information:						
Segment assets except deferred tax assets	₱3,433,954,763	₱5,785,063,823	₱4,162,761,665	₱2,806,477,864	(₱2,985,525,106)	₱13,202,733,009
Deferred tax assets - net	₱8,776,720	₱2,000,319	₱1,683,228	₱–	₱–	₱12,460,267
Segment liabilities except deferred tax liabilities	₱309,304,397	₱2,623,164,309	₱1,625,737,275	₱349,078,108	(₱5,905,473)	₱4,901,378,616
Deferred tax liabilities - net	₱–	₱–	₱–	₱–	₱–	₱–
Provision for (benefit from) income tax	(₱4,871,122)	₱19,624,852	₱39,503,620	₱223,284	₱–	₱54,480,634

InterGroup investments, revenues and expenses are eliminated during consolidation.

30. Basic/Diluted Earnings Per Share

The computation of the Group's earnings per share follows:

	2023	2022	2021
Net income attributable to equity holders of the Parent Company	**₱515,651,585**	₱548,523,238	₱325,461,592
Weighted average number of shares	**568,711,842**	568,711,842	568,711,842
Basic/diluted earnings per share	**₱0.9067**	₱0.9645	₱0.5723

Basic earnings per share are calculated using the net income attributable to equity holders of the Parent Company divided by the weighted average number of shares.

PERC does not have potentially dilutive common stock.

31. **Non-controlling Interests**

As of December 31, 2023 and 2022, the investment of Kyuden in PGEC resulted to an increase in NCI as discussed below (see Note 21). As of December 31, 2023 and 2022, Kyuden owned 25% and 14.53% of PGEC, respectively, bringing down the ownership interest of PERC in PGEC from 90% to 76.92% in 2023 and 76.92% to 67.5% in 2023.

In 2023, the acquisition of EEIPC's ownership interests in PetroGreen, PetroWind and PetroSolar, as disclosed in Notes 1, 13 and 21, also resulted to changes in NCI as of December 31, 2023.

In 2023, PWEI issued shares in which NCI's subscription amounted to ₱204.41 million.

As of December 31, 2023 and 2022, the accumulated balances of and net income attributable to non-controlling interests are as follows:

	2023	2022
Accumulated balances of non-controlling interests:		
PetroGreen	**₱2,114,915,326**	₱1,600,211,911
MGI	**1,276,810,325**	1,159,523,579
PetroSolar	**–**	1,203,285,619
PetroWind	**1,445,044,466**	–
	₱4,836,770,117	₱3,963,021,109

	2023	2022
Net income attributable to non-controlling interests:		
PetroGreen	**₱182,805,800**	₱61,046,054
MGI	**119,708,499**	51,395,928
PetroSolar	**82,106,696**	202,111,799
PetroWind	**43,907,888**	–
	₱428,528,883	₱314,553,781

The summarized financial information of these subsidiaries is provided below based on amounts before intercompany eliminations.

MGI

	2023	2022
Statements of Financial Position		
Current assets	**₱904,646,125**	₱949,606,062
Noncurrent assets	**4,635,286,537**	4,739,443,442
Current liabilities	**698,948,441**	780,539,299
Noncurrent liabilities	**1,192,954,723**	1,595,585,695
Equity	**3,648,029,498**	3,312,924,510
Statements of Comprehensive Income		
Revenue	**1,089,837,044**	952,309,263
Net income	**342,024,283**	146,845,509
Total comprehensive income	**335,104,988**	149,024,678

(Forward)

	2023	2022
Statements of Cash Flows		
Net cash from (used in):		
Operating activities	**₱1,054,064,119**	₱590,771,702
Investing activities	**(257,963,413)**	(401,387,822)
Financing activities	**(517,906,789)**	(501,481,196)
Effect of foreign exchange rate	**(99,659)**	81,362
Net increase (decrease) in cash and cash equivalents	**278,094,258**	(312,015,954)

PetroSolar

	2023	2022
Statements of Financial Position		
Current assets	**₱711,606,379**	₱629,908,294
Noncurrent assets	**3,526,998,620**	3,505,603,317
Current liabilities	**325,307,047**	292,131,968
Noncurrent liabilities	**895,047,160**	1,108,639,614
Equity	**3,018,250,792**	2,734,740,029
Statements of Comprehensive Income		
Revenue	**876,818,506**	872,735,258
Net income	**485,031,755**	459,345,000
Total comprehensive income	**483,510,763**	459,782,411
Statements of Cash Flows		
Net cash from (used in):		
Operating activities	**712,945,970**	645,944,095
Investing activities	**(115,532,668)**	(80,352,055)
Financing activities	**(549,695,036)**	(607,631,619)
Effect of foreign exchange rate	**(11,992)**	147,404
Net increase (decrease) in cash and cash equivalents	**47,706,274**	(41,892,175)

PetroGreen

	2023	2022
Statements of Financial Position		
Current assets	**₱2,819,114,694**	₱3,371,584,178
Noncurrent assets	**3,317,766,501**	2,690,275,698
Current liabilities	**145,957,587**	103,032,041
Noncurrent liabilities	**100,265,643**	167,593,841
Equity	**5,890,657,965**	5,791,233,994
Statements of Comprehensive Income		
Revenue	**315,803,284**	218,146,744
Net income	**225,100,044**	135,288,165
Total comprehensive income	**215,716,392**	135,474,922

(Forward)

	2023	2022
Statements of Cash Flows		
Net cash from (used in):		
Operating activities	**₱651,659,440**	(₱783,302,848)
Investing activities	**(628,439,585)**	(136,137,258)
Financing activities	**(171,575,010)**	1,549,309,448
Effect of foreign exchange rate	**(280,058)**	961,426
Net increase (decrease) in cash and cash equivalents	**(148,635,213)**	632,630,768

PetroWind

	2023
Statements of Financial Position	
Current assets	₱983,911,205
Noncurrent assets	5,407,234,398
Current liabilities	510,143,239
Noncurrent liabilities	2,410,786,341
Equity	3,470,216,023
Statements of Comprehensive Income	
Revenue	727,606,935
Net income	236,616,463
Total comprehensive income	234,747,082
Statements of Cash Flows	
Net cash from (used in):	
Operating activities	808,141,808
Investing activities	(2,065,361,667)
Financing activities	1,531,343,124
Effect of foreign exchange rate	(4,605,155)
Net increase (decrease) in cash and cash equivalents	269,518,110

Dividends paid to non-controlling interests amounted to ₱25.00 million and ₱122.80 million in 2023 and 2022, respectively.

Increase in non-controlling interests from stock issuances
PetroGreen
In September 2022, PetroGreen, PetroEnergy and Kyuden Internation Corporation (Kyuden), a wholly-owned subsidiary of Japan's Kyushu Electric Power Co., Inc., executed the Subscription Agreement and Shareholders' Agreement. Pursuant to the said documents, PetroGreen will issue 712,251,720 shares in two tranches in favor of Kyuden equivalent to 25% ownership interest in PetroGreen upon completion of the conditions precedent for the transaction.

In October 2022, PetroGreen received from Kyuden the payment for the subscription amounting to ₱3.37 billion, which is maintained in an escrow fund with a bank to be release based on the terms of the escrow agreement.

On October 14, 2022, transaction for the "Initial Closing" was completed. The subscription amount of ₱1.72 billion was released from the escrow account and the 363,244,840 shares coming from unissued shares of PetroGreen was issued in favor of Kyuden representing 14.53% ownership interest in PetroGreen.

On November 18, 2022, another ₱21.81 million was released from the escrow account representing the required 25% payment of the 25% subscribed shares for the increase in PetroGreen's authorized capital stock as part of the "Pre-Approval Second Closing". On December 14, 2022, SEC approved the application for increase in authorized capital stock from 2,500,000,000 shares at ₱1.0 par value to 2,849,006,880 shares with same par value.

As of December 31, 2022, the "Second Closing" under the Subscription Agreement is not yet completed since the fulfilment of the Conditions Precedent and the payment/release of the ₱1.63 billion remaining escrow fund was completed only on January 10, 2023. Effectively, Kyuden has 14.53% equity ownership in PetroGreen as of December 31, 2022. This resulted in an increase in non-controlling interest as of December 31, 2022 (see Note 21).

The amount of ₱1.65 billion representing the subscription amount for the "Pre-approval Second Closing" and "Second Closing" transactions are presented as separate line item as Deposit for Stock Subscription under the 2022 Equity section.

On January 10, 2023, the date of "Second Closing", the remaining balance of the escrow account amounting to ₱1.63 billion was released and the stock certificate for the 349,006,880 subject shares was issued in favor of Kyuden. After the Second Closing on January 10, 2023, Kyuden already holds 25% ownership interest in PetroGreen.

In 2021, stockholders of PetroGreen subscribed to ₱83.00 million from its unissued stocks which increased the non-controlling interest by ₱8.30 million.

PetroSolar
On March 28, 2022, the BOD and Stockholders approved the increase in PetroSolar's authorized capital stock from ₱1,800,000,000 consisting of 18,000,000 shares at ₱100 par value per share, to ₱1,900,000,000 consisting of 19,000,000 shares at ₱100 par value per share. In compliance with Sec. 37 of the Revised Corporation Code, 25% or 250,000 shares of the authorized capital stock increase must be subscribed, and 25% or 62,500 shares of the subscribed capital stock must be paid up. Of the total subscribed capital stock amounting to ₱25,000,000, cash amounting to ₱6,250,000 equivalent to 62,500 shares was received by PetroSolar on April 6, 2022 as subscription payment for the proposed increase in authorized capital stock. PetroSolar filed its application for the approval of the proposed increase in authorized capital stock with the SEC on May 23, 2022. The said application was approved by the SEC on May 30, 2022. Upon approval, the 62,500 shares subscribed were treated as outstanding shares.

In 2023, the Group acquired the NCI in PetroSolar through PERC's acquisition of EEIPC's 44% ownership interest in PetroSolar. Details of the transaction are disclosed in Notes 1 and 21.

PetroWind
The business combination of PWEI in May 2023 resulted to NCI which represents the 40% ownership interest of BCPG in PetroWind. Details of the transaction are disclosed in Notes 1 and 13.

32. Consolidated Statements of Cash Flows

Changes in the Group's liabilities arising from financing activities follow:

<u>2023</u>

			Non-cash Changes					
	2022	Additional lease liabilities (Note 13)	Interest Accretion	Interest expense	Effect of business combination	Dividend declarations to NCI	Cash Flows	2023
Loans payable	**₱3,477,929,052**	**₱–**	**(₱47,824,685)**	**₱–**	**₱1,774,159,119**	**₱–**	**₱2,673,901,034***	**₱7,878,164,520**
Accrued interest payable	**9,731,596**	**–**	**–**	**408,735,771**	**–**	**–**	**(337,024,238)**	**81,443,129**
Lease liabilities	**328,794,340**	**3,861,155**	**–**	**30,197,662**	**–**	**–**	**(38,214,856)**	**324,638,301**
Dividends payable	**10,960,164**	**–**	**–**	**–**	**–**	**53,435,592**	**(30,469,026)**	**33,926,730**
	₱3,827,415,152	**₱3,861,155**	**(₱47,824,685)**	**₱438,933,433**	**₱1,774,159,119**	**₱53,435,592**	**₱2,268,192,914**	**₱8,318,172,680**

**availments - ₱3,946,036,089 and payments - 1,272,135,055*

<u>2022</u>

			Non-cash Changes				
	2021	Additional lease liabilities (Note 14)	Interest accretion	Interest expense	Dividend declarations to NCI	Cash flows	2022
Loans payable	₱4,062,525,196	₱–	₱10,324,645	₱–	₱–	(₱594,920,789)*	₱3,477,929,052
Accrued interest payable	41,463,079	–	–	259,673,768	–	(291,405,251)	9,731,596
Lease liabilities	332,828,866	3,011,994	–	30,443,530	–	(37,490,050)	328,794,340
Dividends payable	10,657,014	–	–	–	151,538,743	(151,235,593)	10,960,164
	₱4,447,474,155	₱3,011,994	₱10,324,645	₱290,117,298	₱151,538,743	(₱1,233,816,090)	₱3,827,415,152

**availments - ₱561,000,000 and payments - ₱1,155,920,789*

<u>2021</u>

			Non-cash Changes				
	2020	Additional lease liabilities (Note 13)	Interest accretion	Interest expense	Dividend declarations to NCI	Cash flows	2021
Loans payable	₱4,728,203,956	₱–	₱19,995,590	₱–	₱–	(₱685,674,350)	₱4,062,525,196
Accrued interest payable	46,686,129		–	282,563,240	–	(287,786,290)	41,463,079
Lease liabilities	335,451,103	3,861,186	–	30,816,714	–	(37,300,137)	332,828,866
Dividends payable	10,657,014		–		201,673,600	(201,673,600)	10,657,014
	₱5,120,998,202	₱3,861,186	₱19,995,590	₱313,379,954	₱201,673,600	(₱1,212,434,377)	₱4,447,474,155

33. Renewable Energy Act of 2008

On January 30, 2009, Republic Act No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, otherwise known as the "Renewable Energy Act of 2008" (the "Act"), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, Renewable Energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to the following incentives, among others:

i. Income Tax Holiday (ITH) - For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the National Government;
ii. Duty-free Importation of RE Machinery, Equipment and Materials - Within the first ten (10) years upon issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;
iii. Special Realty Tax Rates on Equipment and Machinery - Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of their original cost less accumulated normal depreciation or net book value;
iv. NOLCO - the NOLCO of the RE developer during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;
v. Corporate Tax Rate - After seven (7) years of ITH, all RE developers shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337;
vi. Accelerated Depreciation - If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;
vii. Zero Percent VAT Rate - The sale of fuel or power generated from renewable sources of energy, the purchase of local goods, properties and services needed for the development, construction and installation of the plant facilities, as well as the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent (0%) VAT;
viii. Cash Incentive of RE Developers for Missionary Electrification - An RE developer, established after the effectivity of the Act, shall be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas where it operates the same;
ix. Tax Exemption of Carbon Credits - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and
x. Tax Credit on Domestic Capital Equipment and Services - A tax credit equivalent to one hundred percent (100%) of the value of the VAT and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the Act.

RE developers and local manufacturers, fabricators and suppliers of locally-produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau (REMB). Upon registration, a certification shall be issued to each RE developer and local manufacturer, fabricator and supplier of locally-produced renewable energy equipment to serve as the basis of their entitlement to the incentives provided for in the Act. All certifications required to qualify RE developers to avail of the incentives provided for under the Act shall be issued by the DOE through the REMB.

34. **Electric Power Industry Reform Act (EPIRA)**

After emerging from the crippling power crisis that occurred in the early 1990s, the Philippine Government embarked on an industry privatization and restructuring program envisioned to ensure the adequate supply of electricity to energize its developing economy. This restructuring scheme is embodied in RA No. 9136, the EPIRA. Approved on June 8, 2001, the EPIRA seeks to ensure quality, reliable, secure and affordable electric power supply; encourage free and fair competition; enhance the inflow of private capital; and broaden the ownership base of power generation, transmission and distribution.

The Government viewed restructuring and reform as a long-term solution to the problems of the power sector. The huge investment requirement for new generation capacity and expansion of the necessary transmission and distribution network was estimated at an annual average of $1.0 billion. Given its own fiscal constraints, the Government recognized the need for greater private sector involvement in the power sector. Even though some private sector participation was successfully introduced earlier between the NPC and private investors, this time, the Government is envisioning addressing the power sector inefficiencies and the monopoly in the generation business. EPIRA mandated the overall restructuring of the Philippine electric power industry and called for the privatization of NPC. The restructuring of the electricity industry calls for the separation of the different components of the power sector, namely: generation, transmission, distribution, and supply. On the other hand, the privatization of the NPC involves the sale of the state-owned power firm's generation and transmission assets (e.g. power plants and transmission facilities) to private investors. These two reforms are aimed at encouraging greater competition and attracting more private-sector investments in the power industry.

A more competitive power industry will in turn result in lower power rates and a more efficient delivery of electricity supply to end-users.

Specifically, the EPIRA has the following objectives:

- Achieve transparency with the unbundling of the main components of electricity services, which will be reflected in the consumers' electricity rates;
- Opening up of the electricity market to competition at the wholesale (generation) level to improve efficiency in the operation of power plants and redound to lower electricity prices;
- Enhance further inflow of private capital and broaden ownership base in generation, transmission distribution, and supply of electric power;
- Establish a strong and independent regulatory body that will balance the interest of both the investors by promoting competition through creation of a level playing field and protect the electricity end-users from any market power abuses and anti-competitive behaviors; and
- Accelerate and ensure the total electrification of the country.

35. **Other Material Contracts and Agreements**

Foreign Petroleum Operations

Joint Operating Agreement - Gabon

The Joint Operating Agreement (JOA) establishes the respective rights and obligations of the members of the Consortium with regard to the operations under the EPSC, including the joint exploration, appraisal, development and production of hydrocarbon reserves from the contract area.

VAALCO has been appointed as the Operator of the field and shall continue to act as such until such time that all the JV Partners decide to appoint a new Operator from among them.

Crude Oil Sales and Purchase and Services Agreement (COSPA) with Exxon Mobil Sales and Supply LLC

On December 20, 2019, the JV Partners signed a COSPA with Exxon Mobil Sales and Supply LLC (Exxon), a company incorporated under the laws of the State of Delaware and having its registered office at 251 Little Falls Drive, Wilmington DE 19808. The agreement is effective from February 1, 2020 until January 31, 2021. On December 14, 2020, the first amendment to the COSPA was executed, amending and extending the term of the COSPA with Exxon effective February 1, 2021 until July 31, 2021.

This was further amended on July 2021, effective August 1 2021 to extend the term until January 31, 2022. In January 2022, this was further amended effective February 1, 2022 until July 31, 2022.

Crude Oil Sales and Marketing Agreement (COSMA) with Glencore Energy UK Ltd

On August 16, 2022, PetroEnergy signed a COSMA with Glencore Energy UK Ltd. The agreement is effective from August 16, 2022 to July 31, 2023. On July 17, 2023, this was further amended to extend the term until January 31, 2024.

Renewable Energy Projects
Revenues from sale of electricity using renewable energy is consummated and recognized over time whenever the electricity generated by the Group is transmitted through the transmission line designated by the buyer, for a consideration.

Set out below is the disaggregation of the Group's revenue from contracts with customers for the years ended December 31, which are presented as Electricity Sales and Other revenues in the statement of comprehensive income:

	2023	2022	2021
Revenue from electricity supply agreement	**₱1,213,242,513**	₱1,016,281,052	₱1,175,250,772
Revenue sales under Feed-in-Tariff (FIT)	**690,750,963**	679,650,696	724,475,443
Wheeling charges and trading and market fees	**62,662,074**	129,112,773	61,981,804
	₱1,966,655,550	₱1,825,044,521	₱1,961,708,019

Renewable Energy Payment Agreement (REPA)
Consequent to the issuance of FIT COC in its favor, PetroSolar entered into a REPA with the TransCo on April 6, 2016. Under the REPA, TransCo shall pay the FIT Rate of 8.69/kWh for all metered generation of PSC for a period of twenty (20) years from start of Commercial Operations.

FIT rate adjustment
On May 26, 2020, the ERC approved Resolution No. 6 series of 2020 approving the adjustment to FIT for the years 2016 to 2020 using 2014 as the base year for the consumer price index and foreign exchange. The resolution was published in a newspaper of general circulation on November 17, 2020 and became effective 15 days after.

Total retroactive FIT revenue adjustment recognized in 2020 by PetroSolar measured at present value amounted to ₱132.69 million which will be recovered from TransCo for a period of five (5) years starting 2022. In 2021, PetroSolar recognized additional ₱86.02 million FIT arrears covering the adjustment of the FIT rate for the current year. Interest earned amounted to ₱22.00 million, ₱6.86 million and ₱3.27 million in 2023, 2022 and 2021, respectively.

ESA for MGPP-1 and MGPP-2

On September 16, 2011 MGI executed an Electricity Supply Agreement (ESA-1) with Trans-Asia (now ACEN), wherein MGI agreed to sell to Trans-Asia (now ACEN) the entire generated output of MGPP-1 for a period of 20 years commencing from commercial operations on February 8, 2014. On April 26, 2016, MGI entered into another Electricity Supply Agreement (ESA-2) with Trans-Asia (then renamed as PHINMA Energy Corporation and now ACEN), wherein MGI agreed to sell to PHINMA (now ACEN) the entire generated output of the MGPP-2 for a period of 20 years from start of commercial operations on April 30, 2018.

On August 23, 2019, MGI and PHINMA (now ACEN) executed the Amendment to the Unit 1 ESA and Unit 2 ESA which, among others, extended the effectivity of both ESA-1 and ESA-2 until June 25, 2039.

MGI's Interconnection Agreement

MGI signed an Interconnection Agreement (ICA) with Manila Electric Company (MERALCO) for the physical interconnection of the generation and connection facilities of MGI’s 20 MW power plant to MERALCO’s distribution system. The power facility constructed in Brgy. San Rafael, Sto. Tomas, Batangas is currently connected to MERALCO’s existing 115 kV line in Calamba, Laguna.

On July 2014, MGI, Trans-Asia and MERALCO signed a Memorandum of Agreement which effectively waived the payment for MGPP-1’s wheeling charges amounting to around ₱4.30 million per month, beginning 2014 until December 26, 2019.

In a letter dated February 8, 2021, MERALCO informed MGI about its Wheeling Charges Rationalization Program for embedded generators (Program), giving the latter the opportunity to be billed reduced Distribution Wheeling Service (DWS) Charges corresponding to the supply of electricity to Contestable Customers (CCs) within the franchise area of MERALCO, subject to submission of documentary requirements.

On August 25, 2022 and November 17, 2022, MGI received billing adjustment letters from MERALCO to deduct the Bilateral Contract Quantities (BCQ) data that MGI supplied to CCs within the MERALCO franchise area. The adjustments resulted in differential amount of ₱14.05 million for billing periods March to June 2022. This was subsequently billed to MGI by ACEN to recover the amount of Meralco Distribution Wheeling Charges Refund.

Service cum Trade Agreement (Carbon Credits)

On September 7, 2021, MGI (the Party/Seller/Project Owner) entered into a Service cum Trade Agreement with Enking International Energy Services Limited (EKIESL) (the Service Provider/Buyer) in which the latter offered its services on Clean Development Mechanism (CDM) Verification, Issuance and Trading of MGI’s Carbon Credits.

For the first crediting period of January 1, 2014 to December 31, 2020, United Nations Framework Convention on Climate Change (UNFCCC)-issued net carbon credits totaled 622,068 tCO2e. EKIESL monetized said carbon credits bringing in a net revenue to MGI of US$192,328 (₱10,649,201) and remitted to MGI’s account on December 23, 2022.

WESM Transactions
On July 1, 2022, MGI entered into an agreement with ACEN to update the current billing and settlement protocols, practices, and procedures to ensure consistency and compliance with the Guidelines and Procedures for Implementation of BIR Ruling OT-323-2021 for WESM Transactions issued by the Independent Electricity Market Operator of the Philippines (IEMOP). This includes trading costs, market fees and pass-on taxes and charges to ACEN in accordance with the agreement. Revenue from sale derived from WESM transactions with other Market Participants amounted to ₱9.95 million in 2023 and ₱11.41 million in 2022.

Memorandum of Agreement between Maibarara Geothermal, Inc. and SMC SLEX, Inc
On March 31, 2023, MGI entered into an agreement with SMC SLEX Inc. wherein, among others, the Parties agree that SLEX Inc. will shoulder and advance the necessary works and expenses for the DPWH and for the relocation of MGI affected facilities needed to continuously operate the Maibarara Geothermal Power Plant. This includes payment for the value of the portions of MGI land affected by SLEX-TR4, cost of relocation of Transmission Lines and Stub Poles and Actual Generation Loss during temporary shutdown, cost of relocation and replacement of the Water Well, and any and all costs expenses to be incurred by MGI in relation to the aforementioned activities. In 2023, total expenses incurred in relation to these activities amounted to ₱16.47 million, while revenues derived from pass-on expenses and generation loss totaled ₱36.78 million.

Renewable Energy Payment Agreement (REPA)
Consequent to the issuance of FIT COC in its favor, PetroSolar entered into a REPA with the TransCo on April 6, 2016. Under the REPA, TransCo shall pay the FIT Rate of 8.69/kWh for all metered generation of PSC for a period of twenty (20) years from start of Commercial Operations.

Wind Energy Service Contract (WESC) No. 2017-09-118 – San Vicente, Palawan
On November 11, 2019, the DOE officially awarded to PetroGreen the San Vicente, Palawan WESC. The WESC, effective October 9, 2019, vests PetroGreen with the rights and responsibilities to harness wind energy and develop and operate the corresponding renewable energy facility in the area. The proposed project is situated in the municipality of San Vicente, Palawan, approximately 130 km north of Puerto Princesa.

Activities for the meteorological mast installation program for the San Vicente Wind Hybrid Power Project (SVWHPP) have been put on-hold due to COVID-19-related travel restrictions. Nonetheless, PGEC has secured on May 7, 2020 a Certificate of Non-Coverage (CNC) from the Department of Environment and Natural Resources (DENR) for the mast installation. PGEC also secured a Special Land Use Permit (SLUP) from the DENR on March 09, 2021 for the mast installation in San Vicente.

In December 2020, PGEC’s contractor has mobilized to San Vicente, Palawan to carry out the installation works for the 60-meter meteorological mast to be used for the wind measurement campaign of the SVWHPP. The said mast is expected to be commissioned and turned-over to PGEC in July 2021.

The two-year wind measurement campaign which began in July 2021 was completed by August 2023. In June 2023, PGEC submitted Distribution Impact Study (DIS) for the evaluation of Palawan Electric Cooperative (PALECO). While awaiting the commencement of PALECO’s Competitive Selection Process (CSP), PGEC continues to implement its work program commitments (i.e. shortlisting of potential WTG suppliers and negotiation, potential partners and financial studies).

Bugallon Solar Power Project (BSPP)
Solar Energy Operating Contract (SEOC) No. 2022-04-622
On May 5, 2022, PGEC was awarded a Solar Energy Operating Contract (SEOC) by the DOE for its Bugallon Solar Power Project (BSPP) in Brgy. Salomague Sur, Bugallon, Pangasinan.

The Distribution Impact Study (DIS) and Distribution Asset Study (DAS) for the BSPP has been completed and has been approved by the Central Pangasinan Electric Cooperative (CENPELCO). The Certificate of Non-Overlap (CNO) has been secured from the National Commission on Indigenous Peoples (NCIP) on July 13, 2022, confirming that the project site is outside any ancestral domain and is free from any tribal claims. The locational clearance has been secured on November 14, 2023.

The construction and operation of the BSPP will be undertaken by Bugallon Green Energy Corporation (BGEC) which was incorporated on October 14, 2023. BGEC is a 100% owned subsidiary of RGEC. The DOE has already approved the transfer of the SEOC to BGEC. The ECC has already been transferred under BGEC's name on November 28, 2023.

The issuance of the Municipal Resolution endorsing the land reclassification for the BSPP site is still being undertaken by an external legal counsel. Once this is secured, applications for project endorsement by the Pangasinan Sangguniang Panlalawigan (SP) and Zoning Clearance will be lodged accordingly.

On December 13, the DOE issued a Certificate of Award entitling BSPP to a Green Energy Tarriff of ₱4.4043/kWh for a period of twenty years.

Dagohoy Solar Power Project (DSPP)
Solar Energy Operating Contract (SEOC) No. 2022-06-629
On June 28, 2022, PGEC was awarded a SEOC by the DOE for its Dagohoy Solar Power Project (DSPP) located in Brgy. San Vicente, Dagohoy, Bohol.

Favorable endorsements for the land reclassification of the DSPP site were secured from the Dagohoy Sangguniang Bayan (SB) in October 2022 and from the Bohol SP in December 2022. Said resolutions are needed to secure the requisite Locational Clearance and Building Permit for the DSPP. On December 22, 2022, PGEC entered into a four-year offtake agreement with SN Aboitiz Power-Magat, Inc. counted from the start of commercial operations.

PGEC, through third-party consultants, achieved completion of the System Impact Study (SIS) on August 1, 2023 and Facility Study on September 26, 2023.

Moreover, on August 17, 2023, the Global Environment Center Foundation (GEC) of Japan announced that the DSPP has been selected to receive Joint Crediting Mechanism (JCM) subsidy.

For site development, contractor Media Construction and Development Corporation (MCDC) completed the land grading/levelling, installation of fences and construction of ditch canals. Meanwhile, solar farm contractor Global Electric and grid connection contractor Philcantech Enterprises will commence construction of the solar plant facilities by Q1 2024. The solar power plant is expected to be completed by Q4 2024.

San Jose Solar Power Project (SJSPP)
Solar Energy Operating Contract (SEOC) No. 2015-09-251-AFI
On July 19, 2023, the DOE approved the assignment of Solar Energy Service Contract No. 2015-09-251-AFI to PGEC from V-mars Solar Energy Corporation (V-MARS).

On July 27, 2023, PGEC purchased parcels of land located in the Municipalities of San Jose and Science City of Munoz, Nueva Ecija owned by V-MARS. The lots were registered with the Registry of Deeds for San Jose Nueva Ecija under the name of PGEC on September 21, 2023.

On October 14, 2023, the SEC approved the incorporation of San Jose Green Energy Corporation (SJGEC), RGEC's 100% subsidiary that will develop and operate the SJPP. The DOE approved the transfer of the SEOC to SJGEC.

Meanwhile, site clearing and development works have been substantially completed allowing solar farm contractor, Schema Konsult, Inc, and grid connection contractor Philcantech Enterprises, to commence works by Q1 2024.

At this point, PGEC is in the final stages of securing a power supply agreement with an offtaker.

Limbauan Solar Power Project (LSPP)
Solar Energy Operating Contract (SEOC) No. 2017-05-394

The LSPP is located in the province of Isabela and its SEOC is held by BKS Green Energy Corporation (BKS). The LSPP will be developed in two (2) phases: (a) 6 MW_{DC} Phase 1 (LSPP-1) and (b) the 35.3 MW_{DC} (LSPP-2).

On August 16, 2023, PGEC acquired 100% of the outstanding capital stock of BKS from its previous stockholders. The corresponding Certificate Authorizing Registration (CAR) was issued by the BIR in September 2023, approving the transfer of the BKS shares in its stock and transfer books under PGEC. The ownership of BKS will eventually be transferred to RGEC as RGEC's 100% subsidiary.

On November 10, 2020, BKS and Isabela Electric Cooperative II (ISELCO II) executed a Power Supply Agreement for LSPP-1 for the supply of power to the franchise area of ISELCO II with a term of 15 years at a rate of ₱5.40/kWh. The application for approval of the PSA is still pending with the ERC.

On December 1, 2023, BKS obtained a Clearance to Undertake System Impact Study from the DOE. This clearance, along with other documents, were submitted to NGCP in March 2024 for them to prepare System Impact Study for the project.

On December 13, 2023 the DOE issued a Certificate of Award entitling LSPP-2 to a Green Energy Tarriff of ₱4.4043/kWh for a period of twenty years.

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
PetroEnergy Resources Corporation
7th floor, JMT Building, ADB Avenue
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PetroEnergy Resources Corporation and its subsidiaries (the Group) as at and for the years ended December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 15, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
Tax Identification No. 102-082-670
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-063-2023, September 12, 2023, valid until September 11, 2026
PTR No. 10079908, January 5, 2024, Makati City

April 15, 2024

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON REVISED SRC RULE 68

DECEMBER 31, 2023

Philippine Securities and Exchange Commission (SEC) issued the revised Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by Revised SRC Rule 68 that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

The Group is not required to disclose the financial assets in equity securities as the total financial assets at fair value through profit or loss securities amounting to ₱6.96 million do not constitute 5% or more of the total current assets of the Group as at December 31, 2023.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

As of December 31, 2023, there are no amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties) that aggregates each to more than ₱100,000 or 1% of total assets whichever is less.

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

The following is the schedule of receivables from related parties, which are eliminated in the consolidated financial statements as at December 31, 2023:

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written off	Not Current	Balance at end of period
PetroGreen Energy Corporation	₱326,444	₱23,014,344	₱4,112,814	₱–	₱–	₱19,227,974
Maibarara Geothermal, Inc.	924,276	4,833,023	5,114,831	–	–	642,468
PetroSolar Corporation	239,807	2,203,637	2,068,248	–	–	375,196
PetroWind Energy Inc.	–	2,852,475	2,076,335	–	–	776,140
	₱1,490,527	₱32,903,479	₱13,372,229	₱–	₱–	₱21,021,778

Schedule D. Long-term Debt

Please refer to the Consolidated Audited Financial Statement, Note 18 for details of the loans.

Schedule E. Indebtedness to Related Parties

The Group has no outstanding long-term indebtedness to related parties as of December 31, 2023.

Schedule F. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of December 31, 2023.

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of Shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	700,000,000	568,711,842	-	165,468,725	6,064,534	397,178,583

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
PetroEnergy Resources Corporation
7th floor, JMT Building, ADB Avenue
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PetroEnergy Resources Corporation and its subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 15, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
Tax Identification No. 102-082-670
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-063-2023, September 12, 2023, valid until September 11, 2026
PTR No. 10079908, January 5, 2024, Makati City

April 15, 2024

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS OF DECEMBER 31, 2023 and 2022

Financial Soundness Indicators
Below are the financial ratios that are relevant to the Group for the year ended December 31, 2023 and 2022:

Financial ratios		**2023**	2022
Current ratio	Total current assets / Total current liabilities	**1.25:1**	3:50:1
Acid test ratio	Total current assets – inventories – other current assets / Total current liabilities	**1.20:1**	3.38:1
Solvency ratio	After tax net profit + depreciation / Long-term + short-term liabilities	**0.18:1**	0.32:1
Debt-to-Equity Ratio	Total liabilities / Total stockholder's equity	**0.73:1**	0.36:1
Asset-to-Equity Ratio	Total assets / Total stockholder's equity	**1.73:1**	1.36:1
Interest rate coverage ratios	Earnings before interest and taxes (EBIT) / Interest expense*	**3.45:1**	4.05:1
Return on equity	Net income / Average shareholder's equity	**7.54%**	8.34%
Return on assets	Net income / Average assets	**4.88%**	5.75%
Return on revenue	Net income / Total revenue	**31.34%**	33.83%
Earnings per share	Net income / Weighted average no. of shares	**₱0.9067**	₱0.9645
Price Earnings Ratio	Closing price / Earnings per share	**₱5.46**	₱4.98

(Forward)

Long term debt-to-equity ratio	Long term debt	**0.37:1**	0.24:1

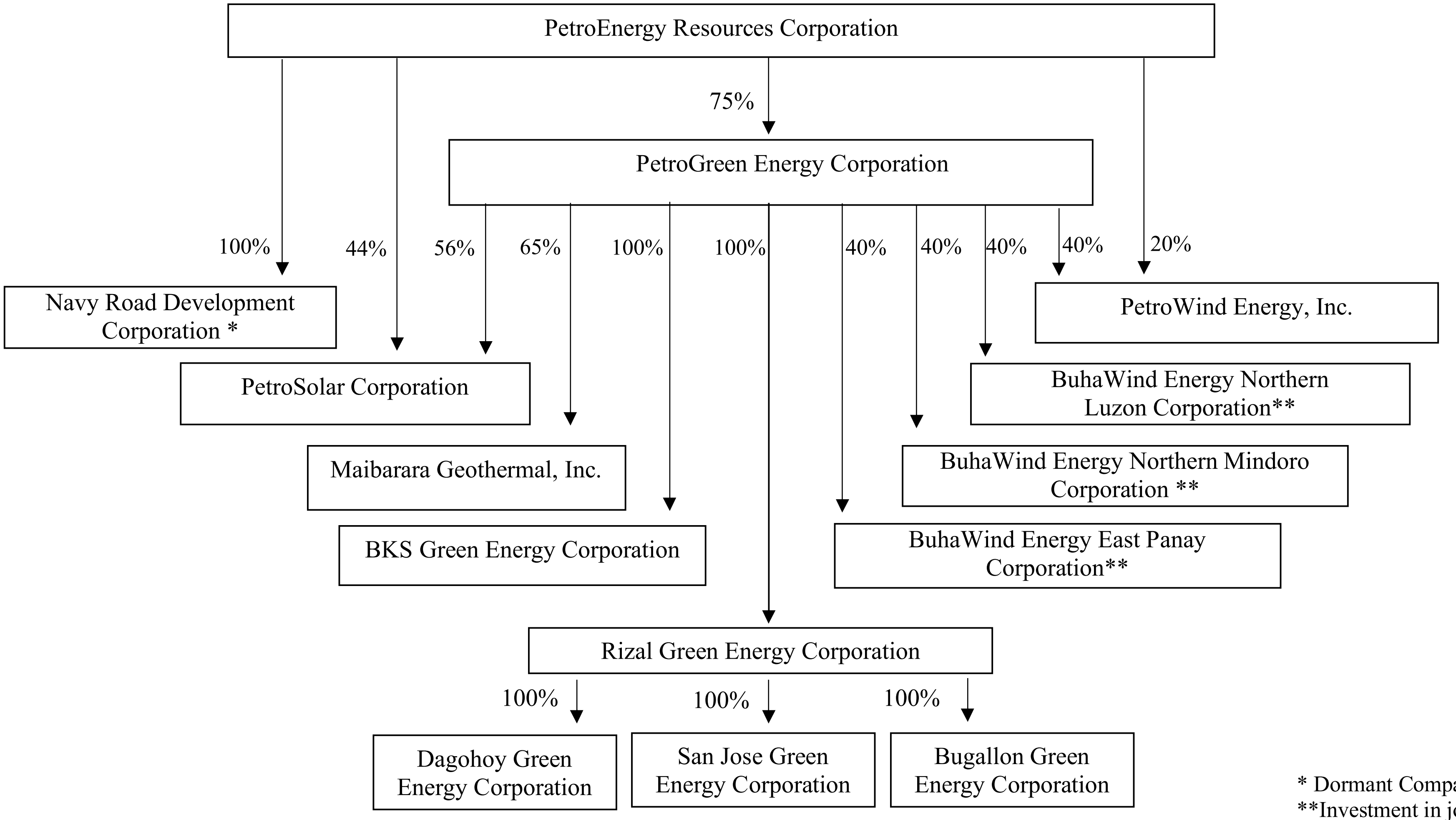
	Equity		
EBITDA to total interest paid	EBITDA** / Total interest paid	**5.93**	4.94

**Interest expense is capitalized as part of the construction-in-progress account under PPE.*
***Earnings before interest, taxes, depreciation and amortization (EBITDA)*

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

Group Structure
Below is a map showing the relationship between and among the Group and its subsidiaries as of December 31, 2023:

PETROENERGY RESOURCES CORPORATION
GROUP STRUCTURE



* Dormant Company
**Investment in joint venture.

PETROENERGY RESOURCES CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

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III	Group Structure

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION*
DECEMBER 31, 2023

Unappropriated Retained Earnings (Deficit), beginning of the reporting period (see Footnote 2)		₱231,069,066
Add: <u>Category A</u>: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings appropriation		–
Effect of reinstatements or prior-period adjustments		–
Others		–
Less: <u>Category B</u>: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	28,435,592	
Retained Earnings appropriated during the reporting period	–	
Effect of reinstatements or prior-period adjustments	–	
Others	–	28,435,592
Unappropriated Retained Earnings (Deficit), as adjusted		202,633,474
Add/Less: Net income (loss) for the current year		93,076,081
Less: <u>Category C.1</u> Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate / joint venture, net of dividends declared	121,514,623	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPTL)	–	
Unrealized fair value gain of Investment Property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Subtotal		121,514,623
Add: <u>Category C.2</u> Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents	8,078,297	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPTL)	–	
Realized fair value gain of Investment Property	–	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal		8,078,297

Forward

Add: Category C.3 Unrealized income recognized in the profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPTL)	–	
Reversal of previously recorded fair value gain of Investment Property	–	
Reversal of other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal		
Adjusted Net Income / Loss		182,273229
Add: Category D: Non actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	–	–
Subtotal		
Add/Less: Category E: Adjustments related to the relief granted by SEC and BSP (see Footnote 3)		
Amortization of the effect of reporting relief	–	
Total amount of reporting relief granted during the year	–	
Others	–	–
Subtotal		
Add/Less: Category F: Other items that should be excluded from the determination of theamount available for dividends distribution		
Net movement of the treasury shares (except for reacquisition of redeemable shares)	–	
Net movement of the deferred tax asset not considered in reconciling items under previous categories	(155,730)	
Net movement of the deferred tax asset and deferred tax liabilities related to same transaction, e.g, set-up of right of use asset and lease liability, set-up of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	–	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	–	
Others	530,445	
Subtotal		374,715
Total Retained Earnings, end of the reporting period available for dividend		**₱182,647,944**

**Based on December 31, 2023 Parent Company audited financial statements.*

FOOTNOTES:

(1) The amount of retained earnings of the company should be based on its separate ("stand alone") audited financial statements.

(2) Unappropriated Retained Earnings, beginning of the reporting period refers to the ending balance as reported in the "Reconciliation of Retained Earnings Available for Dividend Declaration" of the immediately preceding period.

(3) Adjustments related to the relief provided by SEC and BSP pertain to accounting relief (e.g losses that are reported on a staggered basis) granted by regulators. However, these are actual losses sustained by the company and must be adjusted in the reconciliation to reflect the actual distributable amount.

(4) This Reconciliation of Retained Earnings Available for Dividend Declaration is pursuant to Sec.42 of the Revised Corporate Code, which prohibits stock corporations to retain surplus profits in excess of one hundred (100%) percent of their paid-in capital and their power to declare dividends. However, this Reconciliation of Retained Earnings should not be used by the REIT Act and its Implementing Rules and Regulations.