

## Ed Marie N. Lucion

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**From:** Maritess D. Reyes  
**Sent:** August 14, 2023 10:25 pm  
**To:** Emerson T. Azul; Ed Marie N. Lucion  
**Subject:** FW: CGFD\_PetroEnergy Resources Corporation\_SEC Form 17-Q\_2nd Qtr 2023\_14August2023

-----Original Message-----

From: PetroEnergy Corporate Affairs <corpaffairs@petroenergy.com.ph>  
Sent: August 14, 2023 10:23 PM  
To: Maritess D. Reyes <mdoreyes@petroenergy.com.ph>; Arlan P. Profeta <aprofeta@petroenergy.com.ph>; Shirley E. Belarmino <sebelarmino@petroenergy.com.ph>; Louie Mark R. Limcolioc <lrlimcolioc@petroenergy.com.ph>  
Subject: FW: CGFD\_PetroEnergy Resources Corporation\_SEC Form 17-Q\_2nd Qtr 2023\_14August2023

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To: PetroEnergy Corporate Affairs  
Subject: Re: CGFD\_PetroEnergy Resources Corporation\_SEC Form 17-Q\_2nd Qtr 2023\_14August2023

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4. FCFS 10. OPC\_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

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**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

QUARTERLY REPORT PURSUANT TO SECTION 11  
OF THE SECURITIES REGULATION CODE (SRC)  
AND SRC RULE 17(a)-1(b) (2) THEREUNDER

1. 30 June 2023  
For the quarterly period ended
2. SEC Identification Number ASO94-08880      3. BIR Tax Identification No. 004-471-419-000
4. PetroEnergy Resources Corporation  
Exact name of registrant as specified in its charter
5. Manila, Philippines      6. (SEC Use Only)   
Province, country or other jurisdiction      Industry Classification Code:  
of incorporation
7. 7<sup>th</sup> Floor JMT Condominium, ADB Avenue, Pasig City      1605  
Address of principal office      Postal Code
8. (632) 8637-2917  
Registrant's telephone number, including area code
9. Not Applicable  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of the RSA  

Title of Each Class	Number of Shares of Common Stock Outstanding
Common (par value of P1.00/share)	568,711,842

Amount of Debt Outstanding = ₱4,875,940,732
11. Are any or all of the securities listed on the Philippine Stock Exchange?  
All issued and outstanding common shares are listed in the Philippine Stock Exchange.
12. Indicate by check mark whether the registrant:
  - a. has filed all reports required to be filed by Section 11 of the Securities Regulation Code(SRC) and SRC Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)  

Yes [ / ]
  - b. has been subject to such filing requirements for the past 90 days  

Yes [ / ]

## TABLE OF CONTENTS

	Page no.
<b>PART I FINANCIAL INFORMATION</b>	
<b>Item 1. Financial Statements</b>	
1. Consolidated Statements of Financial Position As of June 30, 2023, June 30, 2022 and December 31, 2022	4
2. Consolidated Statements of Income For the quarter ended June 30, 2023, June 30, 2022	5
3. Consolidated Statements of Comprehensive Income For the quarter ended June 30, 2023, June 30, 2022	6
4. Consolidated Statement of Changes in Equity As of June 30, 2023, June 30, 2022 and December 31, 2022	7
5. Consolidated Statement of Cash flows As of June 30, 2023, June 30, 2022 and December 31, 2022	8
6. Notes to Unaudited Financial Statements	9 - 60
<b>Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations</b>	
1. Financial Position – June 30, 2023 and December 31, 2022	61 - 63
2. Results of Operations – For the quarter ended June 30, 2023, June 30, 2022	64 - 66
3. Financial Position – June 30, 2023, June 30, 2022	67 - 70
4. Key performance indicators	71
5. Discussion of Indicators of the Company’s Level of Performance	72
6. Disclosure in view of the current global financial crisis	73
7. Operations review and business outlook	73 - 77
<b>PART II OTHER INFORMATION</b>	77
<b>OTHER SUPPLEMENTARY SCHEDULES</b>	
Supplementary Information and disclosures required on SRC Rule 68	78-79
Schedule of Financial Soundness Indicators	80
Map of relationships of companies within the group	81
Reconciliation of Retained Earnings Available for Dividend Declaration	82
<b>SIGNATURES</b>	83

**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Amounts in Philippine Peso)**

	Unaudited 30-Jun-23	Unaudited 30-Jun-22	Audited 31-Dec-22
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 6)	₱2,098,616,052	₱1,299,311,706	₱1,677,231,584
Short term investments (Note 6)	1,975,286,425	-	946,044,355
Restricted cash (Note 7)	141,225,736	415,597,752	2,063,387,986
Receivables (Note 8)	483,623,244	533,570,885	452,192,649
Financial assets at fair value through profit and loss (FVTPL) (Note 9)	7,440,678	6,975,308	7,540,090
Contract Assets - current portion	11,089,550	6,576,615	21,949,016
Crude oil inventory	41,670,757	13,525,400	14,437,192
Other current assets (Note 10)	200,945,739	283,377,094	165,279,803
<b>Total Current Assets</b>	<b>4,959,898,181</b>	<b>2,558,934,760</b>	<b>5,348,062,675</b>
<b>Noncurrent Assets</b>			
Property and equipment-net (Notes 5 and 11)	8,123,164,322	7,969,197,649	8,196,897,057
Deferred oil exploration costs (Note 12)	362,980,088	224,098,952	311,883,011
Contract assets - net of current portion	311,407,372	256,130,345	274,409,474
Investment in joint venture (Notes 3 and 13)	2,762,491,085	1,784,990,477	1,877,522,983
Right-of-use assets (Note 14)	334,685,133	351,417,875	342,614,655
Deferred tax assets-net	11,245,967	12,811,186	10,927,929
Investment properties-net (Note 15)	1,611,533	1,611,533	1,611,533
Other noncurrent assets (Note 16)	960,759,101	388,577,163	455,882,782
<b>Total Noncurrent Assets</b>	<b>12,868,344,601</b>	<b>10,988,835,180</b>	<b>11,471,749,424</b>
<b>TOTAL ASSETS</b>	<b>17,828,242,782</b>	<b>13,547,769,940</b>	<b>16,819,812,099</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses (Note 17)	451,647,913	494,054,071	551,463,206
Loans payable - current (Note 18)	1,791,893,616	855,879,080	947,144,643
Lease liabilities - current (Note 14)	36,181,103	8,006,728	22,734,502
Income tax payable	14,354,021	7,820,053	5,995,154
<b>Total Current Liabilities</b>	<b>2,294,076,653</b>	<b>1,365,759,932</b>	<b>1,527,337,505</b>
<b>Noncurrent Liabilities</b>			
Loans payable - net of current portion (Note 18)	2,218,137,944	2,926,517,757	2,530,784,409
Lease liabilities - net of current portion (Note 14)	284,868,594	314,165,808	306,059,838
Asset retirement obligation (Note 19)	69,309,055	97,634,552	66,230,330
Other noncurrent liability	9,548,486	21,051,722	12,077,639
<b>Total Noncurrent Liabilities</b>	<b>2,581,864,079</b>	<b>3,359,369,839</b>	<b>2,915,152,216</b>
<b>Total Liabilities</b>	<b>4,875,940,732</b>	<b>4,725,129,771</b>	<b>4,442,489,721</b>
<b>Equity</b>			
Attributable to equity holders of the Parent Company			
Capital stock (Note 20)	568,711,842	568,711,842	568,711,842
Additional paid-in capital (Note 20)	2,156,679,049	2,156,679,049	2,156,679,049
Retained earnings	3,460,183,417	3,017,712,335	3,182,613,298
Equity reserve	1,177,074,157	80,049,238	736,716,986
Remeasurement loss on defined benefit obligation	4,104,237	(4,453,613)	4,104,237
Share in other comprehensive income of Joint Venture	(78,814)	(617,375)	(78,815)
Cumulative translation adjustment	114,499,681	114,499,681	114,499,681
	7,481,173,569	5,932,581,157	6,763,246,278
Noncontrolling interest	5,471,128,481	2,890,059,012	3,963,021,100
Deposit for future stock subscription	-	-	1,651,055,000
<b>Total Equity</b>	<b>12,952,302,050</b>	<b>8,822,640,169</b>	<b>12,377,322,378</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱17,828,242,782</b>	<b>₱13,547,769,940</b>	<b>₱16,819,812,099</b>

**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Philippine Peso)

	Unaudited			
	30-Jun-23		30-Jun-22	
	For the 2nd Quarter	To date	For the 2nd Quarter	To date
<b>REVENUES</b>				
Electricity sales (Note 4)	P482,494,711	P984,127,935	P439,633,595	P864,659,995
Oil revenues (Note 4)	184,855,915	275,612,626	253,350,159	405,966,627
Other revenues	21,584,142	36,770,020	9,879,387	24,387,971
	<b>688,934,768</b>	<b>1,296,510,581</b>	702,863,141	1,295,014,593
<b>COST OF SALES</b>				
Cost of sales - Electricity (Notes 4, 8 and 21)	198,216,659	387,019,249	193,245,565	379,418,145
Cost of sales - Oil Production (Note 4)	113,144,080	216,139,634	110,405,796	197,348,453
Change in crude oil inventory (Note 4)	33,478,973	(28,145,357)	33,709,613	(908,724)
Cost of sales - Others	21,295,429	36,207,512	9,819,945	24,149,725
	<b>366,135,141</b>	<b>611,221,038</b>	347,180,919	600,007,599
<b>GROSS INCOME</b>	<b>322,799,627</b>	<b>685,289,543</b>	355,682,222	695,006,994
<b>GENERAL AND ADMINISTRATIVE EXPENSES (Note 4)</b>	<b>55,926,376</b>	<b>98,137,484</b>	48,593,890	86,396,662
<b>OTHER INCOME (CHARGES)</b>				
Interest expense (Notes 14 and 18)	(73,762,003)	(142,126,224)	(72,073,928)	(148,880,353)
Share in net income of Joint Venture (Notes 4 and 13)	(6,082,136)	46,812,185	220,810	50,043,130
Interest income (Notes 4, 6, 7 and 8)	51,434,085	101,623,147	6,505,256	9,275,750
Net unrealized foreign exchange gain (loss)	2,032,280	(1,316,389)	9,220,573	9,845,061
Accretion expense (Note 19)	(1,829,888)	(3,629,045)	(872,410)	(1,729,190)
Net unrealized gain (loss) on fair value changes on financial assets at FVTPL (Notes 4 and 9)	294,932	(99,412)	(1,061,467)	(611,920)
Miscellaneous income (charges) (Note 4)	28,611,498	32,353,438	2,148,711	4,794,353
	<b>698,768</b>	<b>33,617,700</b>	(55,912,455)	(77,263,169)
<b>INCOME BEFORE INCOME TAX</b>	<b>267,572,019</b>	<b>620,769,759</b>	251,175,877	531,347,163
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)</b>	<b>15,969,150</b>	<b>29,497,669</b>	(2,194,433)	25,504,396
<b>NET INCOME</b>	<b>251,602,869</b>	<b>591,272,090</b>	253,370,310	505,842,767
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity Holders of the Parent Company	104,958,678	277,570,118	178,229,283	355,186,683
Noncontrolling interest	146,644,191	313,701,972	75,141,027	150,656,084
<b>NET INCOME</b>	<b>P251,602,869</b>	<b>P591,272,090</b>	<b>P253,370,310</b>	<b>P505,842,767</b>
<b>EARNINGS PER SHARE FOR NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY- BASIC AND DILUTED</b>	<b>0.1846</b>	<b>0.4881</b>	<b>0.3134</b>	<b>0.6245</b>

**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Philippine Peso)

	<b>30-Jun-2023</b>		<b>Unaudited 30-Jun-2022</b>	
	<b>For the 2nd Quarter</b>	<b>To date</b>	<b>For the 2nd Quarter</b>	<b>To date</b>
<b>NET INCOME</b>	<b>₱251,602,869</b>	<b>₱591,272,090</b>	₱253,370,310	₱505,842,767
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Remeasurement gains on net accrued retirement liability - net	-	-	232,742	232,742
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	-	-	232,742	232,742
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱251,602,869</b>	<b>₱591,272,090</b>	<b>₱253,603,052</b>	<b>₱506,075,509</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Equity Holders of the Parent Company	<b>104,958,678</b>	<b>277,570,118</b>	178,346,584	355,303,984
Noncontrolling interest	<b>146,644,191</b>	<b>313,701,972</b>	75,256,468	150,771,525
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱251,602,869</b>	<b>₱591,272,090</b>	<b>₱253,603,052</b>	<b>₱506,075,509</b>

**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Philippine Peso)

	Unaudited	Unaudited	Audited
	30-Jun-23	30-Jun-22	31-Dec-22
<b>CAPITAL STOCK</b>			
Authorized capital	700,000,000		
Issued and outstanding			
Balance beginning of year	568,711,842	568,711,842	568,711,842
Issuance during the period	-	-	-
Total issued and outstanding	568,711,842	568,711,842	568,711,842
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance beginning of year	2,156,679,049	2,156,679,049	2,156,679,049
Additions during the period	-	-	-
	2,156,679,049	2,156,679,049	2,156,679,049
<b>UNAPPROPRIATED RETAINED EARNINGS</b>			
Balance at beginning of year	3,182,613,298	2,662,525,652	2,662,525,652
Dividend declaration	-	-	(28,435,592)
Net Income	277,570,119	355,186,683	548,523,238
	3,460,183,417	3,017,712,335	3,182,613,298
<b>REMEASUREMENT OF NET ACCRUED RETIREMENT LIABILITY</b>			
Balance at beginning of year	4,104,237	(4,570,914)	(4,570,914)
Remeasurement gain (loss) on accrued retirement liability	-	117,301	8,675,151
	4,104,237	(4,453,613)	4,104,237
<b>SHARE IN OCI OF JOINT VENTURE</b>			
Balance at beginning of year	(78,815)	(617,375)	(617,375)
Share in other comprehensive income of Joint Venture	-	-	538,560
	(78,814)	(617,375)	(78,815)
<b>CUMULATIVE TRANSLATION ADJUSTMENT</b>			
Balance at beginning of year	114,499,681	114,499,681	114,499,681
Movement of cumulative translation adjustment	-	-	-
	114,499,681	114,499,681	114,499,681
<b>PARENT'S OTHER EQUITY RESERVES</b>			
Balance at beginning of year	1,177,074,157	80,049,238	80,049,238
Change in ownership without loss of control	-	-	656,667,748
	1,177,074,157	80,049,238	736,716,986
<b>TOTAL EQUITY ATTRIBUTED TO EQUITY HOLDERS OF PARENT</b>	<b>7,481,173,569</b>	<b>5,932,581,157</b>	<b>6,763,246,278</b>
<b>NONCONTROLLING INTEREST</b>			
Balance at beginning of year	3,963,021,100	2,736,537,487	2,736,537,487
Net income	313,701,972	150,656,084	314,553,781
Increase in non-controlling interests - stock issuances	1,634,762,579	2,750,000	1,690,181,478
Change in ownership without loss of control	(440,357,170)	-	(656,667,748)
Remeasurement loss on defined benefit obligation	-	115,441	993,510
Share in other comprehensive income of Joint Venture	-	-	222,592
Cash dividends	-	-	(122,800,000)
	5,471,128,481	2,890,059,012	3,963,021,100
<b>DEPOSIT FOR FUTURE STOCK SUBSCRIPTION</b>			
Balance at beginning of the year	1,651,055,000	-	-
Deposit for stock subscription	-	-	1,651,055,000
Conversion of Deposit to Capital Stock and APC	(1,651,055,000)	-	-
	-	-	1,651,055,000
<b>TOTAL EQUITY</b>	<b>12,952,302,050</b>	<b>8,822,640,169</b>	<b>12,377,322,378</b>

**PETROENERGY RESOURCES CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASHFLOWS**  
(Amounts in Philippine Peso)

	Unaudited 30-Jun-2023		Unaudited 30-Jun-2022		Audited
	For the 2nd Quarter	To date	For the 2nd Quarter	To date	31-Dec-22
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Income before income tax	267,572,019	620,769,759	251,175,877	531,347,163	901,669,911
Adjustments for:					
Interest expense	73,762,003	142,126,224	72,073,928	148,880,353	292,324,806
Depletion, depreciation and amortization	148,195,194	295,771,265	147,352,014	284,945,774	551,078,397
Impairment loss (reversal)	-	-	-	-	(11,299,369)
Share in net income (loss) of joint venture	6,082,136	(46,812,185)	(220,810)	(50,043,130)	(81,512,921)
Net unrealized foreign exchange loss (gain)	(2,032,280)	1,316,389	(9,220,573)	(9,845,061)	(2,663,406)
Provision for probable losses	-	-	-	-	6,105,757
Accretion expense	1,829,888	3,629,045	872,410	1,729,190	3,622,334
Dividend income	(12,577)	(24,877)	(78,900)	(78,900)	(79,047)
Gain on sale of property, plant and equipment	-	-	(242,275)	(244,954)	(337,611)
Gain on change in estimate of ARO	-	-	-	-	(1,232,259)
Net loss (gain) on fair value changes on financial assets at fair value through profit or loss	(294,932)	99,412	1,061,467	611,920	47,138
Interest income	(51,434,085)	(101,623,147)	(6,505,256)	(9,275,750)	(51,154,475)
Movement in accrued retirement liability	-	-	232,742	232,742	(4,343,624)
Operating income before working capital changes	443,667,366	915,251,885	456,500,624	898,259,347	1,602,225,631
Decrease (increase) in:					
Receivables	(62,759,886)	(100,026,570)	(60,896,057)	(140,541,743)	(37,465,978)
Contract Assets	-	-	-	-	(74,120,369)
Input VAT	869,187	(2,021,065)	107,494,684	104,993,072	(2,507,220)
Other current assets	1,071,144,545	(486,927,537)	341,092,579	51,103,590	(747,059,803)
Increase in Accounts payable and accrued expenses	(25,743,626)	(64,897,931)	20,390,902	101,461,792	153,102,244
Cash generated from (used in) operations	1,427,177,586	261,378,782	864,582,732	1,015,276,058	894,174,505
Interest received	38,702,124	68,595,975	6,419,494	8,910,061	28,340,045
Income taxes paid, including movement in CWT	(20,834,957)	(21,456,840)	(27,867,849)	(37,460,018)	(51,390,749)
Net cash provided by (used in) operating activities	1,445,044,753	308,517,917	843,134,377	986,726,101	871,123,801
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisitions of property, plant and equipment	(103,827,463)	(203,793,801)	(68,251,421)	(97,358,762)	(659,351,144)
Deferred oil exploration costs	(7,028,970)	(51,097,077)	-	-	(208,597,575)
Acquisitions of intangibles	-	-	-	-	(8,704,649)
Advances to contractors	-	-	-	-	(45,777,526)
(Increase)/decrease in Other noncurrent assets	(1,325,217,148)	(1,396,253,796)	(290,917,973)	(320,138,236)	(61,405,058)
(Increase)/decrease in deferred oil exploration costs	-	-	(7,381,602)	(108,292,028)	-
(Increase)/decrease in deferred development costs	(176,079,906)	(221,624,171)	-	-	(74,301,563)
Proceeds from:					
disposals of property, plant and equipment	-	-	654,046	654,046	1,110,936
Dividends received	7,942,099	7,954,399	78,900	78,900	79,047
Net cash used in investing activities	(1,604,211,388)	(1,864,814,446)	(365,818,050)	(525,056,080)	(1,056,947,532)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from:					
Availments of loans	997,307,314	1,127,187,314	78,500,000	78,500,000	561,000,000
Issuance of stocks to NCI	-	1,634,762,579	2,750,000	2,750,000	1,693,681,477
Payments of:					
Loans	(311,796,104)	(597,196,104)	(373,784,491)	(373,784,491)	(1,155,920,789)
Interest	(66,844,256)	(134,778,547)	(117,264,042)	(137,328,119)	(291,405,251)
Dividends to Non-Controlling Interest	-	-	-	-	(122,800,000)
Lease liabilities	(25,796,070)	(26,707,140)	(911,070)	(1,822,140)	(37,490,050)
Dividends by the Parent Company	-	-	-	-	(28,435,593)
Increase in other noncurrent liabilities	(24,885,000)	(23,720,397)	8,779,976	14,975,673	-
Net cash provided by financing activities	567,985,884	1,979,547,705	(401,929,627)	(416,709,077)	618,629,794
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	2,741,069	(1,866,709)	10,528,085	12,588,661	2,663,420
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	411,560,318	421,384,468	85,914,785	57,549,605	435,469,483
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	1,687,055,733	1,677,231,584	1,213,396,921	1,241,762,101	1,241,762,101
<b>CASH AND CASH EQUIVALENTS, END</b>	2,098,616,052	2,098,616,052	1,299,311,706	1,299,311,706	1,677,231,584

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**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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 67.5%-owned subsidiary (76.92%-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”, 56%-owned) - owner and RE developer of the 50 MW<sub>DC</sub> Tarlac Solar Power Project (TSPP-1) in Tarlac City and its 20 MW<sub>DC</sub> expansion (TSPP-2); and (c) PetroWind Energy, Inc. (“PetroWind”, 40%-owned joint venture) - owner and developer of the 36 MW Nabas Wind Power Project (NWPP-1) in Nabas and Malay, Aklan.

MGI and PetroSolar are effectively indirect subsidiaries of PetroEnergy through PetroGreen. PetroGreen owns majority of the voting power of MGI and PetroSolar. PetroEnergy, PetroGreen, MGI and PetroSolar are collectively referred to as the “Group” and were incorporated in the Philippines.

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 such as, (a) geothermal, (b) solar, and (c) wind, through the Group’s share in Joint Venture in PetroWind.

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

The 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

The Solar power projects are the 50 MW<sub>DC</sub> TSPP-1 in Tarlac City, Tarlac that started commercial operations on February 10, 2016 and its 20 MW<sub>DC</sub> expansion (TSPP-2) which has been commissioned and tested on April 22, 2019 and is now awaiting the issuance of Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC).

Wind Energy

The wind energy projects are the 36-MW NWPP-1 in Nabas, Aklan, which started its commercial operations on June 10, 2015, and the 13.2MW NWPP-2 expansion project, which is currently in the development stage. NWPP-2 won in the 1<sup>st</sup> Round of the Department of Energy's Green Energy Auction Program for an offtake price of PhP5.7555/kWh.

c. Acquisition of Shares of Stock

On April 24, 2023, PERC and EEI Power Corporation (EEIPC) entered into a Share Purchase Agreement, where PERC agreed to purchase all of EEIPC's common shares representing 20% equity interest in PWEI, 44% in PSC and 7.5% in PGEC 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 on May 10, 2023. The full payments for the EEIPC shares in PSC and in PGEC are scheduled on August 1, 2023 and August 31, 2023, respectively.

d. Approval of Consolidated Financial Statements

The accompanying unaudited consolidated interim financial statements as of and for the period ended June 30, 2023 were approved and authorized for issue by the Board of Directors (BOD).

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## 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 consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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### 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 PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

#### New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2022

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, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

#### *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*

#### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

#### *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 2022 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.

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### 4. Summary of Significant Accounting Policies

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at June 30, 2023, June 30, 2022 and December 31, 2022. 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 June 30, 2023, June 30, 2022 and December 31, 2022:

	30-Jun-2023	30-Jun-2022	31-Dec-2022
PetroGreen	67.50%	90.00%	76.92%
Percentage share of PetroGreen in its subsidiaries:			
MGI	65.00%	65.00%	65.00%
PetroSolar	56.00%	56.00%	56.00%
Navy Road Development Corporation (NRDC) – dormant company	100.00%	100.00%	100.00%

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. Consolidation 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.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences recorded in equity.
- recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statement of comprehensive income.

- reclassifies the parent's share of components previously recognized in other comprehensive income (OCI) to the consolidated statement of comprehensive income or retained earnings, as appropriate.

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.

#### Cash and Cash Equivalents

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.

#### Short-term Investments

This pertains to interest bearing time deposits with terms of more than three (3) months but not more than one (1) year.

#### Restricted Cash

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.

#### Financial Instruments

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 rate (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 Expected Credit Losses (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.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### *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.

#### *Offsetting of Financial Instruments*

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### 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 deposit, 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:

	<u>Number of Years</u>
Power plant, FCRS and production wells	25
Office condominium units	15
Land improvements	5
Transportation equipment	4
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.

#### 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 Power Project included in Other Noncurrent Assets

These are costs incurred in the development of the solar plant expansion project. 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 expansion of the solar plant project
- costs of administration, finance, general and security services and other costs attributed to the expansion of the project.

Deferred development costs of the Solar Power Project is 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 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

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:

	<u>Number of Years</u>
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.

#### Investment Properties

Investment properties consist of land held for capital appreciation. Land is stated at cost less any

impairment in value.

The initial cost of the investment properties comprises its purchase price and any directly attributable costs of bringing the asset to its working condition. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance, are normally charged to expense in the year when 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 investment properties beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of investment properties.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation, commencement of an operating lease to another party or by the end of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

#### 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

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 prior to actual distribution 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 to the payment has been established.

Share in Net Income of Joint Venture

Share in net income of joint venture represents the Group's share in profit or loss of its joint venture, PWEI.

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 include 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 to 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.

#### Value-Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position as part of "Other noncurrent assets" to the extent of the recoverable amount.

#### 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 23 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.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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.

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## 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 conditions for asset capitalization of development costs are not met, then such costs are expensed outright.

As of June 30, 2023 and December 31, 2022, the carrying value of deferred oil explorations costs amounted to ₱362.98 million and ₱311.88 million, respectively (see Note 12), and the Group's deferred development costs amounted to ₱295.74 and ₱74.12 million as of June 30, 2023 and December 31, 2022, respectively (see Note 16).

#### *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 to 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 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 June 30, 2023 and December 31, 2022, the Group's investment in a joint venture amounted to ₱2.76 billion 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).

#### 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.

#### *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 ( $T \sim 300^{\circ}\text{C}$ ). 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.

The Group commenced producing power commercially last February 8, 2014. To date, the current production wells of M1 and M2 are capable of producing 41.4 MW at full-bore capacity. These production wells including the complement reinjection wells are concentrated on the proven resource area.

As of June 30, 2023 and December 31, 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 June 30, 2023 and December 31, 2022, the carrying value of "Wells, Platforms and other Facilities" under "Property, Plant and Equipment" amounted to ₱718.68 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 June 30, 2023 and December 31, 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 June 30, 2023 and December 31, 2022 follow:

	<b>Unaudited</b>	Audited
	<b>30-June-2023</b>	31-Dec-2022
Property, plant and equipment (Note 11)	<b>₱8,123,164,322</b>	₱8,196,897,057
Right-of-use assets (Note 14)	<b>334,685,133</b>	342,614,655
Deferred oil exploration costs (Note 12)	<b>362,980,088</b>	311,883,011
Intangible assets (Note 16)	<b>133,830,941</b>	140,262,493
Deferred development costs (Note 16)	<b>295,739,255</b>	74,115,084
Investment properties (Note 15)	<b>1,611,533</b>	1,611,533
	<b>₱9,252,011,272</b>	₱9,067,383,833

There are no indicators of impairment that would trigger impairment review on June 30, 2023 and December 31, 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 Etame Production Sharing Contract 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.

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 14.64% in 2022.

The Parent Company recognized impairment (reversal of impairment) loss for the year ended December 31, 2022 (nil in June 30, 2023) presented on a net basis:

Wells, platforms and other facilities – net (Note 11)	<b>(P11,893,541)</b>
Deferred oil exploration costs – net (Note 12)	<b>594,171</b>
	<b>(P11,299,370)</b>

*Estimation of Asset Retirement Obligations*

The Group has various legal obligation to decommission or dismantle its assets related to the oil production, geothermal energy project and solar power project 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 and amortized 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 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 19).

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 June 30, 2023 and December 31, 2022 follows (see Note 19):

	<b>Unaudited</b>	Audited
	<b>30-Jun-23</b>	31-Dec-22
Oil production	<b>₱43,932,408</b>	₱41,728,602
Geothermal energy project	<b>7,774,803</b>	7,509,078
Solar power project	<b>17,601,844</b>	16,992,650
	<b>₱69,309,055</b>	₱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. Allowance for probable losses as of June 30, 2023 and December 31, 2022 amounted to ₱11.86 million and ₱10.39 million, respectively. The net carrying value of input VAT amounted to ₱140.34 million and ₱138.32 million as of June 30, 2023 and December 31, 2022, respectively (see Note 16).

*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 June 30, 2023 and December 31, 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.

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**6. Cash and Cash Equivalents and Short-term Investments**

	<b>Unaudited</b>	Audited
	<b>30-Jun-23</b>	31-Dec-22
Cash on hand and in banks	<b>₱646,747,919</b>	₱434,700,436
Cash equivalents	<b>1,451,868,133</b>	1,242,531,148
Cash and Cash Equivalents	<b>2,098,616,052</b>	1,677,231,584
Short-term investments	<b>₱1,975,286,425</b>	₱946,044,355

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

On the other hand, Short-term investments are funds invested for a period of more than three months to one year.

Interest income earned on cash and cash equivalents and short-term investments amounted to ₱95.65 million, ₱36.29 million as of June 30, 2023 and December 31, 2022, respectively.

## 7. Restricted Cash

	<b>Unaudited</b>	Audited
	<b>30-Jun-23</b>	31-Dec-22
Debt service payment and reserve accounts	<b>₱141,225,736</b>	₱413,219,105
Cash held under escrow for stock subscription	–	1,629,242,070
Share in Etame escrow fund – current portion	–	20,926,811
	<b>₱141,225,736</b>	<b>₱2,063,387,986</b>

### *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 Project Loan Facility Agreement (PLFA) of MGI and Omnibus Loan and Security Agreement (OLSA) of PetroSolar, respectively (see Note 18). The funds maintained in these accounts are used to pay the forthcoming debt service scheduled semi-annually until the loan is fully paid off. Under the PLFA/OLSA, where the banks are one of the parties, the banks shall have the exclusive control over the DSPA and DSRA.

### *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 fully released from the escrow fund in January 2023. Interest income earned on restricted cash amounts to ₱0.84 million and ₱7.6 million as of June 30, 2023 and December 31, 2022.

### *Share in Etame escrow fund – current portion*

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. As of June 30, 2023 these funds were already used for payment of costs pertaining to FPSO decommissioning and other related costs.

## 8. Receivables

	<b>Unaudited</b>	Audited
	<b>30-Jun-23</b>	31-Dec-22
Accounts receivable from:		
Feed-in-Tariff (FiT) revenue from National Transmission Corporation (TransCo)	<b>₱122,559,610</b>	₱106,169,169
Electricity sales to Wholesale Electricity Spot Market (WESM) and Other Contracts	<b>90,947,612</b>	92,541,594
Electricity sales and other charges to ACEN (formerly PHINMA) [Note 21]	<b>90,643,176</b>	162,536,100
Consortium operator PHESCO, Incorporated (PHESCO)	<b>64,284,422</b>	40,550,770
Affiliate (Note 21)	<b>15,245,231</b>	15,245,231
Others	<b>11,020,848</b>	6,232,978
Interest receivables	<b>31,563,640</b>	4,585,274
Other receivables	<b>56,514,908</b>	23,487,736
	<b>3,526,249</b>	3,526,249
	<b>486,305,696</b>	454,875,101
Less allowance for impairment losses	<b>2,682,452</b>	2,682,452
	<b>₱483,623,244</b>	<b>₱452,192,649</b>

Accounts receivables are generally on 30 days credit term. Interest income earned from TransCo for delayed payment of FiT differential and other receivable amounted to ₱0.14 million and ₱0.45 million as of June 30, 2023 and December 31, 2022.

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**9. Financial Assets at Fair Value Through Profit or Loss**

	<b>Unaudited</b>	Audited
	<b>30-Jun-23</b>	31-Dec-22
Marketable equity securities	<b>₱6,670,678</b>	₱6,770,090
Investment in golf club shares	<b>770,000</b>	770,000
	<b>₱7,440,678</b>	₱7,540,090

Net gain (loss) on fair value changes on financial assets at FVTPL included in profit or loss amounted to (₱0.10 million) and (₱0.05 million) as of June 30, 2023 and December 31, 2022, respectively. Dividend income received from equity securities amounted to ₱.02 million and ₱0.08 million as of June 30, 2023 and December 31, 2022, respectively.

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**10. Other Current Assets**

	<b>Unaudited</b>	Audited
	<b>30-Jun-23</b>	31-Dec-22
Supplies inventory	<b>₱102,370,135</b>	₱116,790,791
Prepaid expenses	<b>53,940,474</b>	27,199,944
Prepaid income taxes	<b>14,257,058</b>	11,068,121
Advances to suppliers	<b>27,238,122</b>	8,004,724
Others	<b>3,139,950</b>	2,216,223
	<b>₱200,945,739</b>	₱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

	Unaudited								
	30-Jun-23								
	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
<b>Cost</b>									
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	3,951,538	49,587,397	6,588,155	403,532	424,300	–	9,950,750	132,888,129	203,793,801
Change in ARO estimate (Note 19)	–	–	–	–	–	–	–	–	–
Disposal	–	–	–	–	–	–	–	–	–
Reclassifications	3,418,275	18,980,737	–	–	–	–	1,581,351	(23,980,363)	–
Balances at end of year	7,361,324,872	2,048,257,608	2,407,442,310	387,447,431	42,972,292	76,958,664	185,073,137	326,219,739	12,835,696,053
<b>Accumulated depletion and depreciation</b>									
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	164,262,913	41,566,747	51,740,159	9,307,374	287,332	4,224,751	6,137,260	–	277,526,536
Disposals	–	–	–	–	–	–	–	–	–
Balances at end of year	2,204,660,445	519,139,245	1,519,512,798	50,957,895	41,460,232	52,561,814	154,986,701	–	4,543,279,130
<b>Accumulated impairment losses</b>									
Balances at beginning of year	–	–	169,252,601	–	–	–	–	–	169,252,601
Impairment loss-net (Note 5)	–	–	–	–	–	–	–	–	–
Balances at end of year	–	–	169,252,601	–	–	–	–	–	169,252,601
<b>Net book values</b>	<b>₱ 5,156,664,427</b>	<b>₱ 1,529,118,363</b>	<b>₱ 718,676,911</b>	<b>₱ 336,489,536</b>	<b>₱ 1,512,060</b>	<b>₱ 24,396,850</b>	<b>₱ 30,086,436</b>	<b>₱ 326,219,739</b>	<b>₱ 8,123,164,322</b>

	Audited								
	31-Dec-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 19)	(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

Power plants represent MGI's geothermal power plant and PetroSolar's photovoltaic plant.

MGI's construction of the 70/77 MVA Substation started in January 2020 and construction in progress account as of June 30, 2023 mainly includes civil structural, piping and mechanical works for M2, interconnection of MGPP to NGCP 69kV distribution line, design, facilities study and construction of 70/77 MVA MGI Substation related to MGPP-1&2 and Torishima engine driven pump.

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

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 June 30, 2023 and December 31, 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%

## 12. Deferred Oil Exploration Costs

The movements in deferred oil exploration costs are as follows:

	Unaudited 30-Jun-23	Audited 31-Dec-22
<b>Cost</b>		
Balances at beginning of year	₱615,456,554	₱418,786,296
Additions	51,097,077	196,670,258
Write-off / relinquishment (Note 5)	–	–
Balances at end of year	666,553,631	615,456,554
<b>Accumulated impairment losses</b>		
Balances at beginning of year	303,573,543	302,979,372
Impairment loss (reversal) (Note 5)	–	594,171
Balances at end of year	303,573,543	303,573,543
	<b>₱362,980,088</b>	<b>₱311,883,011</b>

Details of deferred oil exploration costs as of June 30, 2023 and December 31, 2022 are as follows:

	Unaudited 30-Jun-23	Audited 31-Dec-22
<b>Cost</b>		
Gabonese Oil Concessions (Note 11)	₱598,096,303	₱547,199,509
SC. No. 75 – Offshore Northwest Palawan	65,175,859	65,175,859
SC. No. 14 – C2 (West Linapacan) - Northwest Palawan (Note 11)	3,281,469	3,081,186
	666,553,631	615,456,554
<b>Accumulated impairment losses</b>		
Gabonese Oil Concessions (Note 11)	300,492,357	300,492,357
SC. No. 14 – C2 (West Linapacan) – Northwest Palawan (Note 11)	3,081,186	3,081,186
	303,573,543	303,573,543
	<b>₱362,980,088</b>	<b>₱311,883,011</b>

### **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 June 30, 2023 and December 31, 2022, the remaining participating interest of the Parent Company in Petroleum SC areas is SC 75 – Offshore Northwest Palawan is 15%.

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### **13. Investments in Joint Venture**

#### **PetroWind Energy Inc.**

The investment in joint venture mainly includes PetroGreen’s 40% interest in PetroWind or PWEL, a company incorporated in the Philippines. The primary purpose of PetroWind is to carry on the general business of generating, transmitting and/or distributing power derived from renewable energy sources.

The movements in the carrying value of Investment in PetroWind as of June 30, 2023 and December 31, 2022 are follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30-Jun-23</b>	<b>31-Dec-22</b>
Balance at beginning of year	<b>₱1,876,262,983</b>	₱1,734,947,347
Share in net income of joint venture	<b>46,812,185</b>	81,512,921
Additional investment during the year	<b>838,233,917</b>	59,041,563
Share in other comprehensive income (loss)	-	761,152
Balance at end of year	<b>₱2,761,309,085</b>	₱1,876,262,983

On April 24, 2023, PERC and EEI Power Corporation entered into a Share Purchase Agreement, where PERC agreed to purchase all of EEIPC’s common shares representing 20% equity interest in PWEL, 44% 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 PWEL on May 10, 2023.

The cost of the investment in PetroWind amounted to ₱1.41 billion and ₱632.12 million as of June 30, 2023 and December 31, 2022, respectively.

The carrying value of the investment in PetroWind 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.

### **BuhaWind Energy**

In 2022, the Company made investments totalling ₱1.26 million in three newly incorporated special purpose vehicles (SPVs) namely: BuhaWind Energy Northern Luzon Corporation, BuhaWind Energy Northern Mindoro Corporation and BuhaWind Energy East Panay Corporation.

On March 5, 2021, PetroGreen Energy Corporation 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 the SPVs in November 2022. The JVA states that CE shall have the right to regain control over the SPVs by acquiring 20% of PGEC’s voting rights therein for a total pre-agreed price of EUR 30,000 once there is a change in law that allows such higher foreign ownership (the “Call Option”). This will make CE owner of up to 60% voting shares in the SPVs., The DOE issued a circular that removed the 40% foreign ownership limitation to undertake the exploitation of RE resources in the country. Thus, CE exercised the Call Option under the JVAs for PGEC to sell its 20% voting rights in the SPVs to CE. Resulting ownership is PGEC 40% and CE 60%.

As of June 30, 2023 and December 31, 2022, these entities are still in the organization stage and have not yet started operations.

## **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 term of twenty-five (25) years, extendable for another 25 years upon mutual agreement of both parties.

The two land lease agreements with Luisita Industrial Park Corporation (LIPCO) for the photovoltaic solar power facility in Tarlac are 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% 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:

	<b>Unaudited</b>		
	<b>30-Jun-2023</b>		
	<b>Land</b>	<b>Office Spaces</b>	<b>Total</b>
<b>Cost</b>			
Beginning balance	<b>₱420,180,224</b>	<b>₱12,748,688</b>	<b>₱432,928,912</b>
Additions		<b>3,861,156</b>	<b>3,861,156</b>
Ending balance	<b>420,180,224</b>	<b>16,609,844</b>	<b>436,790,068</b>

	Unaudited		
	30-Jun-2023		
	Land	Office Spaces	Total
<b>Accumulated depreciation</b>			
Beginning balance	80,487,446	9,826,811	90,314,257
Depreciation (Notes 21 and 23)	10,543,008	1,247,670	11,790,678
Ending balance	91,030,454	11,074,481	102,104,935
<b>Net Book Value</b>	<b>₱329,149,770</b>	<b>₱5,535,363</b>	<b>₱334,685,133</b>

	Audited		
	31-Dec-2022		
	Land	Office Spaces	Total
<b>Cost</b>			
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
<b>Accumulated depreciation</b>			
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
<b>Net Book Value</b>	<b>₱339,692,778</b>	<b>₱2,921,877</b>	<b>₱342,614,655</b>

The amortization of the right-of-use assets for land lease in Tarlac and Batangas are presented as part of “Cost of electricity sales” while the amortization of the right-of-use assets for 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 prepaid. The rollforward analyses of lease liabilities are as follows:

	Unaudited	Audited
	30-Jun-23	31-Dec-22
Beginning balance	₱328,794,340	₱332,828,866
Payments	(26,707,140)	(37,490,050)
Interest expense	15,101,340	30,443,530
Additions	3,861,157	3,011,994
Ending balance	321,049,697	328,794,340
Less current portion	36,181,103	22,734,502
Noncurrent portion	<b>₱284,868,594</b>	₱306,059,838

## 15. Investment Properties

As of June 30, 2023 and December 31, 2022 this account consists of land and parking lot space (located in Tektite) with cost amounting to ₱1.61 million.

The fair value of the investment properties of the Group is between ₱1.00 million to ₱1.70 million as of June 30, 2023 and December 31, 2022. The Group determined the fair values of the Group’s investment properties on the basis of recent sales of similar properties in the area where the investment in properties is located and taking into account the economic conditions prevailing at the time the valuations were made.

As of June 30, 2023 and December 31, 2022, the fair value of the investment properties is classified under the Level 3 category (see Note 22).

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.

## 16. Other Noncurrent Assets

	<b>Unaudited</b>	Audited
	<b>30-Jun-2023</b>	31-Dec-2022
Advances for share acquisition	<b>₱300,000,000</b>	₱–
Deferred development costs	<b>295,739,255</b>	74,115,084
Input VAT	<b>152,204,083</b>	148,710,625
Intangible assets	<b>133,830,941</b>	140,262,493
Advances to contractors	<b>22,967,134</b>	45,777,526
Restricted cash	<b>36,375,763</b>	31,451,424
Others	<b>31,505,163</b>	25,956,475
	<b>972,622,339</b>	466,273,627
Less allowance for probable losses	<b>11,863,238</b>	10,390,845
	<b>₱960,759,101</b>	₱455,882,782

Provision for probable losses on input VAT amounted to ₱1.47 million and nil in June 30, 2023 and December 31, 2022, respectively.

### *Input VAT*

Input VAT represents VAT on purchases of goods and services but passed on by suppliers to Companies 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 by MGI for refund with the BIR. As of June 30, 2023 and December 31, 2022, the outstanding input VAT claims which are still pending with the Court of Tax Appeals (CTA) and the Supreme Court (SC) amounted to ₱114.58 million.

### *Intangible assets*

Intangible assets pertain to land rights, which refer 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.

### *Advances to contractors*

Advances to contractors pertain to the downpayments to various contractors for procurement of materials, equipment and services.

### *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 pertain to costs incurred in the exploration, development, production and expansion of renewable energy projects.

*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.

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**17. Accounts Payable and Accrued Expenses**

	<b>Unaudited</b>	Audited
	<b>30-Jun-2023</b>	31-Dec-2022
Accounts payable	<b>₱189,821,665</b>	₱263,327,290
Accrued expenses		
Utilities	<b>170,627,913</b>	167,881,381
Interest (Note 18)	<b>39,418,498</b>	32,622,802
Sick/vacation leaves	<b>16,378,198</b>	19,048,554
Professional fees	<b>13,116,199</b>	14,511,222
Profit share	<b>989,612</b>	15,611,876
Due to related party (Note 21)	<b>128,960</b>	565,760
Others	<b>6,270,255</b>	6,969,784
Withholding taxes and other tax payables	<b>9,585,223</b>	27,387,054
Due to NRDC	<b>2,269,737</b>	2,269,737
Others	<b>3,041,653</b>	1,267,746
	<b>₱451,647,913</b>	₱551,463,206

Accounts payable mainly consists of payable to suppliers and contractors relating to the development, construction and operations of energy projects. Accounts payable also includes unclaimed checks pertaining to dividends payable amounting to ₱10.90 million and ₱10.96 million as of June 30, 2023 and December 31, 2022, respectively.

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

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**18. Loans Payable**

The Group's loans payable as of December 31 is as follows:

	<b>Unaudited</b>	Audited
	<b>30-Jun-2023</b>	31-Dec-2022
Principal, balance at beginning of year	<b>₱3,488,375,640</b>	₱4,083,296,429
Add availments during the year	<b>1,127,187,314</b>	561,000,000
Less principal payments during the year	<b>597,196,104</b>	1,155,920,789
Principal, balance at end of year	<b>4,018,366,850</b>	3,488,375,640
Less unamortized deferred financing cost	<b>8,335,290</b>	10,446,588
	<b>4,010,031,560</b>	3,477,929,052
Less current portion – net of unamortized deferred financing cost	<b>1,791,893,616</b>	947,144,643
Noncurrent portion	<b>₱2,218,137,944</b>	₱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 ₱420.00 million. Effective January 19, 2021, the credit facility was decreased to ₱300.00 million. Loans payable to DBP are as follows:

As of June 30, 2023:

- ₱72 million with interest rate of 7.75% and maturity on December 20, 2023
- ₱200 million with interest rate of 7.75% and maturity on October 13, 2023

As of December 31, 2022:

- ₱63.00 million with interest rate of 5.8% and maturity on January 10, 2023
- ₱108.00 million with interest rate of 5.5% and maturity on January 26, 2023
- ₱80.00 million with interest rate of 5.8% and maturity on June 23, 2023

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 with 1 year validity. Loans payable to BPI are as follows:

As of June 30, 2023:

- ₱61.26 million with interest rate of 7.00% and maturity on February 28, 2024
- ₱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

Short-term Loan with Rizal Commercial Banking Corporation (RCBC)

On November 15, 2021, PetroEnergy obtained a loan from RCBC amounting to ₱120.00 million with interest of 4.5% and maturity on May 4, 2022.

As of June 30, 2023 and December 31, 2022, the Company already paid the outstanding short-term loan from RCBC.

Interest expense related to these loans amounted to ₱16.00 million and ₱9.68 million, as of June 30, 2023 and December 31, 2022, respectively. Moreover, accrued interest payable amounted to ₱10.43 million and ₱0.56 million as of June 30, 2022 and December 31, 2022, respectively.

***PetroGreen's long-term loans payable***

Long-term loan with RCBC

On November 16, 2020, PetroGreen obtained a new long-term unsecured loan with 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 June 30, 2023 and December 31, 2022, the outstanding balance of these above loans, net of unamortized deferred financing costs, amounted to ₱239.40 million and ₱239.16 million, respectively.

Interest expense related to these loans amounted to ₱6.24 million and ₱16.24 million as of June 30, 2023 and December 31, 2022, respectively. Moreover, accrued interest payable amounted to ₱1.28 million and ₱1.27 million as of June 30, 2023 and December 31, 2022, respectively.

***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 relating to 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.

a. 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.

As of June 30, 2023 and December 31, 2022, the outstanding balance of this loan amounted to ₱915.00 million and ₱1,034.90 million, respectively. Interest expense on the new M1 Loan amounted to ₱30.63 million and ₱71.52 million as of June 30, 2023 and December 31, 2022, respectively.

b. 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-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.

As of June 30, 2023 and December 31, 2022, the outstanding balance of this loan amounted to ₱873.13 million and ₱943.84 million, respectively. Interest expense amounted to ₱22.63 million and ₱75.00 million as of June 30, 2023 and December 31, 2022, respectively.

Moreover, accrued interest payable of MGI's loans amounted to ₱21.28 million and ₱22.89 million as of June 30, 2023 and December 31, 2022, respectively.

Major covenants covering MGI loans are as follows:

- 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; and
- dividend DSCR of at least 1.20x.

MGI is also required to transfer to 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 June 30, 2023 and December 31, 2022, MGI has been compliant with the above covenants.

***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 in a lower interest rate effective July 2017. The applicable interest rate as of June 30, 2023 and December 31, 2022 are equal to 8.59% and 9.12%, respectively.

The loan covenants covering the outstanding debt of PetroSolar include among others, the maintenance of debt-to-equity ratio of 75:25 and establishment of DSPA required balance. As of June 30, 2023 and December 31, 2022, PetroSolar is in compliance with the said loan covenants.

As of June 30, 2023 and December 31, 2022, the outstanding balance of this loan amounted to ₱896.32 million and ₱1,007.42 million, respectively.

Interest expense of PetroSolar related to the loans amounted to ₱48.71 million and ₱89.81 million, as of June 30, 2023 and December 31, 2022, respectively. Moreover, accrued interest payable amounted to ₱6.43 million and ₱7.89 million as of June 30, 2023 and December 31, 2022, respectively.

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

*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 to 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.

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**19. 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, and photovoltaic (PV) solar power facility in Tarlac.

Movements in this account follow:

	<b>Unaudited</b>	Audited
	<b>30-Jun-2023</b>	31-Dec-2022
Balance at beginning of year	<b>₱66,230,330</b>	₱92,810,843
Additions	-	921,276
Change in estimates (Note 11)	-	(37,729,203)
Accretion expense	<b>3,629,045</b>	3,622,334
Foreign exchange adjustment	<b>(550,320)</b>	6,605,080
Balance at end of year	<b>₱69,309,055</b>	₱66,230,330

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**20. 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 June 30, 2023, the total issued and subscribed capital stock of the Parent Company is 99.79% Filipino and 0.21% non-Filipino as compared to 99.77% Filipino and 0.23% non-Filipino as of December 31, 2022.

As of June 30, 2023 and December 31, 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
	<b>₱2,725,390,891</b>

The following are historical movements of the Group's capital stock:

	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)
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	-			(4)
June 30, 2023	568,711,842			1,987

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 were 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.

#### *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*

On June 9, 2015, PetroEnergy sold its 10% interest in PetroGreen to EEIPC, bringing down its ownership in PetroGreen from 100% to 90%. The transaction was accounted as an equity transaction since there was no change in control.

On October 14, 2022, PetroGreen issued 363,244,840 shares to Kyuden (Note 25) thereby decreasing PetroEnergy's ownership interest in PetroGreen from 90% to 76.92%. On January 10, 2023, PetroGreen issued another 349,006,880 shares to Kyuden (Note 25) which eventually decreased PetroEnergy's ownership interest in PetroGreen from 76.92% to 67.50%. These transactions with Kyuden were accounted as an equity transaction since there was no loss of control.

Equity reserves recognized under equity attributable to owners of PetroEnergy as a result of changes in PetroEnergy's ownership interest in PetroGreen are summarized as follows:

	09-Jun-2015	14-Oct-2022	10-Jan-2023	Total
Consideration received from NCI	₱206,000,000	₱1,687,431,477	₱1,634,762,580	₱3,528,194,057
Carrying amount of NCI sold	(125,950,762)	(1,030,763,729)	(1,194,405,409)	(2,351,119,900)
Excess of consideration received recognized in equity	<b>₱80,049,238</b>	<b>₱656,667,748</b>	<b>₱440,357,171</b>	<b>₱1,177,074,157</b>

As of June 30, 2023 and December 31, 2022, the balance of equity reserve account amounts to ₱1,177 million and ₱736.72 million, respectively.

*Deposit for Stock Subscription*

This account represents the balance of the escrow fund related to Kyuden's Share Subscription Agreement for a total of ₱3,369,500,000 representing 712,251,720 shares in PetroGreen. Upon "Initial Closing" date, ₱1,718,445,000 was converted into equity in PetroGreen. As of December 31, 2022 the remaining escrow fund balance amounts to ₱1,651,055,000 which was later on released and converted into equity upon "Second Closing" on January 10, 2023 under the Subscription Agreement (see Note 25).

*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 June 30, 2023 and December 31, 2022, the Group analyzes its capital structure primarily through the debt-to-equity ratio, which is total liabilities divided by total equity.

The Group's sources of capital as of June 30, 2023 and December 31, 2022 are as follows:

	Unaudited 30-Jun-2023	Audited 31-Dec-2022
Loans payable	<b>₱4,010,031,560</b>	₱3,477,929,052
Capital stock	<b>568,711,842</b>	568,711,842
Additional paid-in capital	<b>2,156,679,049</b>	2,156,679,049
Retained earnings	<b>3,460,183,417</b>	3,182,613,298

Equity reserve	<b>1,177,074,157</b>	736,716,986
	<b>₱11,372,680,025</b>	₱10,122,650,227

The table below demonstrates the debt-to-equity ratio of the Group as of June 30, 2023 and December 31, 2022:

	<b>Unaudited</b>	Audited
	<b>30-Jun-2023</b>	31-Dec-2022
Total liabilities	<b>₱4,875,940,732</b>	₱4,442,489,721
Total equity	<b>12,952,302,050</b>	12,377,322,378
Debt-to-equity ratio	<b>0.38:1</b>	0.36:1

Based on the Group's assessment, the capital management objectives were met as of June 30, 2023 and December 31, 2022.

## 21. Related Party Transactions

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:

<b>Related Party/Nature</b>	<b>Transactions for the Period</b>		<b>Outstanding Balance</b>		<b>Terms and Conditions</b>
	<b>30-Jun-23</b>	<b>31-Dec-22</b>	<b>Receivables (Payables)</b> <b>30-Jun-23</b>	<b>31-Dec-22</b>	
<b>Investor</b>					
<b>House of Investments, Inc</b>					
Internal audit services	<b>₱436,800</b>	₱873,600	<b>(₱72,800)</b>	(₱509,600)	Note a
<b>Joint Venture</b>					
<b>PetroWind</b>					
Rental income	<b>428,571</b>	857,143	-	-	Note b
Timewriting fee	<b>8,309,908</b>	16,199,133	<b>3,873,254</b>	4,615,734	Note c
Management income	<b>1,000,000</b>	2,000,000	<b>323,333</b>	-	Note c
Advances – receivable	<b>5,672,587</b>	9,764,078	<b>5,511,804</b>	340,792	Note d
Advances – payables	-	56,160	<b>(56,160)</b>	(56,160)	Note d
			<b>9,652,231</b>	4,900,366	
<b>Affiliate</b>					
<b>AC Energy Corporation (ACEN)</b>					
Electricity sales	<b>506,283,404</b>	823,196,490	<b>87,133,753</b>	102,355,875	Note e
Pass-on Wheeling, Ancillary & Transmission Charges	<b>24,262,417</b>	129,112,773	<b>3,500,620</b>	60,180,225	Note e
			<b>90,634,373</b>	162,536,100	

<b>Related Party/Nature</b>	<b>Transactions for the Period</b>		<b>Outstanding Balance</b>		<b>Terms and Conditions</b>
	<b>30-Jun-23</b>	<b>31-Dec-22</b>	<b>Receivables (Payables)</b> <b>30-Jun-23</b>	<b>31-Dec-22</b>	
<b>Affiliate</b>					
<b>EEI Power Corporation</b>					
Other income	<b>₱-</b>	₱610,000	<b>₱683,200</b>	₱683,200	Note f
<b>Affiliate</b>					
<b>LIPCO</b>					
Land lease	–	34,513,550	–	–	Note g
<b>Affiliate</b>					
<b>Enrique T. Yuchengco, Inc.</b>					
Rental income	<b>474,093</b>	906,884	629,258	593,251	Note h

- 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, passed-on, wheeling, transmission and IEMOP transaction-related charges to ACEN Corporation (formerly PHINMA) are pursuant to the Billing and Settlement Protocol Electricity Supply Agreement. These are due and payable as indicated in the monthly Statement of Accounts 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. PetroSolar leased 77 hectares of land area from LIPCO (Note 14). These are non-interest bearing and payable when due and demandable.
- h. 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.
- i. 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 18).
- j. On January 10, 2014, 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.

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.

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## 22. Financial Instruments

The Group's principal financial instruments include cash and cash equivalents, short-term investments, financial assets at FVTPL, receivables, restricted cash, 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 June 30, 2023 and December 31, 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, 2022 amounted to ₱3.49 billion compared to their carrying value of ₱3.48 billion.

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

<b>Financial instruments</b>	<b>Considerations</b>
<i>Cash and cash equivalents, short-term investments, restricted cash, receivables, accounts payable and accrued expenses, and short-term loans payable</i>	Due to the short-term nature of the instruments, carrying amounts approximate fair values as at the reporting date.
<i>Equity securities</i>	Fair values are based on published quoted prices (Level 1).
<i>Golf club shares</i>	Fair values are based on quoted market prices at reporting date (Level 1).
<i>Long-term loans payable</i>	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 2022 and 2021.
<i>Lease liabilities</i>	Estimated fair value is based on the discounted value of future cash flows using the prevailing PH BVAL rate.

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).

On June 30, 2023 and December 31, 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 obtains funds from various sources including internally generated funds and loans from financial institutions. As of June 30, 2023 and December 31, 2022, the Group has existing credit line facilities from which they can draw funds from (see Note 18).

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as of June 30, 2023 and December 31, 2022 based on contractual payments:

	30-Jun-23 (Unaudited)			Total
	On demand	1 year or less	More than 1 year	
<b>Financial Assets</b>				
Financial assets at FVTPL	₱7,440,678	₱–	₱–	₱7,440,678
Financial assets at amortized cost:				
Cash and cash equivalents	2,098,616,052	–	–	2,098,616,052
Short-term investments	–	1,975,286,425	–	1,975,286,425
Accounts receivable	26,266,079	399,998,459	–	426,264,538
Other receivables	3,526,249	–	–	3,526,249
Interest receivable	56,514,908	–	–	56,514,908
Refundable deposits	–	448,721	5,416,460	5,865,181
Restricted cash	–	141,225,736	36,375,763	177,601,499
	<b>2,192,363,966</b>	<b>2,516,959,341</b>	<b>41,792,223</b>	<b>4,751,115,530</b>
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Loans payable	–	1,791,893,616	2,218,137,944	4,010,031,560
Lease liabilities	–	36,181,103	284,868,594	321,049,697
Accounts payable and accrued expenses	451,647,913	–	–	451,647,913
	<b>451,647,913</b>	<b>1,828,074,719</b>	<b>2,503,006,538</b>	<b>4,782,729,170</b>
<b>Net financial assets (liabilities)</b>	<b>₱1,740,716,053</b>	<b>₱688,884,622</b>	<b>(₱2,461,214,315)</b>	<b>(₱31,613,640)</b>

	31-Dec-22 (Audited)			Total
	On demand	1 year or less	More than 1 year	
<b>Financial Assets</b>				
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
	<b>1,737,849,142</b>	<b>3,411,679,325</b>	<b>36,775,286</b>	<b>5,186,303,753</b>
<b>Financial Liabilities</b>				
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

	31-Dec-22 (Audited)			
	On demand	1 year or less	More than 1 year	Total
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	₱2,204,978,966	(₱3,100,830,682)	₱317,921,274

\*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 June 30, 2023 and December 31, 2022 are as follows:

	30-Jun-23 (Unaudited)		31-Dec-22 (Audited)	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
<i>Financial assets</i>				
Cash and cash equivalents	\$867,089	₱48,003,785	\$2,316,003	₱129,974,085
Receivables	1,112,712	75,533,869	674,774	37,868,318
Restricted Cash	657,053	36,375,763	933,326	52,378,235
	2,636,854	159,913,417	3,924,103	220,220,638
<i>Financial liabilities</i>				
Accounts payable and accrued expenses	756,486	41,880,554	1,187,125	66,621,466
Net exposure	\$1,880,368	₱118,032,863	\$2,736,978	₱153,599,172

As of June 30, 2023 and December 31, 2022, the exchange rates used for conversion are ₱55.362 and ₱56.120 per \$1, respectively.

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.

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, 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:

	<b>Unaudited</b>	Audited
	<b>30-Jun-23</b>	31-Dec-22
Financial assets:		
Cash in banks and cash equivalents	<b>₱2,094,531,322</b>	₱1,673,197,584
Short-term investments	<b>1,975,286,425</b>	946,044,355
Receivables	<b>483,623,244</b>	452,192,649
Financial assets at FVTPL	<b>7,440,678</b>	7,540,090
Refundable deposits	<b>5,865,181</b>	5,772,583
Restricted cash	<b>177,601,499</b>	2,094,839,410
Contract asset	<b>322,496,922</b>	296,358,490
	<b>₱5,066,845,271</b>	₱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.

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 June 30, 2023 and December 31, 2022:

	30-Jun-23 (Unaudited)			Total
	Current (High grade)	More than 90 days (Standard grade)	Credit impaired	
<b>Financial assets:</b>				
Cash and cash equivalents*	₱2,094,531,322	₱-	₱-	₱2,094,531,322
Short-term investments	1,975,286,425	-	-	1,975,286,425
Accounts receivable	423,582,086	-	2,682,452	426,264,538
Other receivables	3,526,249	-	-	3,526,249
Interest receivable	56,514,908	-	-	56,514,908
Financial assets at FVTPL	7,440,678	-	-	7,440,678
Refundable deposits	5,865,181	-	-	5,865,181
Restricted cash	177,601,499	-	-	177,601,499
Contract asset	322,496,922	-	-	322,496,922
	<b>₱5,066,845,270</b>	<b>₱-</b>	<b>₱2,682,452</b>	<b>₱5,069,527,722</b>

	31-Dec-22 (Audited)			Total
	Current (High grade)	More than 90 days (Standard grade)	Credit impaired	
<b>Financial assets:</b>				
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 asset	296,358,490	-	-	296,358,490
	<b>₱5,475,945,791</b>	<b>₱-</b>	<b>₱2,682,452</b>	<b>₱5,478,628,243</b>

\*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.

### 23. 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.
- 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.

30-Jun-23 (Unaudited)						
	Oil Production	Geothermal Energy	Solar Energy	Other Activities	Elimination	Consolidated
Segment revenue	₱275,612,626	₱543,053,424	₱477,844,531	₱-	₱-	₱1,296,510,581
Net income (loss)	16,788,339	185,640,891	279,933,929	108,577,507	331,424	591,272,091
Other comprehensive income (loss)	₱-	₱-	₱-	₱-	₱-	₱-
Other information:						
Segment assets except deferred tax assets	₱4,563,509,908	₱5,620,627,930	₱4,296,392,151	₱6,159,886,598	(₱2,823,419,774)	₱17,816,996,813
Deferred tax assets - net	₱6,539,828	₱1,809,192	₱2,896,947	₱-	₱-	₱ 11,245,967
Segment liabilities except deferred tax liabilities						
Deferred tax liabilities - net	₱ 1,214,781,997	₱2,123,871,721	₱1,284,615,141	₱276,367,519	₱(23,695,646)	₱4,875,940,732
Provision for (benefit from) income tax	₱898,143	₱16,901,850	₱11,455,602	₱ 242,073	₱-	₱29,497,668

31-Dec-2022 (Audited)						
	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						
Deferred tax liabilities - net	₱413,796,718	₱2,376,124,993	₱1,400,771,566	₱270,625,881	(₱18,823,341)	₱4,442,495,817
Provision for (benefit from) income tax	₱2,997,940	₱15,707,772	₱19,431,127	₱456,037	₱-	₱38,592,876

InterGroup investments, revenues and expenses are eliminated during consolidation.

## 24. Basic/Diluted Earnings Per Share

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

	Unaudited 30-Jun-2023	Unaudited 30-Jun-2022	Audited 31-Dec-2022
Net income attributable to equity holders of the Parent Company	₱277,570,119	₱355,186,683	₱548,523,247
Weighted average number of shares	568,711,842	568,711,842	568,711,842
Basic/diluted earnings per share	₱0.4881	₱0.6245	₱0.9645

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.

## 25. Non-controlling Interests

As of June 30, 2023 and December 31, 2022, the accumulated balances of and net income attributable to non-controlling interests are as follows:

	<b>Unaudited</b>	Audited
	<b>30-Jun-2023</b>	31-Dec-2022
<b>Accumulated balances of non-controlling interests:</b>		
PetroSolar	<b>₱1,326,456,541</b>	₱1,203,285,619
MGI	<b>1,224,497,891</b>	1,159,523,579
PetroGreen	<b>2,920,174,049</b>	1,600,211,911
	<b>₱5,471,128,481</b>	₱3,963,021,109
<b>Net income attributable to non-controlling interests:</b>		
PetroSolar	<b>₱123,170,929</b>	₱202,111,799
MGI	<b>64,974,312</b>	51,395,928
PetroGreen	<b>125,556,731</b>	61,046,054
	<b>₱313,701,972</b>	₱314,553,781

Dividends paid by PetroSolar, MGI and PetroGreen to non-controlling interests amounted to nil and ₱122.80 million as of June 30, 2023 and December 31, 2022, respectively.

### Increase in non-controlling interests from stock issuances

#### *PetroGreen*

##### December 31, 2022

In September 2022, PetroGreen, PetroEnergy and Kyuden International 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, upon completion of conditions precedent, PetroGreen will issue a total of 712,251,720 shares in two tranches in favor of Kyuden. The said shares represent 25% ownership interest in PetroGreen.

In October 2022, PetroGreen received from Kyuden the payment for the subscription amounting to ₱3.37 billion, which was maintained in an escrow fund 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 were 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 was 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 20).

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.

#### *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.

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## 26. Others

- a. The Interim Financial Report (June 30, 2023) is in compliance with generally accepted accounting principles.
- b. The same policies and methods of computation were followed in the preparation of the interim financial report compared to the December 31, 2021 Consolidated Audited Financial Statements.
- c. No unusual item or items affected the assets, liabilities, equity and cash flows of the June 30, 2023 Financial Statements.
- d. Earnings per share is presented in the face of the unaudited statements of income for the period ended June 30, 2023 and December 31, 2022.
- e. No significant events happened during the quarter that will affect the June 30, 2023 Unaudited Financial Statements.

- f. There are no seasonal aspects that had a material effect on the financial condition or results of operation of the Company.
- g. There is no foreseeable event that will trigger direct or contingent financial obligation that is material to the Company, including any default of accelerated obligation.
- h. There are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with other entities or persons that were created during the period.
- i. There are no changes in estimates of amounts reported in prior periods of the current financial year or changes in estimates of amounts reported in prior financial years that could have material effect in the current period.
- j. Our Company has no contingent liabilities or assets during the period.

## Item 2. Management’s Discussion and Analysis or Plan of Operation

### PART I – Management’s Discussion and Analysis (Amounts are in Philippine Peso (P))

#### 1. Consolidated Financial Position (June 30, 2023 and December 31, 2022)

	30-Jun-23	31-Dec-22	% Change	% of Total Assets
<b>ASSETS</b>				
Cash and cash equivalents	₱2,098,616,052	₱1,677,231,584	25.12%	11.77%
Short term investments	1,975,286,425	946,044,355	108.79%	11.08%
Restricted cash	141,225,736	2,063,387,986	-93.16%	0.79%
Receivables	483,623,244	452,192,649	6.95%	2.71%
Financial assets at fair value through profit and loss (FVTPL)	7,440,678	7,540,090	-1.32%	0.04%
Crude oil inventory	41,670,757	14,437,192	188.63%	0.23%
Contract Assets - current portion	11,089,550	21,949,016	-49.48%	0.06%
Other current assets	200,945,739	165,279,803	21.58%	1.13%
Property and equipment - net	8,123,164,322	8,196,897,057	-0.90%	45.56%
Deferred oil exploration costs	362,980,088	311,883,011	16.38%	2.04%
Contract assets - noncurrent portion	311,407,372	274,409,474	13.48%	1.75%
Investment in joint venture	2,762,491,085	1,877,522,983	47.13%	15.50%
Right-of-use assets	334,685,133	342,614,655	-2.31%	1.88%
Deferred tax assets-net	11,245,967	10,927,929	2.91%	0.06%
Investment properties-net	1,611,533	1,611,533	0.00%	0.01%
Other noncurrent assets	960,759,101	455,882,782	110.75%	5.39%
<b>TOTAL ASSETS</b>	<b>₱17,828,242,782</b>	<b>₱16,819,812,099</b>	<b>6.00%</b>	<b>100.00%</b>
<b>LIABILITIES AND EQUITY</b>				
Accounts payable and accrued expenses	451,647,913	551,463,206	-18.10%	2.53%
Loans payable - current	1,791,893,616	947,144,643	89.19%	10.05%
Lease liabilities - current	36,181,103	22,734,502	59.15%	0.20%
Income tax payable	14,354,021	5,995,154	139.43%	0.08%
Loans payable - net of current portion	2,218,137,944	2,530,784,409	-12.35%	12.44%
Lease liabilities - net of current portion	284,868,594	306,059,838	-6.92%	1.60%
Asset retirement obligation	69,309,055	66,230,330	4.65%	0.39%
Other noncurrent liability	9,548,486	12,077,639	-20.94%	0.05%
<b>TOTAL LIABILITIES</b>	<b>₱4,875,940,732</b>	<b>₱4,442,489,721</b>	<b>9.76%</b>	<b>27.35%</b>
<b>EQUITY</b>				
Attributable to equity holders of the Parent Company	7,481,173,569	6,763,246,278	10.62%	41.96%
Non-controlling interest	5,471,128,481	3,963,021,100	38.05%	30.69%
Deposit for future stock subscription	-	1,651,055,000	-100.00%	0.00%
<b>TOTAL EQUITY</b>	<b>₱12,952,302,050</b>	<b>₱12,377,322,378</b>	<b>4.65%</b>	<b>72.65%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱17,828,242,782</b>	<b>₱16,819,812,099</b>	<b>6.00%</b>	<b>100.00%</b>

**Total assets** amounted to ₱17.828 billion and ₱16.820 billion as of June 30, 2023 and December 31, 2022, respectively. Book value is at ₱13.16/share from ₱11.89/share.

**Cash and cash equivalents** consist of cash on hand, cash in banks and money market placements with original maturities of not more than three months. The 11.77% net increase from ₱1.677 billion as of December 31, 2022 to ₱2.099 billion as of June 30, 2023 is mainly due to collections from electricity sales and oil lifting proceeds, net of payments for loan principal, interest and working capital requirements for the period.

**Short term investments** with maturities of more than three months increased by 108.79% due to additional money market placements from the proceeds of the Second Final Closing of Kyuden International Corporation (Kyuden) share subscription on January 10, 2023.

**Restricted cash** decreased as a result of release of the escrow funds relating to Kyuden share subscription. Restricted cash pertaining to subsidiaries' debt service payment and reserve account also decreased due to payment of loans. In addition, the Parent Company's share in the escrow funds related to Etame Abandonment Fund has also been used for payment of FPSO decommissioning and Etame Field Asset Retirement Obligations.

The **Receivables** account mainly consists of receivables from electricity sales and lifting/sales of crude oil revenue, with interest income as minor component. The 6.95% increase is essentially attributable to higher interest receivable from short-term investments.

**Financial assets at fair value through profit and loss (FVTPL)** amounted to ₱7.441 million and ₱7.540 million as of June 30, 2023 and December 31, 2022, respectively. The market prices of the portfolio are maintained resulting in minimal change in the account.

**Crude oil inventory** increased due to higher number of barrels produced than the actual barrels lifted for the period resulting to a higher number of barrels left unsold of 445Kbbbls as of June 2023 as compared to 146Kbbbls as of December 2022.

**Contract Assets – current and noncurrent portion** pertains to PSC's receivable from TransCo on FIT arrears, which is currently recorded at net present value since this will be collected over five (5) years. PSC's collection started in 2022. The decrease in current portion is mainly due to the collection of FIT arrears adjustment for TSPP1 for the period. Noncurrent portion increased due to additional set-up of the FIT arrears adjustment for TSPP1 for the period.

**Other current assets** consist of supplies inventory, prepaid expenses, and other current assets. The bulk of the net increase of 21.58% is mainly due to prepayments for insurance, real property taxes and business permits to be amortized over the year.

**Property, plant and equipment (PPE)** amounted to ₱8.123 billion and ₱8.197 billion as of June 30, 2023 and December 31, 2022, respectively. The 0.90% net decrease is mainly due to the continuous depreciation of the Renewable Energy Power Plants, and other assets, and depletion of oil assets.

**Deferred oil exploration costs** increased by 16.38% resulting from the continuous development of the Gabon oil field.

**Investment in joint venture** refers to the 40.00% shareholdings in PWEI and investment in three newly incorporated special purpose vehicles namely: BuhaWind Energy Northern Luzon Corporation, BuhaWind Energy Northern Mindoro Corporation and BuhaWind Energy East Panay Corporation. Bulk of the 47.13% net increase from ₱1.878 billion to ₱2.762 billion pertains to additional investments for PWEI Nabas-2 Project and Group's share in net income generated by PWEI during the period.

**Right-of-use assets** – these resulted from the first time adoption of the new PFRS 16 – leases in 2019. Please refer to Note 14 of the Consolidated AFS. The 2.31% decline pertains to the amortization of the account during the period.

**Deferred tax assets – net** occurs due to timing differences in recognizing temporary deductible expenses and temporary taxable revenues such as accrued profit share, accretion expenses, accrued retirement

liability, provision for probable losses, unrealized gains or losses and change in crude oil inventory. As of June 30, 2023 and December 31, 2022, this amounted to ₱11.246 million and ₱10.928 million, respectively. The net increase pertains to movements of the temporary deductible expenses and temporary taxable revenues during the period.

**The Investment properties-net** account remains the same as of June 30, 2023.

**Other non-current assets** amounted to ₱960.759 million and ₱455.883 million as of June 30, 2023 and December 31, 2022, respectively. The 110.75% net increase is mainly due to the advances for the acquisition of EEIPC's existing shares in PWEI, PSC and PGEC. Additions to deferred development costs account related to the exploration, development, production and expansion of various renewable energy projects also contributed to the increase.

**Accounts payable and accrued expenses** decreased by 18.10% mainly due to accruals of payables to contractors and suppliers.

**Current portion of loan payable** increased by 89.19% is mainly due to loans availed by PERC from BPI in the amount of ₱400 million as downpayment for the acquisition of EEIPC's shares in PWEI, PGEC and PSC. PERC also availed additional loan for the full payment of PWEI shares and cash call payment of PWEI for Nabas-2. The over-all increase in loans payable is offset by principal payment of MGI and PSC.

**Loans payable – net of current portion** decreased by 12.35% due to reclassification to current account.

**Lease liabilities – current** increased is mainly due to the interest recognized during the period and reclassification from non-current account. While **Lease liabilities – net of current portion** decreased mainly due to reclassification to current account.

The increase in the **Income tax payable** account mainly pertains to additional set-up of provision during the period.

**Asset retirement obligation** amounted to ₱69.309 million and ₱66.230 million as of June 30, 2023 and December 31, 2022, respectively. The 4.65% increase mainly pertains to accretion made during the period.

**Other non-current liabilities** pertains to the Group's accrued retirement liability account. The net decrease of 20.94% is mainly due to payment for retirement funds during the period.

**Equity attributable to equity holders of the Parent Company** amounted to ₱7.481 billion or ₱13.16 book value per share and ₱6.763 billion or ₱11.89 book value per share, as of June 30, 2023 and December 31, 2022, respectively. Bulk of the increase is mainly due to equity reserve (excess of consideration over carrying value of NCI sold) related to Kyuden investment. The increase total Equity is mainly due to continuous income generation from the Renewable Energy Operations and Oil operations.

**Non-controlling interest** (NCI) pertains to the following:

- 7.50% share of EEIPC in PetroGreen as of June 30, 2023; 8.55% as of December 31, 2022;
- 25% share of Kyuden in PetroGreen as of June 30, 2023, 14.53% December 31, 2022;
- 25% direct share of Trans-Asia, the 10% direct share of PNOC-RC, and 21.125% (32.50% of the 65% of PGEC) total indirect share of Kyuden and EEIPC in MGI as of June 30, 2023; and
- 44% direct share of EEIPC, 18.2% (32.50% of 56% share of PGEC) total indirect share of Kyuden and EEIPC in PSC as of June 30, 2023.

Non-controlling interest increased by 38.05% from ₱3.963 billion to ₱5.471 billion due to additional stock issuance to Kyuden and accumulated share in net income from RE projects.

**Deposit for future stock subscription** as of December 31, 2022 pertains to the balance of the Kyuden's subscription amount after deducting the subject shares for the Initial Closing. This account was converted into shares after the completion of the Second Final Closing on January 10, 2023.

## 2. Consolidated Financial Performance (for the quarter ending June 30, 2023 and June 30, 2022)

	Unaudited		% Change	% to Total Revenues
	30-Jun-23	30-Jun-22		
<b>REVENUES</b>				
Electricity sales	482,494,711	439,633,595	9.75%	70.03%
Oil revenues	184,855,915	253,350,159	-27.04%	26.83%
Other revenues	21,584,142	9,879,387	118.48%	3.13%
	688,934,768	702,863,141	-1.98%	100.00%
<b>COST OF SALES</b>				
Cost of sales - Electricity	198,216,659	193,245,565	2.57%	28.77%
Cost of sales - Oil Production	113,144,080	110,405,796	2.48%	16.42%
Change in crude oil inventory	33,478,973	33,709,613	-0.68%	4.86%
Cost of sales - Others	21,295,429	9,819,945	116.86%	3.09%
	366,135,141	347,180,919	5.46%	53.15%
<b>GROSS INCOME</b>	322,799,627	355,682,222	-9.24%	46.85%
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	55,926,376	48,593,890	15.09%	8.12%
<b>OTHER INCOME (CHARGES)</b>				
Interest income	51,434,085	6,505,256	690.65%	7.47%
Net unrealized foreign exchange gain	2,032,280	9,220,573	-77.96%	0.29%
Net unrealized gain on fair value changes on financial assets at FVPL	294,932	(1,061,467)	-127.79%	0.04%
Interest expense	(73,762,003)	(72,073,928)	2.34%	-10.71%
Accretion expense	(1,829,888)	(872,410)	109.75%	-0.27%
Share in net income (loss) of joint venture	(6,082,136)	220,810	-2854.47%	-0.88%
Miscellaneous income (charges)	28,611,498	2,148,711	1231.57%	4.15%
	698,768	(55,912,455)	-101.25%	0.10%
<b>INCOME BEFORE INCOME TAX</b>	267,572,019	251,175,877	6.53%	38.84%
<b>PROVISION FOR INCOME TAX</b>	15,969,150	(2,194,433)	-827.71%	2.32%
<b>NET INCOME</b>	251,602,869	253,370,310	-0.70%	36.52%
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity Holders of the Parent Company	104,958,678	178,229,283	-41.11%	15.23%
Noncontrolling interest	146,644,191	75,141,027	95.16%	21.29%
<b>NET INCOME</b>	251,602,869	253,370,310	-0.70%	36.52%

The Group's consolidated net income amounted to ₱251.603 million and ₱253.370 million for the 2<sup>nd</sup> quarter ending June 30, 2023 and for the same period in 2022. While the consolidated net income attributable to equity holders of the Parent Company amounted to ₱104.959 million or ₱0.185 earnings

per share for the 2<sup>nd</sup> quarter 2023 as compared with ₱178.229 million or ₱0.313 earnings per share for the same period 2022.

The Group's consolidated net income for the quarter is maintained with the slight 0.70% decrease from the same period last year. The decline in oil revenue is cushioned by higher electricity sales and interest income for the period.

The consolidated net income attributable to equity holders of the Parent Company decreased by 41.11% mainly due to the decrease in average crude oil prices (from average \$113.39/bbl to average \$78.93/bbl).

### **Revenues:**

**Electricity sales** refer to the electricity power generation from MGPP and TSPP. The 9.75% net increase in second quarter 2022 figure versus that in second quarter 2023 is mainly due to higher generation as a result of hook-up of MB-18D to the system on November 10, 2022.

**Oil revenues** decreased by 27.04% from ₱253.350 million as of June 30, 2022 to ₱184.856 million in June 30, 2023 mainly due to the decline in crude oil price (from average \$113.39/bbl to average \$78.93/bbl).

**Other revenues** mainly pertain to pass-on IEMOP transactions and relocation charges related to SLEX TR4 construction.

### **Costs and Expenses:**

**Costs of electricity sales** pertain to the direct costs of generating electricity power including operating and maintenance costs (O&M) of all RE subsidiaries' power plants and MGI's fluid collection and reinjection system (FCRS), depreciation, and other costs directly attributed to producing electricity.

**Oil production operating expenses** increased by 2.48% mainly due to increase in personnel and fuel costs in Gabon Etame Operations and well workovers during the period.

Any oil produced but not delivered is recognized as crude oil inventory valued at its current crude oil price (net realizable value). The movement in crude oil inventory is presented as **Change in crude oil inventory**.

Change in crude oil inventory of ₱33.479 million and ₱33.710 million for the quarters ended June 30, 2023 and June 30, 2022 pertains to the decrease in the value of crude oil inventory reckoning from March 31, 2023 and March 31, 2022, respectively.

### **General and administrative expenses, Other Income (Charges) and Provision for (Benefit from) Income Tax:**

**General and administrative expenses (G&A)** increased by 15.09% mainly due to higher expenses incurred during the period related to documentary stamp taxes on loan availment and renewals.

Other income (charges) amounted to ₱0.699 million and (₱55.912 million) as of June 30, 2023 and June 30, 2022, respectively. Below presents the itemized discussion of offsetting changes in other income (charges) – net account.

- 690.65% increase in interest income due to higher short-term investments;
- Net unrealized forex gain of ₱2.032 million and ₱9.221 million for the 2<sup>nd</sup> quarter of 2023 and 2022, respectively due to conversion of USD accounts to Peso;

- upturn movement in the market value of the investments in FVPL, from net unrealized loss of ₱1.061 million to unrealized gain of ₱0.295 million;
- 2.34% increase in interest expense from ₱72.074 million to ₱73.762 million is mainly due to additional interest on new loans of PERC to fund the ongoing acquisition of EEIPC's interest in PWEI, PSC and PGEC, offset by the decline in subsidiaries' interest expense as a result of loan principal amortization;
- Downturn movement in share in net income (loss) of joint venture from ₱0.221 million net income to ₱6.082 million net loss mainly due to PWEI's lower wind speed and downtime of wind turbine generators.
- Increase in miscellaneous income is mainly due to MGI's reimbursement of revenue loss from San Miguel Corporation (SMC) due to plant shutdown from June 23 to 28, 2023 for the relocation of transmission line poles to give way to the ongoing construction of SLEX TR-4.

**Provision for (benefit from) income tax:**

Provision for income tax current pertains to PSC's tax payable - 5.00% provision for income tax under the PEZA incentives and for MGPP, 10% tax rate, after the income tax holiday (for the M1), which ended last February 8, 2021, as part of its BOI incentives under RE Law. This also includes 1% minimum corporate income tax due for PERC and PGEC. PERC recognized tax adjustments to recognize tax credits from its Net Operating Loss Carry Over (NOLCO) resulting to a negative provision balance as of June 2022.

**Net Income Attributable to Non-controlling interest (NCI)** is computed using the following equity holdings as of June 30, 2023 and June 30, 2022:

- 7.50% share of EEIPC in PetroGreen as of June 30, 2023; 10% as of June 30, 2022;
- 25% share of Kyuden in PetroGreen as of June 30, 2023, nil in June 30, 2022;
- 25% direct share of Trans-Asia, the 10% direct share of PNOC-RC, and 21.125% (32.50% of the 65% of PGEC) total indirect share of Kyuden and EEIPC in MGI as of June 30, 2023; and
- 44% direct share of EEIPC, 18.2% (32.50% of 56% share of PGEC) total indirect share of Kyuden and EEIPC in PSC as of June 30, 2023.

This amounted to ₱146.644 million and ₱75.141 million as of June 30, 2023 and same period 2022.

### 3. Consolidated Financial Position (June 30, 2023 and June 30, 2022)

	30-Jun-23	30-Jun-22	% Change	% in Total Assets
<b>ASSETS</b>				
Cash and cash equivalents	₱2,098,616,052	₱1,299,311,706	61.52%	11.77%
Short term investments	1,975,286,425	-	100.00%	11.08%
Restricted cash	141,225,736	415,597,752	-66.02%	0.79%
Receivables	483,623,244	533,570,885	-9.36%	2.71%
Financial assets at fair value through profit and loss (FVTPL)	7,440,678	6,975,308	6.67%	0.04%
Crude oil inventory	41,670,757	13,525,400	208.09%	0.23%
Contract Assets - current portion	11,089,550	6,576,615	68.62%	0.06%
Other current assets	200,945,739	283,377,094	-29.09%	1.13%
Property and equipment-net	8,123,164,322	7,969,197,649	1.93%	45.56%
Deferred oil exploration cost	362,980,088	224,098,952	61.97%	2.04%
Contract assets - net of current portion	311,407,372	256,130,345	21.58%	1.75%
Investment in joint venture	2,762,491,085	1,784,990,477	54.76%	15.50%
Right-of-use asset	334,685,133	351,417,875	-4.76%	1.88%
Deferred tax assets-net	11,245,967	12,811,186	-12.22%	0.06%
Investment properties-net	1,611,533	1,611,533	0.00%	0.01%
Other noncurrent assets	960,759,101	388,577,163	147.25%	5.39%
<b>TOTAL ASSETS</b>	<b>₱17,828,242,782</b>	<b>₱13,547,769,940</b>	<b>31.60%</b>	<b>100.00%</b>
<b>LIABILITIES AND EQUITY</b>				
Accounts payable and accrued expenses	451,647,913	494,054,071	-8.58%	2.53%
Loans payable - current	1,791,893,616	855,879,080	109.36%	10.05%
Lease liabilities - current	36,181,103	8,006,728	351.88%	0.20%
Income tax payable	14,354,021	7,820,053	83.55%	0.08%
Loans payable - net of current portion	2,218,137,944	2,926,517,757	-24.21%	12.44%
Lease liabilities - net of current portion	284,868,594	314,165,808	-9.33%	1.60%
Asset retirement obligation	69,309,055	97,634,552	-29.01%	0.39%
Other noncurrent liability	9,548,486	21,051,722	-54.64%	0.05%
<b>TOTAL LIABILITIES</b>	<b>4,875,940,732</b>	<b>4,725,129,771</b>	<b>3.19%</b>	<b>27.35%</b>
<b>EQUITY</b>				
Attributable to equity holders of the Parent Company	7,481,173,569	5,932,581,157	26.10%	41.96%
Non-controlling interest	5,471,128,481	2,890,059,012	89.31%	30.69%
<b>TOTAL EQUITY</b>	<b>12,952,302,050</b>	<b>8,822,640,169</b>	<b>46.81%</b>	<b>72.65%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱17,828,242,782</b>	<b>₱13,547,769,940</b>	<b>31.60%</b>	<b>100.00%</b>

**Total assets** amounted to ₱17.828 billion and ₱13.548 billion as of June 30, 2023 and June 30, 2022, respectively. Book value increased to ₱10.432/share from ₱13.155/share.

**Cash and cash equivalents** consist of cash on hand, cash in banks and money market placements with original maturities of not more than three months. The 61.52% net increase from ₱1.299 billion to ₱2.099 billion is mainly due to collections from electricity sales and oil lifting proceeds, net of payments for loan principal, interest and working capital requirements the period.

**Short term investments** with maturities of more than three months pertain to money market placements from the proceeds of the Second Final Closing of Kyuden's share subscription on January 10, 2023.

**Restricted cash** decreased due to the payment of loans taken from the debt service payment account.

The **Receivables** account mainly consists of receivables from electricity sales and lifting/sales of crude oil revenue. The 9.36% decrease is mainly due to lower receivables from Oil as a result of decline in global crude oil prices.

**Financial assets at fair value through profit and loss (FVPL)** increased by 6.67% from ₱6.975million to ₱7.441 million mainly due to decline in the market prices of the investment portfolio.

**Crude oil inventory** increased mainly due to higher number of barrels produced than the actual barrels lifted for the period resulting to a higher number of barrels left unsold of 445Kbbbls as of June 2023 as compared to 90Kbbbls as of June 2022.

**Contract Assets – current** increased mainly due to additional set-up of the FIT arrears during the period.

**Other current assets** consist of supplies inventory, prepaid expenses, and other current assets. The bulk of the 29.09% net decrease is mainly due to amortization of prepaid expenses and usage of supplies inventory for the period.

**Property, plant and equipment (PPE)** amounted to ₱8.123 billion and ₱7.969 billion as of June 30, 2023 and June 30, 2022, respectively. The 1.93% net increase is mainly due to the following:

- additional 4 new wells in the Gabon Etame Field;
- net impairment reversal of the oil assets (refer to Note 11 and 12 of the Consolidated AFS)

**Deferred oil exploration costs** amounted to ₱362.980 million and ₱224.099 million as of June 30, 2023 and June 30, 2022, respectively. The 61.97% net increase is due to Etame Reconfiguration Project related to the switch from old Floating Production Storage and Offloading (FPSO) vessel to new Floating Storage and Offloading (FSO) vessel .

**Contract assets net of current portion** pertains to PSC's receivable from TransCo on FIT arrears, which is currently recorded at net present value since this will be collected over five (5) years. PSC's collection started in 2022. The 21.58% increase mainly pertains to the additional set-up of the FIT arrears during the period.

**Investment in joint venture** refers to the 40.00% shareholdings in PWEI and investment in three newly incorporated special purpose vehicles namely: BuhaWind Energy Northern Luzon Corporation, BuhaWind Energy Northern Mindoro Corporation and BuhaWind Energy East Panay Corporation. Bulk of the 54.76% net increase from ₱1.785 billion to ₱2.762 billion pertains to additional investments for PWEI Nabas-2 Project. Movement in this account also includes share in net income generated by PWEI, net of dividends received during the period.

**Right-of-use asset** – this resulted from the first time adoption of the new PFRS 16 – leases in 2019. The 4.76% decline pertains to the amortization of the account during the period.

**The Investment properties-net** account remains the same as of June 30, 2023.

**Deferred tax assets – net** refers to temporary deductible expenses and temporary taxable revenues such as accrued profit share, accretion expenses, accrued retirement liability, provision for probable losses, unrealized gains or losses and change in crude oil inventory. The movement pertains to timing differences in the recognition of said temporary deductible expenses.

**Other non-current assets** amounted to ₱960.759 million and ₱388.577 million as of June 30, 2023 and same period 2022. The 147.25% increase is mainly due to the advances for the acquisition of EEIPC's existing shares in PWEI, PSC and PGEC. Additions to deferred development costs account related to the exploration, development, production and expansion of various renewable energy projects also contributed to the increase.

**Accounts payable and accrued expenses** decreased by 8.58% mainly due to payments of various payables and accrued expenses during the period.

**Current portion of loan payable** increased by 109.36% mainly due to loans availed by PERC from BPI in the amount of ₱400 million as downpayment for the acquisition of EEIPC's shares in PWEI, PGEC and PSC. PERC also availed additional loan for the full payment of PWEI shares and cash call payment of PWEI for Nabas-2. The over-all increase in loans payable is offset by principal payment of MGI and PSC. The said additional loan initially drawn from short term facility will be converted to long term loan in 2024.

**Loans payable – net of current portion** decreased by 24.21% due to reclassification to current account.

**Lease liabilities – current** increased is mainly due to the interest recognized during the period and reclassification from non-current account. While **Lease liabilities – net of current portion** decreased mainly due to reclassification to current account.

The increase in the **Income tax payable** account mainly due higher electricity sales and miscellaneous income subject to income tax.

**Asset retirement obligation** amounted to ₱69.309 million and ₱97.635 million as of June 30, 2023 and June 30, 2022, respectively. The 29.01% decline pertains to updated actuarial computations at year-end 2022.

**Other non-current liabilities** pertain to the Group's accrued retirement liability account. Net decrease of 54.64% is mainly due to remittance of funds to the retirement fund account during the period.

**Equity attributable to equity holders of the Parent Company** amounted to ₱7.481 billion or ₱13.16 book value share and ₱5.933 billion or ₱10.43 book value per share as of June 30, 2023 and June 30, 2022, respectively. Bulk of the increase is mainly due to equity reserve (excess of consideration over carrying value of NCI sold) related to Kyuden's investment. The increase is also due to the continuous income generation from the Renewable Energy Operations and Oil operations.

**Non-controlling interest** (NCI) pertains to the following:

- 7.50% share of EEIPC in PetroGreen as of June 30, 2023; 10% as of June 30, 2022;
- 25% share of Kyuden in PetroGreen as of June 30, 2023, nil in June 30, 2022;
- 25% direct share of Trans-Asia, the 10% direct share of PNOC-RC, and 21.125% (32.50% of the 65% of PGEC) total indirect share of Kyuden and EEIPC in MGI as of June 30, 2023; and
- 44% direct share of EEIPC, 18.2% (32.50% of 56% share of PGEC) total indirect share of Kyuden and EEIPC in PSC as of June 30, 2023.

Non-controlling interest increased by 89.31% from ₱2.890 billion to ₱5.471 billion due to investment of Kyuden and share in net income from RE projects.

**4. Consolidated Financial Performance (for the six months ending June 30, 2023 and June 30, 2022)**

	Unaudited (Six months ending)		% Change	% to Total Revenues
	30-Jun-23	30-Jun-22		
<b>REVENUES</b>				
Electricity sales	₱984,127,935	₱864,659,995	13.82%	75.91%
Oil revenues	275,612,626	405,966,627	-32.11%	21.26%
Other revenues	36,770,020	24,387,971	50.77%	2.84%
	1,296,510,581	1,295,014,593	0.12%	100.00%
<b>COST OF SALES</b>				
Cost of sales - Electricity	387,019,249	379,418,145	2.00%	29.85%
Cost of sales - Oil Production	216,139,634	197,348,453	9.52%	16.67%
Change in crude oil inventory	(28,145,357)	(908,724)	2997.24%	-2.17%
Cost of sales - Others	36,207,512	24,149,725	49.93%	2.79%
	611,221,038	600,007,599	1.87%	47.14%
<b>GROSS INCOME</b>	685,289,543	695,006,994	-1.40%	52.86%
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	98,137,484	86,396,662	13.59%	7.57%
<b>OTHER INCOME (CHARGES)</b>				
Interest income	101,623,147	9,275,750	995.58%	7.84%
Net unrealized foreign exchange gain (loss)	(1,316,389)	9,845,061	-113.37%	-0.10%
Net unrealized gain (loss) on fair value changes on financial assets at FVPL	(99,412)	(611,920)	-83.75%	-0.01%
Interest expense	(142,126,224)	(148,880,353)	-4.54%	-10.96%
Accretion expense	(3,629,045)	(1,729,190)	109.87%	-0.28%
Share in net income of joint venture	46,812,185	50,043,130	-6.46%	3.61%
Miscellaneous income (charges)	32,353,438	4,794,353	574.82%	2.50%
	33,617,700	(77,263,169)	-143.51%	2.59%
<b>INCOME BEFORE INCOME TAX</b>	620,769,759	531,347,163	16.83%	47.88%
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	29,497,669	25,504,396	15.66%	2.28%
<b>NET INCOME</b>	₱591,272,090	₱505,842,767	16.89%	45.60%
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity Holders of the Parent Company	277,570,118	355,186,683	-21.85%	21.41%
Noncontrolling interest	313,701,972	150,656,084	108.22%	24.20%
<b>NET INCOME</b>	₱591,272,090	₱505,842,767	16.89%	45.60%

**Revenues:**

**Electricity sales** refer to sales from electricity power generation of MGPP and TSPP. The 13.82% net increase is mainly due to the improved generation of the MGPP during the first half of 2023, compared to the same period last year when major plant preventive maintenance of its two geothermal generating units was conducted.

**Oil revenue** decreased by 32.11% from ₱405.967 million to ₱275.613 million as of June 30, 2023 and same period 2022, respectively mainly due to decline in average crude oil price of \$79.70/bbl as compared to \$111.26/bbl .

**Costs of electricity sales** pertain to the direct costs of generating electricity power including operating and maintenance costs (O&M) of power plant and fluid collection and reinjection system (FCRS), depreciation, and other costs directly attributed to producing electricity.

Increase in **oil production operating expenses** by 9.52% is mainly due to increase in personnel and fuel costs in Gabon Etame Operations and well workovers during the period.

The **change in crude oil inventory** resulted from the difference in the movements of the beginning and ending crude oil inventory.

The 13.59% increase in **general and administrative expenses (G&A)** is mainly due to higher expenses incurred during the period related to documentary stamp taxes on loan availment and renewals.

Below presents the itemized discussion of the changes in other income (charges):

- Increase in **interest income** of 995.58% is due to higher short-term investments ;
- Downturn **unrealized forex loss** from previous year's unrealized gain resulting from the fluctuations of the USD vs. Php;
- **Unrealized loss on fair value changes on FVPTL** due to market changes of prices of the stock investments;
- Decrease in **interest expense** of 4.54% is due to the installment payment of loan;
- Decrease in **share in net income of joint venture** of 6.46% due to the recording of provision for income tax versus same period last year wherein PWEI was still under the 7-year income tax holiday regime.
- Increase in **miscellaneous income** of 574.82% is mainly due to MGI's reimbursement of revenue loss from SMC due to plant shutdown from June 23 to 28, 2023 for the relocation of transmission line poles to give way to the ongoing construction of SLEX TR-4.

As of June 30, 2023 **net income attributed to the parent company** amounted to ₱277.570 million as compared with ₱355.187 million for the same period in 2022. The decrease of 21.85% is mainly due to the decline in average global crude oil price as compared with the same period last year..

### **Key performance indicators**

– refer to the Schedule of Financial Soundness Indicators

### **Material Commitments**

Aside from the committed developments of the prospective projects, there are no other foreseen material commitments during the period.

### **Productivity Program**

The development of the prospective renewable energy projects will increase the Group's capacity and power generation, while the prospective four-well drilling program in Gabon Etame, aimed to sustain field production to above 20,000 BOPD.

### **Receivable Management**

The group's receivables are mainly due from sale of electricity to AC Energy and Transco and crude oil in

Etame Gabon, through the consortium operator. These are being recorded once sale is made. Payment is received every 30-45 days following each sale.

For electricity sales from TSPP and NWPP, the payment for the Actual FIT Revenue is sourced from the FIT-All Fund, specifically the Actual FIT Differential (FD) and the Actual Cost Recovery Revenue (ACRR). The FD is the difference between the Actual FIT Revenue and the ACRR and is collected from on-grid consumers as a uniform charge and applied to all billed kilowatt-hours. For FIT-Eligible RE Plants connected to the Wholesale Electricity Spot Market (“WESM”), the ACRR refers to the WESM proceeds remitted to the FIT-All Fund by the Independent Electricity Market Operator of the Philippines, Inc. (“IEMOP”), which took over the Philippine Electricity Market Corporation (“PEMC”) as operator of the electricity spot market. PWEI and PSC regularly receive the both the ACRR and FD components within 45 days after billing date.

PWEI and PSC manage this risk through proper and meticulous allocation of funds, proper timing of expenditures, employment of cost-cutting measures, and sourcing short-term funding requirements from local banks and investment houses or from affiliated companies.

For the twenty-one (21) years since oil production inception, there was no event that the buyer failed to remit the proceeds of the sale. However, the group is willing to look for another buyer should there be some problem that may happen in the future.

#### **Liquidity Management**

Management of liquidity requires a flow and stock perspective. Constraint such as political environment, taxation, foreign exchange, interest rates and other environmental factors can impose significant restrictions on firms in management of their financial liquidity.

The Group considers the above factors and pays special attention to its cash flow management. The Company identifies all its cash requirements for a certain period and invests unrestricted funds to money market placements to maximize interest earnings.

The Group does not anticipate any cash flow or liquidity problems within the next twelve (12) months. The Group is not in default of any, note, loan, lease, or other indebtedness or financing arrangement requiring it to make payments.

#### **Inventory Management**

The only inventory is the crude oil produced in Gabon. The buyer lifts certain volume and pays the same in 30 days. The operator sees to it that crude oil inventory does not reach 800,000 barrels at any one time to avoid overflow and to generate revenues to cover production costs.

#### **Cost Reduction Efforts**

In order to reduce costs, the Group employs a total of one hundred forty-one (141) employees with multi-task assignments. The group also implements request for quotations to compare prices, quality of the products and services and negotiate the payment terms.

The Company’s general and administrative expense is equivalent to 7.57% of the total revenue.

#### **Rate of Return of Each Stockholder**

The Company has no existing dividend policy. However, the Company intends to declare dividends in the future in accordance with the Corporation Code of the Philippines. Dividend declared for three (3) most recent years follows:

Date of Declaration	Dividends per Share		Record Date	Payment Date
	Cash	Stock		
July 04, 2013	5%		July 25, 2013	August 20, 2013
July 26, 2018	5%		August 24, 2018	September 20, 2018
July 28, 2022	5%		August 15, 2022	September 8, 2022

**Financial Disclosures in view of the current global financial condition:**

The Group Assess the financial risks exposures of the Company and its subsidiaries particularly on currency, interest credit, and market and liquidity risks. If any change thereof would materially affect the financial condition and results of operation of the Company, provide a discussion in the report on quantitative impact or such risks and include a description of enhancement in the company’s risk management policies to address the same:

The Group’s principal financial instruments include cash and cash equivalents, trading and investment securities (financial assets at FVPL) and receivables. The main purpose of these financial instruments is to fund the Company’s working capital requirements.

**Financial Risk Management Objectives and Policies.**

Please refer to Note 22.

**Operations Review and Business Outlook**

**A. OIL EXPLORATION**

**Foreign Operations**

**Gabon, West Africa**

The daily oil production of the four oil fields (Ebouri, Etame, North Tchibala and Avouma) for the 2nd quarter ranged from 14,852 to 19,212 barrels of oil per day (BOPD). The fluctuations in the daily production were due to the following: 1) genset trips at Avouma Platform in April, 2) temporary shutdowns of the Etame Platform in May, and 3) HH level signals at the SEENT Platform in June.

The total cargo lifted by the Consortium for the 2<sup>nd</sup> Quarter of 2023 amounted to 1.8 million barrels of oil (MMBO). To date, the Etame Marin Field has already produced ~133 MMBO since inception in 2002.

**Philippine Operations**

**Service Contract 14C2 – West Linapacan, Northwest Palawan**

SC 14C2 consortium approved to unitize SC 14C2 with SC 6B contingent on the DOE’s Memorandum Circular set to release by end of July.

**Service Contract 75 – Offshore Northwest Palawan**

The SC 75 consortium submitted the 2023 Work Program and Budget on 21 December 2022 in which activities are subject to the lifting of force majeure by DOE; evaluation is ongoing.

Summary of Petroleum Properties:

Contract No.	Contract Expiry	Participating Interest %	Location
<b>Foreign Contract</b>			
Production Sharing Contract (PSC) 93 – Gabon	2028	2.525%	Gabon Offshore
<b>Philippine Service Contracts (SC)</b>			
SC 14C2 – West Linapacan, Northwest Palawan	2025	4.137%	Northwest Palawan
SC 75 – Offshore Northwest Palawan	2025	15.000%	Northwest Palawan

The Company derives its petroleum revenues from its Gabon Operations. All contractual obligations with the Gabonese Government are complied with. One of the Company’s petroleum Service Contracts in the Philippines (SC 75) is in exploration stage, and one (SC 14C2) contract is being farmed out to reduce risk inherent to the business.

## **B. RENEWABLE ENERGY PROJECTS**

### **Maibarara Geothermal Power Project**

The 20-MW Maibarara-1 (MGPP-1) and 12-MW Maibarara-2 (MGPP-2) Geothermal Power Plants are on continuous operations. From April 1 to June 30, 2023, the combined net exported output is 60,852.12 MWh (38,077.37 MWh from MGPP-1 and 22,774.75 MWh from MGPP-2). Temporary decrease in production was due to the planned shutdown of both plants brought by the SLEX-TR4 project of San Miguel Corporation (SMC).

### **Nabas Wind Power Project**

The 36-MW Nabas-1 Wind Power Plant (NWPP-1) of PetroWind Energy, Inc. (PWEI) experienced several WTG problems due to damage of some internal components and blades. During the period of April 1 – June 30, 2023, the total net energy exported to the grid only reached 10,951.57 MWh.

For the 13.2-MW Nabas-2 Wind Power Project (NWPP-2), construction commenced on January 13, 2023. As of June 30, 2023, the temporary landing pad (TLP) has been completed while the conduct of Main Balance-of-Plant (BOP) works are ongoing. Within the same quarter, PWEI was also able to secure approval of Tree-Balling and Tree-Cutting Permits for the areas covered by the Nabas-2 development. The WTG blades have also arrived at Iloilo Port and have been unloaded.

On January 18, 2023, PWEI filed an Application for Authority to Develop, Own and/or Operate the Dedicated Point-to Point Transmission Facilities to Connect the NWPP-2 to the NGCP’s Transmission Line. PWEI is still awaiting the ERC’s approval of the said application.

### **Tarlac Solar Power Project**

The 50-MW<sub>DC</sub> Tarlac-1 (TSPP-1) and 20-MW<sub>DC</sub> Tarlac-2 (TSPP-2) Solar Power Plants are on continuous operations. The combined net exported output for the second quarter is 27,438.31 MWh (19,284.17 MWh from TSPP-1 and 8,154.14 MWh from TSPP-2).

### **Puerto Princesa Solar Power Project**

The Department of Energy (DOE) has relieved PGEC of its work commitments for the Puerto Princesa Solar Power Project under Solar Energy Service Contract (SESC) No. 2017-01-360.

### **San Vicente Wind Power Project**

The Distribution Impact Study (DIS) has been submitted to PALECO and is currently undergoing technical evaluation. As for offtake, PGEC is exploring multiple agreement options. One of these is joining the planned Competitive Selection Process (CSP) of PALECO later this year. While waiting for the bidding guidelines, PGEC is working on the project costs in order to estimate the most likely CSP bid price.

### **Bugallon Solar Power Project**

PGEC won the bid for its 18.560 MWac Bugallon SPP during the second round of the Green Energy Auction (GEA-2). At present, PGEC is currently in negotiations with an EPC contractor.

As for the project's connection, the local DU, CENPELCO, endorsed the Distribution Impact Study to NEA last February 16, 2023 and PGEC is waiting for its approval.

### **Dagohoy Solar Power Project**

Site development works is ongoing and expected to be completed by last week of August 2023. Parallel to this and while waiting for the NGCP approval of the System Impact Study (SIS) which was submitted last May 19, the Facility Study (FS) is being prepared by a third-party consultant.

### **San Pablo Solar Power Project**

PGEC and BKS Green Energy Corp. are scheduled to execute the Share Purchase Agreement and Deed Absolute Sale covering 100% shares of BKS by July. PGEC successfully won the bid for its 28.000 MWac San Pablo SPP-Phase 2 during the second round of the Green Energy 2 Auction (GEA-2). PGEC is currently in the final stages of selecting a potential EPC contractor.

### **San Jose Solar Power Project**

Documentary requirements for the transfer/assignment of the San Jose Solar Service Contract from VMARS Solar Energy Corporation to PetroGreen Energy Corp. has been submitted to the Department of Energy through the Energy Virtual One Shared System or the "EVOSS" on June 27, 2023. PGEC is currently waiting for DOE's approval.

### **Offshore Wind Power Projects**

BuhaWind Energy Philippines (BEP), a joint venture partnership of PGEC and Copenhagen Energy, was invited to several meetings with officials of the Department of Energy and Department of Transportation to discuss high-level port requirements focusing on the ports for the Northern Luzon Offshore Wind Power Project. At present, BEP is in talks with third-party service providers for its wind measurement campaign, environmental permitting and SIS applications.

## **Plan of Operations for the next 12 months**

### Gabon, West Africa

Crude oil production will continue from existing wells as the Gabon Consortium is currently firming up the most feasible Integrated Field Development Plan (IFDP) to extract the remaining recoverable oil volumes.

### SC 14C2 - West Linapacan, Northwest Palawan

Operator Philodrill will conduct further G&G activities to validate the feasibility of extracting the remaining recoverable volumes in West Linapacan.

### SC 75 - Offshore Northwest Palawan

Exploration activities have been suspended due to the force majeure imposed by the Department of Energy. Remaining project commitments would be implemented upon the lifting of force majeure by the agency.

### Maibarara Geothermal Power Project

Power generation from both Maibarara-1 and Maibarara-2 will continue.

### Nabas Wind Power Project

The plant will be in continuous operation, while construction of the six WTGs for Phase 2 will continue.

### Tarlac Solar Power Project

TSPP-1 and TSPP-2 will continue to supply electricity to the grid.

### Enrique T. Yuchengco Bldg. Rooftop Solar Power Project (ETY)

The ETY rooftop solar facility will continue to supply electricity to the ETY building.

### San Vicente Wind Power Project

PGEC will continue with initial feasibility studies for the SVWHPP consisting of: 1) Two-year wind measurement campaign, 2) LGU and regulatory permitting works, and 3) technical and economic feasibility works for a potential wind-hybrid system in San Vicente. Moreover, PGEC plans to participate in Competitive Selection Process (CSP) of PALECO later this year.

### Bugallon Solar Power Project

PGEC to await NEA approval of the DIS for the BSPP, prior to proceeding with final negotiations for the construction contracts.

### Dagohoy Solar Power Project

Early site development works will continue for the DSPP site while PGEC awaits the completion of the System Impact Study.

### San Pablo Solar Power Project

PGEC to award contract to EPC provider, and afterwards proceed to the conduct of early site development works.

### San Jose Solar Power Project

PGEC to continue the selection process for an EPC contractor. After which, PGEC will proceed to early site development works.

### Offshore Wind Power Projects

PGEC and CE will continue with the pre-development Work Programs for the three (3) offshore wind blocks, namely 1) on-site wind measurement campaigns, 2) geophysical and geotechnical campaigns, 3) environmental permitting works, and 4) SIS applications for Northern Mindoro and East Panay blocks.

**PART II – Other Information**

The Company has no other information that need to be disclosed other than disclosures made under SEC Form 17-C (if any).

**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON**  
**REVISED SRC RULE 68**  
**JUNE 30, 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 and loss securities amounting to ₱7.44 million do not constitute 5% or more of the total current assets of the Group as of June 30, 2023.

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

As of June 30, 2023, there are no amounts receivable from directors, officers, employees, related parties and principal stockholders that aggregates each to more than ₱100,000 or 1% of total assets which-ever 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 June 30, 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	₱1,607,511	₱805,868	₱-	₱-	₱1,128,087
Maibarara Geothermal, Inc.	924,276	1,302,665	1,713,158	-	-	513,783
PetroSolar Corporation	239,807	1,936,920	1,414,613	-	-	762,114
	₱1,490,527	₱4,847,096	3,933,640	₱-	₱-	₱2,403,984

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 (Long-Term Loans from Related Companies)

The Group has no outstanding long-term indebtedness to related parties as of June 30, 2023.

Schedule F. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of June 30, 2023.

Schedule G. Capital Stock

<u>Title of issue</u>	<u>Number of shares authorized</u>	<u>Number of shares issued and outstanding as shown under related balance sheet caption</u>	<u>Number of Shares reserved for options, warrants, conversion and other rights</u>	<u>Number of shares held by related parties</u>	<u>Directors, Officers and Employees</u>	<u>Others</u>
Common Shares	700,000,000	568,711,842	–	165,468,725	6,029,534	397,213,583

**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**AS OF JUNE 30, 2023, JUNE 30, 2022 and DECEMBER 31, 2022**

*Financial Soundness Indicators*

Below are the financial ratios that are relevant to the Group for the period ended June 30, 2023, June 30, 2022 and December 31, 2022:

<b>Financial ratios</b>	<b>Formula</b>	<b>Unaudited 30-Jun-2023</b>	<b>Unaudited 30-Jun-2022</b>	<b>Audited 31-Dec-2022</b>
Current ratio	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$	<b>2.16:1</b>	<b>1.87:1</b>	<b>3:50:1</b>
Solvency ratio	$\frac{\text{After tax net profit + depreciation}}{\text{Long-term + short-term liabilities}}$	<b>0.12:1</b>	<b>0.17:1</b>	<b>0.32:1</b>
Debt-to-Equity Ratio	$\frac{\text{Total liabilities}}{\text{Total stockholder's equity}}$	<b>0.38:1</b>	<b>0.54:1</b>	<b>0.36:1</b>
Asset-to-Equity Ratio	$\frac{\text{Total assets}}{\text{Total stockholder's equity}}$	<b>1.38:1</b>	<b>1.54:1</b>	<b>1.36:1</b>
Interest rate coverage ratios	$\frac{\text{Earnings before interest and taxes (EBIT)}}{\text{Interest expense*}}$	<b>5.37:1</b>	<b>4.57:1</b>	<b>4.05:1</b>
Return on revenue	$\frac{\text{Net income}}{\text{Total revenue}}$	<b>45.57%</b>	<b>45.66%</b>	<b>33.83%</b>
Earnings per share	$\frac{\text{Net income}}{\text{Weighted average no. of shares}}$	<b>₱0.4881</b>	<b>₱0.6246</b>	<b>₱0.9645</b>
Price Earnings Ratio	$\frac{\text{Closing price}}{\text{Earnings per share}}$	<b>₱9.94</b>	<b>₱7.75</b>	<b>₱4.98</b>
Long term debt-to-equity ratio	$\frac{\text{Long term debt}}{\text{Equity}}$	<b>0.20:1</b>	<b>0.42:1</b>	<b>0.24:1</b>
EBITDA to total interest paid	$\frac{\text{EBITDA**}}{\text{Total interest paid}}$	<b>7.84</b>	<b>24.65</b>	<b>4.94</b>

\*Interest expense is capitalized as part of the construction-in-progress account under PPE.

\*\*Earnings before interest, taxes, depreciation and amortization (EBITDA)

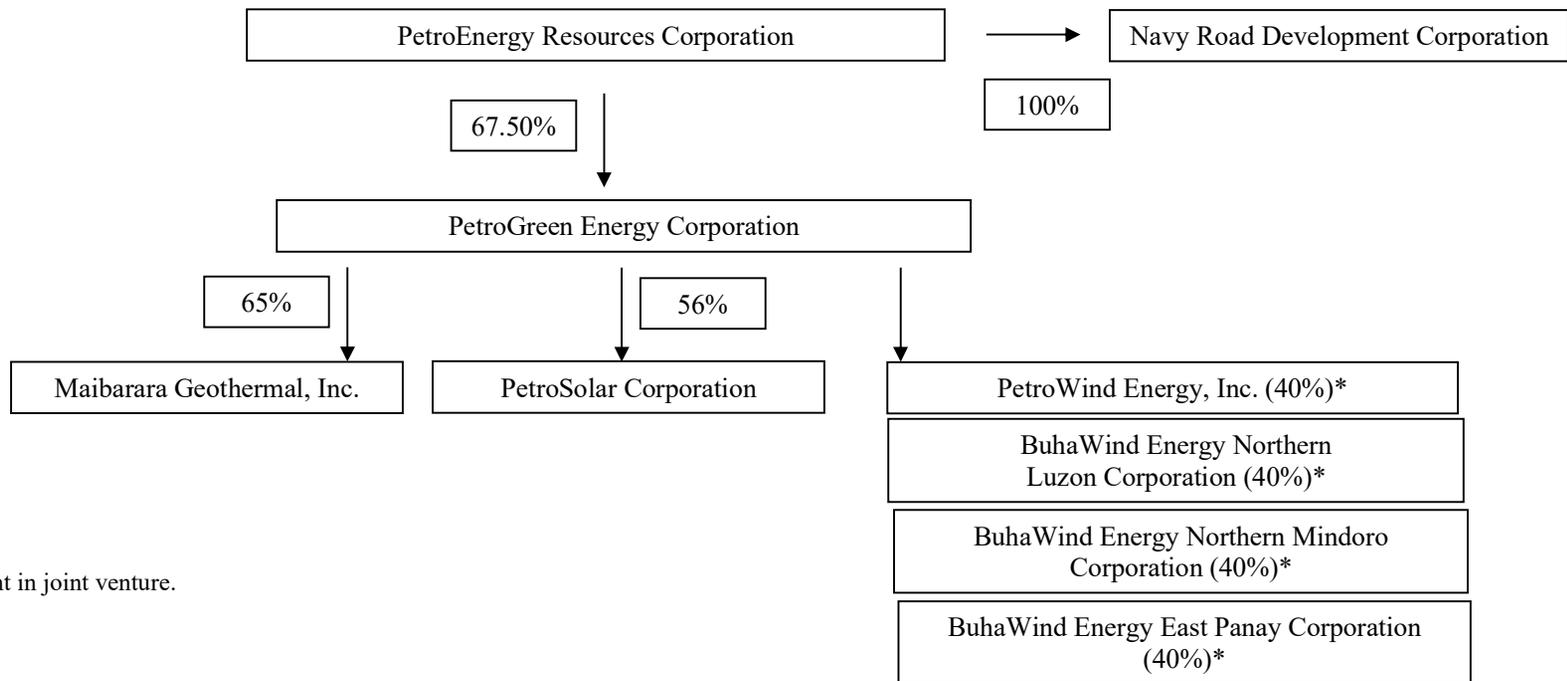
**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP**

*Group Structure*

Below is a map showing the relationship between and among the Group and its subsidiaries as of June 30, 2023:

**PETROENERGY RESOURCES CORPORATION**

**GROUP STRUCTURE**



\*Investment in joint venture.

**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR**  
**DIVIDEND DECLARATION**  
**JUNE 30, 2023**

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Unappropriated retained earnings, beginning	₱251,413,711
Prior year adjustments:	
Recognized gross deferred income tax assets, beginning	(14,734,652)
Unrealized marked-to-market gain on FVTPL	(4,136,777)
<hr/>	<hr/>
Unappropriated retained earnings, as adjusted, January 1, 2022	232,542,282
Net income for the year	16,788,339
Movement in gross deferred tax assets	–
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	1,600,038
Fair value adjustment - marked-to-market loss	99,412
<hr/>	<hr/>
Net income actual/realized	18,487,789
Less dividend declaration	–
<hr/>	<hr/>
<b>TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, JUNE 30, 2023</b>	<b>₱251,030,071</b>
<hr/>	<hr/>

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on behalf of the undersigned thereunto duly authorized.

Registrant : **PETROENERGY RESOURCES CORPORATION**

Signature and Title :  Milagros V. Reyes - President

Signature and Title :  Maria Cecilia L. Diaz De Rivera – Chief Finance Officer 

Date : August 14, 2023