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

From: PetroEnergy Corporate Affairs <corpaffairs@petroenergy.com.ph>
Sent: November 13, 2023 12:01 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_3rd Quarter 2023_13November2023

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent: Monday, November 13, 2023 12:01:15 PM (UTC+08:00) Kuala Lumpur, Singapore
To: PetroEnergy Corporate Affairs
Subject: Re: CGFD_PetroEnergy Resources Corporation_SEC Form 17-Q_3rd Quarter 2023_13November2023

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Thank you for reaching out to ictdsubmission@sec.gov.ph!

Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at <https://secexpress.ph/>. For further clarifications, please call (02) 8737-8888.

----- NOTICE TO
COMPANIES -----

Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

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

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

COVER SHEET

A	S	O	9	4	-	0	8	8	8	0
---	---	---	---	---	---	---	---	---	---	---

SEC Registration Number

P	E	T	R	O	E	N	E	R	G	Y	R	E	S	O	U	R	C	E	S	C	O	R	P	O	R	A	T	I	O	N
A	N	D	S	U	B	S	I	D	I	A	R	I	E	S																

(Company's Full Name)

7	T	H	F	L	O	O	R	J	M	T	B	U	I	L	D	I	N	G											
A	D	B	A	V	E	N	U	E	O	R	T	I	G	A	S	C	E	N	T	E	R								
P	A	S	I	G	C	I	T	Y																					

(Business Address: No. Street City/Town/Province)

Maria Cecilia L. Diaz De Rivera (Contact Person)	8637-2917 (Company Telephone Number)												
Third Quarter													
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">1</td><td style="width: 10%;">2</td><td style="width: 10%;">3</td><td style="width: 10%;">1</td> <td style="width: 10%;">1</td><td style="width: 10%;">7</td><td style="width: 10%;">-</td><td style="width: 10%;">Q</td> <td style="width: 10%;">0</td><td style="width: 10%;">7</td><td style="width: 10%;">2</td><td style="width: 10%;">7</td> </tr> </table>	1	2	3	1	1	7	-	Q	0	7	2	7	
1	2	3	1	1	7	-	Q	0	7	2	7		
<i>Month</i> <i>Day</i> (Fiscal Year)	<i>Month</i> <i>Day</i> (Annual Meeting)												

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

<input style="width: 100%; height: 20px;" type="text"/> Domestic	<input style="width: 100%; height: 20px;" type="text"/> Foreign
---	--

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

**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 September 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. 7th 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 = ₱9,114,628,202	
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

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

1. Consolidated Statements of Financial Position As of September 30, 2023, September 30, 2022 and December 31, 2022	4
2. Consolidated Statements of Income For the quarter ended September 30, 2023, September 30, 2022	5-6
3. Consolidated Statements of Comprehensive Income For the quarter ended September 30, 2023, September 30, 2022	6
4. Consolidated Statement of Changes in Equity As of September 30, 2023, September 30, 2022, and December 31, 2022	7
5. Consolidated Statement of Cash flows As of September 30, 2023, September 30, 2022, and December 31, 2022	8
6. Notes to Unaudited Financial Statements	9 - 63

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

1. Financial Position – September 30, 2023 and December 31, 2022	64 - 67
2. Results of Operations – For the quarter ended September 30, 2023, September 30, 2022	67 - 69
3. Financial Position – September 30, 2023, September 30, 2022	70 - 72
4. Results of Operations – For the nine months ending September 30, 2023 and September 30, 2022	73 - 74
5. Key performance indicators	74 - 75
6. Discussion of Indicators of the Company’s Level of Performance	76
7. Disclosure in view of the current global financial crisis	76
8. Operations review and business outlook	76 - 79

PART II OTHER INFORMATION 79

OTHER SUPPLEMENTARY SCHEDULES

Supplementary Information and disclosures required on SRC Rule 68	80 - 81
Schedule of Financial Soundness Indicators	82
Map of relationships of companies within the group	83
Reconciliation of Retained Earnings Available for Dividend Declaration	84

SIGNATURES 85

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

	Unaudited	Unaudited	Audited
	30-Sep-23	30-Sep-22	31-Dec-22
ASSETS			
Current Assets			
Cash and cash equivalents (Note 6)	₱2,518,239,904	₱1,245,508,933	₱1,677,231,584
Short - term investments (Note 6)	1,975,286,425	-	946,044,355
Restricted cash (Note 7)	371,542,980	-	2,063,387,986
Receivables (Note 8)	574,882,254	502,319,025	452,192,649
Financial assets at fair value through profit and loss (FVTPL) (Note 9)	7,037,397	7,220,460	7,540,090
Contract Assets - current portion (Note 10)	26,422,376	6,266,304	21,949,016
Crude oil inventory	75,279,157	29,922,480	14,437,192
Other current assets (Note 11)	266,524,999	803,248,477	165,279,803
Total Current Assets	5,815,215,492	2,594,485,679	5,348,062,675
Noncurrent Assets			
Property and equipment - net (Notes 5 and 12)	11,949,585,966	8,025,167,556	8,196,897,057
Deferred oil exploration costs (Note 13)	387,691,356	289,219,058	311,883,011
Contract assets - net of current portion	690,198,062	272,075,874	274,409,474
Investment in a joint venture (Notes 3 and 14)	81,182,000	1,776,863,900	1,877,522,983
Right-of-use of assets (Note 15)	328,789,798	348,659,666	342,614,655
Deferred tax assets - net	18,054,287	13,105,508	10,927,929
Investment properties - net (Note 16)	1,611,533	1,611,533	1,611,533
Other noncurrent assets (Note 17)	1,549,606,474	454,310,191	455,882,782
Total Noncurrent Assets	15,006,719,476	11,181,013,286	11,471,749,424
TOTAL ASSETS	₱20,821,934,968	₱13,775,498,965	₱16,819,812,099
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 18)	641,431,360	619,113,739	551,463,206
Loans payable - current (Note 19)	3,709,729,345	855,879,080	947,144,643
Lease liabilities - current (Note 15)	42,840,017	16,142,767	22,734,502
Income tax payable	8,683,375	9,523,416	5,995,154
Total Current Liabilities	4,402,684,097	1,500,659,002	1,527,337,505
Noncurrent Liabilities			
Loans payable - net of current portion (Note 19)	4,303,502,612	2,930,859,304	2,530,784,409
Lease liabilities - net of current portion (Note 15)	284,868,594	306,059,838	306,059,838
Asset retirement obligation (Note 20)	111,015,823	103,528,840	66,230,330
Deferred tax liability - net	252,050	-	-
Other noncurrent liability	12,305,026	16,979,453	12,077,639
Total Noncurrent Liabilities	4,711,944,105	3,357,427,435	2,915,152,216
Total Liabilities	9,114,628,202	4,858,086,437	4,442,489,721
Equity			
Attributable to equity holders of the Parent Company			
Capital stock (Note 21)	568,711,842	568,711,842	568,711,842
Additional paid- in capital (Note 21)	2,156,679,049	2,156,679,049	2,156,679,049
Retained earnings	2,325,028,661	3,100,306,885	3,182,613,298
Equity reserve (Note 21)	902,624,778	80,049,238	736,716,986
Remeasurement loss on defined benefit obligation	4,138,195	(4,453,613)	4,104,237
Share in other comprehensive income of a Joint Venture	-	(617,375)	(78,815)
Cumulative translation adjustment	114,499,681	114,499,681	114,499,681
	6,071,682,206	6,015,175,707	6,763,246,278
Noncontrolling interest	5,635,624,560	2,902,236,821	3,963,021,100
Deposit for future stock subscription	-	-	1,651,055,000
Total Equity	11,707,306,766	8,917,412,528	12,377,322,378
TOTAL LIABILITIES AND EQUITY	₱20,821,934,968	₱13,775,498,965	₱16,819,812,099

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Philippine Peso)

	Unaudited			
	30-Sep-23		30-Sep-22	
	For the 3rd Quarter	To date	For the 3rd Quarter	To date
REVENUES				
Electricity sales (Note 4)	₱701,370,449	₱1,685,498,384	₱396,269,219	₱1,260,929,214
Oil revenues (Note 4)	137,702,553	413,315,179	170,041,953	576,008,580
Other revenues	23,551,456	60,321,476	55,124,283	79,512,254
	862,624,458	2,159,135,039	621,435,455	1,916,450,048
COST OF SALES				
Cost of sales - Electricity (Notes 4,8 and 22)	395,921,539	782,940,788	182,988,292	562,406,437
Cost of sales - Oil Production (Note 4)	103,612,139	319,751,773	117,806,202	315,154,655
Change in crude oil inventory (Note 4)	(32,696,608)	(60,841,965)	(16,397,080)	(17,305,804)
Cost of sales - Others	23,160,976	59,368,488	53,632,254	77,781,979
	489,998,046	1,101,219,084	338,029,668	938,037,267
GROSS INCOME	372,626,412	1,057,915,955	283,405,787	978,412,781
GENERAL AND ADMINISTRATIVE EXPENSES	66,621,031	164,758,515	44,865,870	131,262,532
OTHER INCOME (CHARGES)				
Interest expense (Notes 14 and 19)	(99,319,524)	(241,445,748)	(75,330,271)	(224,210,624)
Share in net income of a Joint Venture (Notes 4 and 13)	3,926,512	50,738,697	(8,126,577)	41,916,553
Interest income (Notes 4,6,7 and 8)	62,484,122	164,107,269	8,176,570	17,452,320
Net unrealized foreign exchange gain (loss)	(1,213,634)	(2,530,023)	11,838,646	21,683,707
Accretion expense (Note 20)	(2,347,413)	(5,976,458)	(1,037,736)	(2,766,926)
Net unrealized gain (loss) on fair value changes on financial assets at FVPL (Notes 4 and 9)	(403,280)	(502,692)	245,152	(366,768)
Miscellaneous income (Note 4)	30,472,746	62,826,184	8,219,279	13,013,632
	(6,400,471)	27,217,229	(56,014,937)	(133,278,106)
INCOME BEFORE INCOME TAX	299,604,910	920,374,669	182,524,980	713,872,143
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)	16,908,046	46,405,715	11,317,029	36,821,425
NET INCOME	₱282,696,864	₱873,968,954	₱171,207,951	₱677,050,718
NET INCOME ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	167,951,484	445,521,602	111,030,142	466,216,825
Noncontrolling interest - IS	114,745,380	428,447,352	60,177,809	210,833,893
NET INCOME	₱282,696,864	₱873,968,954	₱171,207,951	₱677,050,718
EARNINGS PER SHARE FOR NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY- BASIC AND DILUTED	0.2953	0.7834	0.1952	0.8198

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

	Unaudited			
	30-Sep-23			30-Sep-22
	For the 3rd Quarter	To date	For the 3rd Quarter	To date
NET INCOME	₱282,696,864	₱873,968,954	₱171,207,951	₱677,050,718
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Item to be reclassified to profit or loss in subsequent periods</i>				
Movements in cumulative translation adjustment - net of tax	-	-	-	-
<i>Item not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement gains on net accrued retirement liability - net of tax	-	-	232,742	232,742
Share in other comprehensive income of a joint venture				
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)			232,742	232,742
TOTAL COMPREHENSIVE INCOME	₱282,696,864	₱873,968,954	₱171,440,693	₱677,283,460
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	150,726,181	428,296,299	111,147,443	466,334,126
Noncontrolling interest - IS	131,970,683	445,672,655	60,293,250	210,949,334
TOTAL COMPREHENSIVE INCOME	₱282,696,864	₱873,968,954	₱171,440,693	₱677,283,460

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

		Unaudited	Unaudited	Audited
		30-Sep-23	30-Sep-22	31-Dec-22
CAPITAL STOCK				
Authorized capital	700,000,000			
Issued and outstanding				
Balance beginning of year	568,711,842	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	568,711,842
ADDITIONAL PAID-IN CAPITAL				
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
UNAPPROPRIATED RETAINED EARNINGS				
Balance at beginning of year		3,182,613,298	2,662,525,652	2,662,525,652
Effect of PWEI Consolidation		(1,303,106,239)	-	-
Dividend declaration		-	(28,435,592)	(28,435,592)
Net Income		445,521,602	466,216,825	548,523,238
		2,325,028,661	3,100,306,885	3,182,613,298
REMEASUREMENT OF NET ACCRUED RETIREMENT LIABILITY				
Balance at beginning of year		4,104,237	(4,570,914)	(4,570,914)
Remeasurement gain (loss) on accrued retirement liability		33,958	117,301	8,675,151
		4,138,195	(4,453,613)	4,104,237
SHARE IN OCI OF A JOINT VENTURE				
Balance at beginning of year		(78,815)	(617,375)	(617,375)
Share in other comprehensive income of a Joint Venture		-	-	538,560
Effect of consolidation of PWEI		78,815	-	-
		-	(617,375)	(78,815)
CUMULATIVE TRANSLATION ADJUSTMENT				
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
PARENT'S OTHER EQUITY RESERVES				
Balance at beginning of year		736,716,986	80,049,238	80,049,238
Change in ownership without loss of control		165,907,792	-	656,667,748
		902,624,778	80,049,238	736,716,986
TOTAL EQUITY ATTRIBUTED TO EQUITY HOLDERS OF PARENT				
		6,071,682,206	6,015,175,707	6,763,246,278
NONCONTROLLING INTEREST				
Balance at beginning of year		3,963,021,100	2,736,537,487	2,736,537,487
Net income		428,447,352	210,833,893	314,553,781
Increase in non-controlling interests - stock issuances		1,807,266,776	2,750,000	1,690,181,478
Change in ownership without loss of control		198,691,034	-	(656,667,748)
Consolidation of PWEI		1,854,877,054	-	-
Purchase of shares from Non controlling interest		(2,616,678,756)	-	-
Remeasurement loss on defined benefit obligation		-	115,441	993,510
Share in other comprehensive income of a Joint Venture		-	-	222,592
Cash dividends		-	(48,000,000)	(122,800,000)
		5,635,624,560	2,902,236,821	3,963,021,100
DEPOSIT FOR FUTURE STOCK SUBSCRIPTION				
		-	-	1,651,055,000
TOTAL EQUITY		11,707,306,766	8,917,412,528	12,377,322,378

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

	Unaudited 30-Sept-2023		Unaudited 30-Sept-2022		Audited
	For the 3rd Quarter	To date	For the 3rd Quarter	To date	31-Dec-22
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax	299,604,910	920,374,669	182,524,980	713,872,143	901,669,911
Adjustments for:					
Interest expense	99,319,524	241,445,748	75,330,271	224,210,624	292,324,806
Depletion, depreciation and amortization	226,096,528	521,867,793	144,445,469	429,391,243	551,078,397
Impairment loss (reversal)	-	-	-	-	(11,299,369)
Share in net income (loss) of joint venture	(3,926,512)	(50,738,697)	8,126,577	(41,916,553)	(81,512,921)
Net unrealized foreign exchange loss (gain)	1,213,634	2,530,023	(11,838,646)	(21,683,707)	(2,663,406)
Provision for probable losses	-	-	-	-	6,105,757
Accretion expense	2,347,413	5,976,458	1,037,736	2,766,926	3,622,334
Dividend income	(2,092)	(26,969)	-	(78,900)	(79,047)
Gain on sale of property, plant and equipment	-	-	-	(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	403,280	502,692	(245,152)	366,768	47,138
Interest income	(62,484,122)	(164,107,269)	(8,176,570)	(17,452,320)	(51,154,475)
Movement in accrued retirement liability	221,911	221,911	-	232,742	(4,343,624)
Operating income before working capital changes	562,794,474	1,478,046,359	391,204,665	1,289,464,012	1,602,225,631
Decrease (increase) in:					
Short-term investments	-	-	-	-	-
Receivables	(3,025,397)	(103,051,967)	32,589,671	(107,952,072)	(37,465,978)
Contract Assets	-	-	-	-	(74,120,369)
Input VAT	(244,751,737)	(246,772,802)	455,679	105,448,751	(2,507,220)
Other current assets	1,319,467,508	832,539,971	(120,360,400)	(69,256,810)	(747,059,803)
Increase in Accounts payable and accrued expenses	18,635,126	(46,262,805)	113,202,611	214,664,403	153,102,244
Cash generated from (used in) operations	1,653,119,974	1,914,498,756	417,092,226	1,432,368,284	894,174,505
Interest received	36,117,033	104,713,008	6,838,759	15,748,820	28,340,045
Income taxes paid, including movement in CWT	(44,599,505)	(66,056,345)	(9,613,666)	(47,073,684)	(51,390,749)
Net cash provided by (used in) operating activities	1,644,637,502	1,953,155,419	414,317,319	1,401,043,420	871,123,801
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of property, plant and equipment	(997,604,102)	(1,201,397,903)	(55,969,907)	(153,328,669)	(659,351,144)
Deferred oil exploration costs	(24,711,268)	(75,808,345)	-	-	(208,597,575)
Effect on consolidation of PWEL	441,078,571	441,078,571	-	-	-
Acquisitions of non controlling interest	(2,616,678,756)	(2,616,678,756)	-	-	-
Acquisitions of intangibles	-	-	-	-	(8,704,649)
Advances to contractors	-	-	-	-	(45,777,526)
(Increase)/decrease in Other noncurrent assets	1,903,397,237	515,097,840	(223,821,496)	(543,959,732)	(61,405,058)
(Increase)/decrease in deferred development costs	(245,482,347)	(467,106,518)	-	-	(74,301,563)
Proceeds from:					
disposals of property, plant and equipment	172,048,452	172,048,452	-	654,046	1,110,936
Dividends received	26,969	26,969	-	78,900	79,047
Net cash used in investing activities	(1,367,925,244)	(3,232,739,690)	(344,911,509)	(869,967,589)	(1,056,947,532)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from:					
Availments of loans	1,949,724,293	3,076,911,607	-	78,500,000	561,000,000
Issuance of stocks to NCI	(1,488,300,803)	146,461,776	-	2,750,000	1,693,681,477
Payments of:					
Loans	(271,999,999)	(869,196,103)	4,341,547	(369,442,944)	(1,155,920,789)
Interest	(52,386,427)	(187,164,974)	(55,337,175)	(192,665,294)	(291,405,251)
Dividends to Non-Controlling Interest	-	-	(48,000,000)	(48,000,000)	(122,800,000)
Lease liabilities	(911,071)	(27,618,210)	-	(1,822,140)	(37,490,050)
Dividends by the Parent Company	-	-	(28,435,592)	(28,435,592)	(28,435,593)
Increase in other noncurrent liabilities	-	(23,720,398)	(12,178,239)	2,797,434	-
Net cash provided by financing activities	136,125,993	2,115,673,698	(139,609,459)	(556,318,536)	618,629,794
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	6,785,602	4,918,893	16,400,876	28,989,537	2,663,420
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	419,623,852	841,008,320	(53,802,773)	3,746,832	435,469,483
CASH AND CASH EQUIVALENTS, BEGINNING	2,098,616,052	1,677,231,584	1,299,311,706	1,241,762,101	1,241,762,101
CASH AND CASH EQUIVALENTS, END	2,518,239,904	2,518,239,904	1,245,508,933	1,245,508,933	1,677,231,584

PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. Organization

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

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

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

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

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

On March 31, 2010, PERC incorporated PetroGreen Energy Corporation (“PetroGreen” or “PGEC”), its 75%-owned subsidiary (67.5%-owned from January 10, 2023 to August 31, 2023) and 76.92%-owned in 2022), to act as its Renewable Energy (RE) arm and holding company. PGEC has ventured into RE development and power generation through its subsidiaries and affiliates: (a) Maibarara Geothermal, Inc. (“MGI”, 65%-owned) - owner and 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_{DC} Tarlac Solar Power Project (TSPP-1) in Tarlac City and its 20 MW_{DC} expansion (TSPP-2); (c) PetroWind Energy, Inc. (“PetroWind”, 40%-owned) - owner and developer of the 36 MW Nabas Wind Power Project (NWPP-1) in Nabas and Malay, Aklan; (d) Rizal Green Energy Corporation (“RGEC”, 100%-owned) - owner and holding company of special purpose vehicles (SPVs) that will undertake the solar power projects in Bohol, Pangasinan, Nueva Ecija, and Isabela; (e) BuhaWind Energy Northern Luzon Corporation, BuhaWind Energy Northern Mindoro Corporation, and BuhaWind Energy East Panay Corporation (all 40%-owned joint venture) - owners and developers of offshore wind (OSW) projects in Northern Luzon, Northern Mindoro, and East Panay, respectively.

In April 2023, PERC entered into a Share Purchase Agreement (SPA) with EEI Power Corporation (EEIPC), and by end of August 2023, completed the acquisition of EEIPC’s equity ownership over PGEC, PSC (44%), and PWEI (20%), thereby increasing PERC’s ownership over PGEC from 67.5% to 75% and giving PERC 44% and 20% direct ownership over PSC and PWEI, respectively.

MGI, PetroSolar, PWEI, and RGEC are effectively subsidiaries of PetroEnergy on account of PERC's indirect ownership through PetroGreen and PERC's direct ownership in PetroSolar and PWEI. PetroGreen owns the majority of the voting power of MGI, PetroSolar, and RGEC. PetroEnergy, PetroGreen, MGI, PetroSolar, PWEI, and RGEC 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 RE resources such as, (a) geothermal, (b) solar, and (c) wind.

Upstream Oil Exploration and Development

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

Renewable Energy

Geothermal Energy

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_{DC} TSPP-1 in Tarlac City, Tarlac that started commercial operations on February 10, 2016 and its 20 MW_{DC} expansion (TSPP-2) which has been commissioned and tested on April 22, 2019. On December 16, 2021, the Energy Regulatory Commission issued TSPP-2's Provisional Authority to Operate (PAO) pending the ERC's approval of the Certificate of Compliance (COC). The PAO has an effectivity of one (1) year from issuance, allowing TSPP-2 to provisionally operate commercially. On October 27, 2022, ERC received PSC's letter for extension of the validity of Provisional Authority to Operate (PAO) for TSPP-2.

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 1st 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 EEIPC entered into a SPA, where PERC agreed to purchase all of EEIPC's equity interests in PGEC (7.5%), PetroSolar (44%), and PWEI (20%) on different payment schedules. PERC executed the respective Deeds of Absolute Sale and fully paid EEIPC the purchase price for the latter's shares in PWEI on May 10, 2023. The full payments for the EEIPC shares in PSC and in PGEC were made on August 1, 2023 and August 31, 2023, respectively.

d. Pipeline RE Projects

In 2022, the Company made investments in three newly incorporated special purpose vehicles (SPV) namely: BuhaWind Energy Northern Luzon Corporation, BuhaWind Energy Northern Mindoro Corporation and BuhaWind Energy East Panay Corporation. On March 5, 2021,

PetroGreen and Copenhagen Energy A/S, a Danish company and affiliate of CE Pacific ApS (CE), executed the Heads of Terms as basis for the potential collaboration on the development of offshore wind (OSW) power projects in the Philippines and creation of SPVs that will develop the projects. Pursuant to the Heads of Terms, PGEC and CE entered into Joint Venture Agreements (JVAs) that will govern the obligations of the parties in the development of the Northern Luzon, Northern Mindoro and East Panay OSW projects, and incorporated the SPVs in November 2022. PGEC owns 40% equity in each of the OSW SPVs.

On August 31, 2023, the Securities and Exchange Commission (SEC) approved the incorporation of RGEC, PGEC's 100%-owned subsidiary that shall hold shares in the RE companies that will develop the solar power projects in Bohol, Pangasinan, Isabela and Nueva Ecija. On September 13, 2023, the SEC approved the incorporation of Dagohoy Green Energy Corporation (DGEC), RGEC's 100% subsidiary that shall develop, own, and operate the Dagohoy Solar Power Project in Bohol. On the other hand, on September 20, 2023, PGEC acquired 100% of BKS Green Energy Corp.'s shares of stock, a Filipino corporation that holds service contract rights over the Limbauan Solar Power Project in Isabela. On July 19, 2023, the DOE approved the assignment of V-Mars Solar Energy Corporation's DOE service contract to PGEC, allowing PGEC to develop the San Jose Solar Power Project in Nueva Ecija. PGEC will later assign this to a special purpose vehicle once duly incorporated.

- e. Approval of Consolidated Financial Statements
The accompanying unaudited consolidated interim financial statements as of and for the period ended September 30, 2023 were approved and authorized for issue by the Board of Directors (BOD).

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).

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous fiscal year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2023. The 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.

4. Summary of Significant Accounting Policies

Basis of Consolidation

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

	30-Sept-2023	30-Sept-2022	31-Dec-2022
Direct ownership of PetroEnergy:			
PetroGreen	75.00%	90.00%	76.92%
PetroWind	20.00%	-	-
PetroSolar	44.00%	-	-

Navy Road Development Corporation (NRDC) – dormant company	100.00%	100.00%	100.00%
Direct Percentage share of PetroGreen in its subsidiaries:			
MGI	65.00%	65.00%	65.00%
PetroWind	40.00%	40.00%	40.00%
PetroSolar	56.00%	56.00%	56.00%
BKS Green Energy Corporation	100.00%	-	-
Rizal Green Energy Corporation	100.00%	-	-
Direct Percentage share of RGEC in its subsidiaries:			
Dagohoy Green Energy Corporation	100.00%	-	-

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

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee 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:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- 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 statements of financial position and 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-month (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	4-5
Office improvements	3
Office furniture and other equipment	2-3

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 and Wind included in Other Noncurrent Assets

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

These costs include the following:

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

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

Investment in 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 twelve (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:

	Number of Years
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, PWEL.

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

In compliance with the standards on PFRS 16 - Leases, the Group recognized right-of-use assets in 2019. 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

This is still in compliance with PFRS 16 – Leases. In 2019, the Group recognized 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 twelve (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 asset and liability.

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.

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 September 30, 2023 and December 31, 2022, the carrying value of deferred oil explorations costs amounted to ₱387.69 million and ₱311.88 million, respectively (see Note 12), and the Group's deferred development costs amounted to ₱541.22 and ₱74.12 million as of September 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 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 September 30, 2023 and December 31, 2022, the Group's investment in a joint venture amounted to ₱81.18 million and ₱1.88 billion, respectively (see Note 14).

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 12 and 13).

Change in classification of investment in PetroWind

On November 21, 2013, PetroGreen sold half of its then existing 80% interest in PetroWind to CapAsia Asean Holdings Cooperatief U.A. (CapAsia) (now BCPG Wind Cooperatief U.A.) under the Share Purchase Agreement (SPA). Simultaneously, PetroGreen, CapAsia and EEIPC entered into Shareholder's Agreement (SHA) which governed the respective rights and obligation of the shareholders in relation to PetroWind. Upon the effectivity of the closing date of the transaction on February 14, 2014, PetroGreen's interest in PetroWind was reduced from 80% to 40%. PetroGreen, CapAsia and EEIPC agreed that their equity ownership ratio in PetroWind be 40%, 40% and 20%, respectively.

Incidental to the dilution of equity interest of PetroGreen, the Group assessed that it lost control over PetroWind resulting in the deconsolidation of PetroWind in the consolidated financial reports. The SHA contains provisions regarding "Reserved matters" that require certain voting requirements before its implementation. With this, the Group previously assessed that the sale transaction had made PetroWind a joint venture between PetroGreen, CapAsia and EEIPC by virtue of the SHA signed among the three parties governing the manner of management of PetroWind.

Changes in the ownership level and other circumstances may affect the investor's level of control over the investee and would require judgement in reassessment of control. In assessing control, the ability to direct relevant activities that significantly affect the investee's returns are considered excluding the any protective rights given to the investor.

The criteria in classifying whether the investee is a subsidiary, associate or joint venture include identifying the level of control the investor has over the investee as discussed in Note 4. The investment is classified as subsidiaries if the investor has control over the relevant activities of the investee by itself (with the other investors only having significant control or even none, as applicable). If the investor does not control the relevant activities of the investee and only has a significant influence, the investment is classified as investment in associate. On the other hand, if the investor shares a joint control with the other investors wherein unanimous consent of all parties must be obtained, then investment is classified as joint venture.

Further review and assessment of control reveals that the Group has significant control over PetroWind even with PetroGreen's remaining 40% equity interest. Furthermore, the SHA which requires certain voting requirements pertains only to "Reserved Matters" instead of "Relevant Activities". The voting rights over the reserved matters does not necessarily give control or joint control over the investee since

these are merely protective rights. Considering these assessments, the Group should have classified PWEI as investment in associate instead of a joint venture since PGEC has a significant control over the relevant activities of PWEI.

PetroEnergy now owns 20% direct equity interest in PetroWind after the acquisition of shares from EEIPC on May 10, 2023. Effectively, PetroWind is now owned by PetroEnergy (20%), PetroGreen (40%), and BCPG (40%). With the recent changes in the ownership of PetroWind in 2023, reassessment of the Group's control over PetroWind is required.

At PetroEnergy's level, the Group assessed that it has now regained control over PetroWind after considering the additional 20% direct ownership in PetroWind. Incidentally, PetroWind is now classified as subsidiary and is already consolidated, effective May 10, 2023.

The change in classification from investment in joint venture to investment in associate at PetroGreen's level does not require restatement of comparative financial statements for the previous years since both are accounted for using Equity Method.

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 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 September 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 September 30, 2023 and December 31, 2022, the carrying value of "Wells, Platforms and other Facilities" under "Property, Plant and Equipment" amounted to ₱695.69 million and ₱763.83 million, respectively (see Note 12).

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 September 30, 2023 and December 31, 2022 (see Note 12).

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 September 30, 2023 and December 31, 2022 follow:

	<u>Unaudited</u>	Audited
	<u>30-Sept-2023</u>	31-Dec-2022
Property, plant and equipment (Note 12)	₱11,949,585,966	₱8,196,897,057
Deferred development costs (Note 17)	541,221,602	74,115,084
Deferred oil exploration costs (Note 13)	387,691,356	311,883,011
Right-of-use assets (Note 15)	328,789,798	342,614,655
Intangible assets (Note 16)	131,404,861	140,262,493
Investment properties (Note 16)	1,611,533	1,611,533
	₱13,340,305,116	₱9,067,383,833

There are no indicators of impairment that would trigger impairment review on September 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 12).

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 September 30, 2023) presented on a net basis:

Wells, platforms and other facilities – net (Note 12)	(₱11,893,541)
Deferred oil exploration costs – net (Note 13)	594,171
	(₱11,299,370)

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 September 30, 2023 and December 31, 2022 follows (see Note 20):

	Unaudited	Audited
	30-Sept-23	31-Dec-22
Oil production	₱46,624,969	₱41,728,602

Wind power project	38,574,835	-
Solar power project	17,906,151	16,992,650
Geothermal energy project	7,909,868	7,509,078
	₱111,015,823	₱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 September 30, 2023 and December 31, 2022 amounted to ₱12.16 million and ₱10.39 million, respectively. The net carrying value of input VAT amounted to ₱385.09 million and ₱138.32 million as of September 30, 2023 and December 31, 2022, respectively (see Note 17).

Recognition of deferred tax assets

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

As of September 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.

6. Cash and Cash Equivalents and Short - term Investments

	Unaudited	Audited
	30-Sept-23	31-Dec-22
Cash on hand and in banks	₱834,497,375	₱434,700,436
Cash equivalents	1,683,742,529	1,242,531,148
Cash and Cash Equivalents	2,518,239,904	1,677,231,584
Short-term investments	₱1,975,286,425	₱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 ₱164.11 million, ₱17.45 million as of September 30, 2023 and September 30, 2022, respectively.

7. Restricted Cash

	Unaudited	Audited
	30-Sept-23	31-Dec-22
Debt service payment and reserve accounts	₱371,542,980	₱413,219,105
Cash held under escrow for stock subscription	-	1,629,242,070

Share in Etame escrow fund – current portion	–	20,926,811
	₱371,542,980	₱2,063,387,986

Debt service payment and reserve accounts

This refers to the amount of fund that the Group is required to maintain in the Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) pursuant to the Project Loan Facility Agreement (PLFA) of MGI and Omnibus Loan and Security Agreements (OLSA) of PetroWind and PetroSolar, respectively (see Note 19). 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 nil as of September 30, 2023 and September 30, 2022, respectively.

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

8. Receivables

	<u>Unaudited</u>	<u>Audited</u>
	<u>30-Sept-23</u>	<u>31-Dec-22</u>
Accounts receivable from:		
Feed-in-Tariff (FiT) revenue from National Transmission Corporation (TransCo)	₱226,860,780	₱106,169,169
Electricity sales and other charges to ACEN (formerly PHINMA) [Note 22]	103,094,848	162,536,100
Electricity sales to Wholesale Electricity Spot Market (WESM) and Other Contracts Affiliate (Note 22)	86,769,486	92,541,594
PHESCO, Incorporated (PHESCO)	32,946,858	6,232,978
Consortium operator	15,245,231	15,245,231
Others	2,682,452	40,550,770
Interest receivables	23,556,804	4,585,274
Other receivables	82,881,997	23,487,736
	3,526,250	3,526,249
	577,564,706	454,875,101
Less allowance for impairment losses	2,682,452	2,682,452
	₱574,882,254	₱452,192,649

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 ₱0.03 million and ₱0.02 million as of September 30, 2023 and September 30, 2022.

9. Financial Assets at Fair Value Through Profit or Loss

	Unaudited	Audited
	30-Sept-23	31-Dec-22
Marketable equity securities	₱6,267,397	₱6,770,090
Investment in golf club shares	770,000	770,000
	₱7,037,397	₱7,540,090

Net gain (loss) on fair value changes on financial assets at FVTPL included in profit or loss amounted to (₱0.50 million) and (₱0.05 million) as of September 30, 2023 and September 30, 2022, respectively. Dividend income received from equity securities amounted to ₱0.03 million and ₱0.08 million as of September 30, 2023 and September 30, 2022, respectively.

10. Contract Assets – current and noncurrent portion

On May 26, 2020, the Energy Regulatory Commission (ERC) approved Resolution No. 6 series of 2020 approving the adjustment to Feed in Tariff for the years 2016 – 2020 using 2014 as the base year for the consumer price index and foreign exchange. TransCo has an annual application for the adjusted FIT rate with the ERC which is the basis for recording of FIT arrears and contract assets.

As of September 30, 2023 and December 31, 2022, current portion of the contract asset amounted to PhP6.07 million and PhP29.95 million, respectively, while noncurrent portion amounted to PhP326.60 million and PhP274.41 million, respectively.

11. Other Current Assets

	Unaudited	Audited
	30-Sept-23	31-Dec-22
Supplies inventory	₱132,718,071	₱116,790,791
Prepaid expenses	91,909,790	27,199,944
Advances to suppliers	25,400,803	8,004,724
Prepaid income taxes	12,909,292	11,068,121
Others	3,587,043	2,216,223
	₱266,524,999	₱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.

12. Property, Plant and Equipment

	Unaudited								Total
	30-Sept-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	
Cost									
Balances at beginning of year	₱7,353,955,059	₱1,979,689,474	₱2,400,854,155	₱387,043,899	₱42,547,992	₱76,958,664	₱173,541,036	₱217,311,973	₱12,631,902,252
Additions	175,940,951	91,136,678	8,689,627	5,287,642	745,138	4,215,476	12,105,018	903,277,373	1,201,397,903
Effect on consolidation of PWEI	4,172,936,239	–	–	300,076,535	32,053,622	11,074,263	14,094,678	91,354,392	4,621,589,729
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	11,706,250,524	2,089,806,889	2,409,543,782	692,408,077	75,346,751	92,248,403	201,322,084	1,187,963,375	18,454,889,884
Accumulated depletion and depreciation									
Balances at beginning of year	2,040,397,532	477,572,498	1,467,772,639	41,650,521	41,172,900	48,337,063	148,849,441	–	4,265,752,594
Depletion and depreciation	266,782,201	63,167,415	76,832,633	15,907,621	2,868,386	6,949,782	9,675,081	–	442,183,119
Effect on consolidation of PWEI	1,380,217,272	–	–	37,878,128	15,995,734	9,963,071	12,012,946	–	1,456,067,151
Disposals	172,048,452	–	–	–	–	–	–	–	172,048,452
Balances at end of year	3,859,445,458	540,739,913	1,544,605,272	95,436,269	60,037,020	65,249,916	170,537,468	–	6,336,051,316
Accumulated impairment losses									
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
Net book values	₱7,846,805,066	₱1,549,066,976	₱95,685,909	₱596,971,807	₱15,309,731	₱26,998,487	₱30,784,616	₱1,187,963,375	₱11,949,585,966

	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, PetroSolar's photovoltaic plant and PWEI's wind farm.

MGI's construction of the 70/77 MVA Substation started in January 2020 and construction in progress account as of September 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 September 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%

13. Deferred Oil Exploration Cost

The movements in deferred oil exploration costs are as follows:

	<u>Unaudited</u>	<u>Audited</u>
	<u>30-Sept-23</u>	<u>31-Dec-22</u>
Cost		
Balances at beginning of year	₱615,456,554	₱418,786,296
Additions	75,808,345	196,670,258
Write-off / relinquishment (Note 5)	–	–
Balances at end of year	691,264,899	615,456,554
Accumulated impairment losses		
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
	₱387,691,356	₱311,883,011

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

	<u>Unaudited</u>	<u>Audited</u>
	<u>30-Sept-23</u>	<u>31-Dec-22</u>
Cost		
Gabonese Oil Concessions (Note 11)	₱622,807,571	₱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
	691,264,899	615,456,554
Accumulated impairment losses		
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

₱387,691,356 **₱311,883,011**

Philippine Oil Operations – Development Phase

Under the SCs entered into with the DOE covering certain petroleum contract areas in various locations in the Philippines, the participating oil companies (collectively known as “Contractors”) are obliged to provide, at their sole risk, the services, technology and financing necessary in the performance of their obligations under these contracts. The Contractors are also obliged to spend specified amounts indicated in the contract in direct proportion to their work obligations.

However, if the Contractors fail to comply with their work obligations, they shall pay to the government the amount they should have spent, but did not, in direct proportion to their work obligations. The participating companies have Operating Agreements among themselves which govern their rights and obligations under these contracts.

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

As of September 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%.

14. Investments in Joint Venture

	Unaudited	Audited
	30-Sept-23	31-Dec-22
<i>Investment in PetroWind Energy Inc.</i>		
Balance at beginning of year	₱1,876,262,983	₱1,734,947,347
Effect of reclassification to Investment in Subsidiary (Eliminated)	(1,876,262,983)	-
Share in net income of joint venture		81,512,921
Additional investment during the year	-	59,041,563
Share in other comprehensive income (loss)	-	761,152
Balance at end of year	-	1,876,262,983
<i>Investment in BKS Green Energy Corp</i>		
Investment during the year	80,000,000	-
Balance at end of year	80,000,000	-
<i>Investment in Buhawind</i>		
Investment during the year	1,182,000	-
Balance at end of year	1,182,000	-
Total Carrying Value of Investment in Joint Venture	₱81,182,000	₱1,876,262,983

PetroWind Energy Inc.

The investment in joint venture mainly includes PetroGreen’s 40% interest in PetroWind or PWEI, 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.

On April 24, 2023, PERC and EEIPC entered into a Share Purchase Agreement, wherein PERC agreed to acquire EEIPC's existing shares in renewable energy including 20% equity interest of PWEI. 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 cost of the investment in PetroWind amounted to nil and ₱1.876 billion as of September 30, 2023 and December 31, 2022, respectively.

BKS Green Energy Corporation

On September 20, 2023, PGEC acquired 100% ownership of BKS Green Energy Corp., following BIR's complete issuance of Certificates Authorizing Registration, confirming payment of taxes related to the transfer of shares of stock. BKS is a Filipino corporation engaged in power generation business and registered RE Developer for the Limbauan Solar Power Project located in Limbauan, Isabela, which is covered by Solar Energy Service Contract No. 2017-05-394 with the Department of Energy. In view of the transfer, PGEC now holds 150,000 common shares with a par value of PhP100.00 or a total authorized capital stock of PhP15,000,000.00.

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 DOJ issued Opinion No.21 series of 2022 dated September 29, 2022 that removed the 40% foreign ownership limitation to undertake the exploitation of RE resources in the country. Thus, On April 3, 2023, 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 September 30, 2023 and December 31, 2022, these entities are still in the organization stage and have not yet started operations.

15. 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 2%-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:

	Unaudited		
	30-Sept-2023		
	Land	Office Spaces	Total
Cost			
Beginning balance	₱420,180,224	₱12,748,688	₱432,928,912
Additions		3,861,156	3,861,156
Ending balance	420,180,224	16,609,844	436,790,068
Accumulated depreciation			
Beginning balance	80,487,446	9,826,811	90,314,257
Depreciation (Note 21)	15,814,510	1,871,503	17,686,013
Ending balance	96,301,956	11,698,314	108,000,270
Net Book Value	₱323,878,268	₱4,911,530	₱328,789,798

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

The 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-Sept-23	31-Dec-22
Beginning balance	₱328,794,340	₱332,828,866
Payments	(27,618,210)	(37,490,050)

Interest expense	22,671,325	30,443,530
Additions	3,861,156	3,011,994
Ending balance	327,708,611	328,794,340
Less current portion	42,840,017	22,734,502
Noncurrent portion	₱284,868,594	₱306,059,838

16. Investment Properties

As of September 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 September 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 September 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.

17. Other Noncurrent Assets

	Unaudited 30-Sept-2023	Audited 31-Dec-2022
Deferred development costs	541,221,602	74,115,084
Advances to contractors	423,231,331	45,777,526
Input VAT	397,250,343	148,710,625
Intangible assets	131,404,861	140,262,493
Restricted cash	37,426,391	31,451,424
Others	31,229,707	25,956,475
	1,561,764,235	466,273,627
Less allowance for probable losses	12,157,761	10,390,845
	₱1,549,606,474	₱455,882,782

Provision for probable losses on input VAT amounted to ₱1.77 million and nil in September 30, 2023 and December 31, 2022, respectively.

Input VAT

Input VAT also includes outstanding input VAT claims that were applied by MGI for refund with the BIR. As of September 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.

18. Accounts Payable and Accrued Expenses

	Unaudited	Audited
	30-Sept-2023	31-Dec-2022
Accounts payable	₱267,440,215	₱263,327,290
Accrued expenses		
Utilities	174,567,891	167,881,381
Interest (Note 18)	124,399,009	32,622,802
Sick/vacation leaves	23,642,219	19,048,554
Professional fees	12,519,675	14,511,222
Profit share	989,612	15,611,876
Due to related party (Note 21)	128,960	565,760
Others	11,803,948	6,969,784
Withholding taxes and other tax payables	16,252,797	27,387,054
Due to NRDC	2,269,737	2,269,737
Others	7,417,297	1,267,746
	₱641,431,360	₱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 ₱10.81 million and ₱10.96 million as of September 30, 2023 and December 31, 2022, respectively.

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

19. Loans Payable

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

	Unaudited	Audited
	30-Sept-2023	31-Dec-2022
Principal, balance at beginning of year	₱3,488,375,640	₱4,083,296,429
Add: Availments during the year	3,076,911,607	561,000,000
Effect on consolidation of PWEI	2,365,082,834	-
Less principal payments during the year	869,196,103	1,155,920,789
Principal, balance at end of year	8,061,173,978	3,488,375,640
Less unamortized deferred financing cost	47,942,021	10,446,588
	8,013,231,957	3,477,929,052
Less current portion – net of unamortized deferred financing cost	3,709,729,345	947,144,643
Noncurrent portion	₱4,303,502,612	₱2,530,784,409

PetroEnergy's short-term loans payable

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

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 September 30, 2023, the Company already paid the outstanding short-term loan from DBP.

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 September 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 plus P1.0 billion blanket line with 1 year validity. Loans payable to BPI are as follows:

As of September 30, 2023:

- ₱1.25 billion with interest rate of 7.50% and maturity on January 31, 2024
- ₱422.51 million with interest rate of 7.50% and maturity on January 31, 2024
- ₱272.86 million with interest rate of 7.50% and maturity on January 31, 2024
- ₱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 September 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 ₱55.85 million and ₱6.91 million, as of September 30, 2023 and September 30, 2022, respectively. Moreover, accrued interest payable amounted to ₱26.04 million and ₱0.56 million as of September 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 September 30, 2023 and December 31, 2022, the outstanding balance of these above loans, net of unamortized deferred financing costs, amounted to ₱239.49 million and ₱239.16 million, respectively. Interest expense related to these loans amounted to ₱9.41 million and ₱12.58 million as of September 30, 2023 and September 30, 2022, respectively. Moreover, accrued interest payable amounted to ₱3.88 million and ₱1.27 million as of September 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 September 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 ₱45.13 million and ₱54.94 million as of September 30, 2023 and September 30, 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 September 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 ₱33.61 million and ₱57.30 million as of September 30, 2023 and September 30, 2022, respectively.

Moreover, accrued interest payable of MGI’s loans amounted to ₱48.08 million and ₱22.89 million as of September 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 7. As of September 30, 2023 and December 31, 2022, MGI has been compliant with the above covenants.

PetroSolar’s long-term loan 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 September 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 not greater than 75:25 and establishment of DSPA required balance. As of September 30, 2023 and December 31, 2022, PetroSolar is in compliance with the said loan covenants.

As of September 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 ₱70.36 million and ₱89.64 million, as of September 30, 2023 and September 30, 2022, respectively. Moreover, accrued interest payable amounted to ₱23.33 million and ₱7.89 million as of September 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.

PetroWind's loans payable

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

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

The loan covenants require PetroWind to maintain a debt-to-equity ratio of not greater than 70:30 and maintain a DSRA required balance equivalent to one principal plus one interest amortization at all times until full settlement of the loan. As of September 30, 2023 and December 31, 2022, PetroWind is in compliance with the said loan covenants.

As of September 30, 2023, the outstanding balance of this loan amounted to ₱2.32 billion with interest expense amounted to ₱42.19 million and accrued interest payable amounted to ₱23.07 million.

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.

20. 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:

	Unaudited	Audited
	30-Sept-2023	31-Dec-2022
Balance at beginning of year	₱66,230,330	₱92,810,843
Additions	–	921,276
Effect on consolidation of PWEI	38,067,512	–
Change in estimates (Note 11)	–	(37,729,203)
Accretion expense	5,976,458	3,622,334
Foreign exchange adjustment	741,523	6,605,080
Balance at end of year	₱111,015,823	₱66,230,330

21. Equity

Under the existing laws of the Republic of the Philippines, at least 60% of the Parent Company's issued capital stock should be owned by citizens of the Philippines for the Parent Company to own and hold any mining, petroleum or renewable energy contract area. As of September 30, 2023, the total issued and subscribed capital stock of the Parent Company is 99.80% Filipino and 0.20% non-Filipino as compared to 99.77% Filipino and 0.23% non-Filipino as of December 31, 2022.

As of September 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
	₱2,725,390,891

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)
September 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	₱80,049,238	₱656,667,748	₱440,357,171	₱1,177,074,157

As of September 30, 2023 and December 31, 2022, the balance of equity reserve account amounts to ₱902.62 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 September 30, 2023 and December 31, 2022, the Group analyzes its capital structure primarily though the debt-to-equity ratio, which is total liabilities divided by total equity.

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

	Unaudited	Audited
	30-Sept-2023	31-Dec-2022
Loans payable	₱8,013,231,957	₱3,477,929,052
Capital stock	568,711,842	568,711,842
Additional paid-in capital	2,156,679,049	2,156,679,049
Retained earnings	2,325,028,661	3,182,613,298
Equity reserve	902,624,778	736,716,986
	₱13,966,276,287	₱10,122,650,227

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

	Unaudited	Audited
	30-Sept-2023	31-Dec-2022
Total liabilities	₱9,108,332,898	₱4,442,489,721
Total equity	11,707,306,766	12,377,322,378
Debt-to-equity ratio	0.78:1	0.36:1

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

22. 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:

Related Party/Nature	Transactions for the Period		Outstanding Balance		Terms and Conditions
	30-Sept-23	31-Dec-22	30-Sept-23	31-Dec-22	
Investor					
House of Investments, Inc.					
Internal audit services	₱655,200	₱873,600	(₱72,800)	(₱509,600)	Note a
Joint Venture					
PetroWind					
Rental income	642,857	857,143	-	-	Note b
Timewriting fee	12,464,865	16,199,133	-	4,615,734	Note c
Management income	1,500,000	2,000,000	-	-	Note c
Advances – receivable	6,300,751	9,764,078	-	340,792	Note d
Advances – payables	-	56,160	-	(56,160)	Note d
			(72,800)	4,900,366	
Affiliate					
AC Energy Corporation (ACEN)					
Electricity sales	766,420,204	823,196,490	99,569,043	102,355,875	Note e
Pass-on Wheeling, Ancillary & Transmission Charges	38,691,986	129,112,773	3,525,805	60,180,225	Note e
			103,094,848	162,536,100	
Affiliate					
Buhawind					
	-	-	₱31,342,098	-	Note f
Affiliate					
EEl Power Corporation					
Other income	₱-	₱610,000	₱683,200	₱683,200	Note g
Affiliate					

Related Party/Nature	Transactions for the Period		Outstanding Balance		Terms and Conditions
	30-Sept-23	31-Dec-22	30-Sept-23	31-Dec-22	
LIPCO					
Land lease	–	34,513,550	–	–	Note h
Affiliate					
Enrique T. Yuchengco, Inc.					
Rental income	730,735	906,884	921,560	593,251	Note i

- 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. These are non-interest bearing and are due and demandable.
- 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. PERC Parent and PGEC recorded time-writing fees totaling PhP31.34MM for services rendered by employees relating to Offshore Wind (OSW) Projects for the period January 2020 to June 2023. PGEC being PERC’s renewable energy arm, entered into an agreement with CE Pacific APS (CE) on the development of Offshore Wind (OSW) Projects in the Philippines under the three (3) Buhawind SPVs. As such, said time-writing charges will be paid by Buhawind SPVs to PERC through PGEC.
- g. PetroGreen charged EEIPC amounting to ₱550,000 plus VAT representing charges for the equity valuation study.
- h. PetroSolar leased 77 hectares of land area from LIPCO (Note 14). These are non-interest bearing and payable when due and demandable.
- i. 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.
- j. 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).
- k. 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 (see Note 18).

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.

23. 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 September 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:

Financial instruments	Considerations
<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 September 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 September 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 September 30, 2023 and December 31, 2022 based on contractual payments:

	30-Sept-23 (Unaudited)			Total
	On demand	1 year or less	More than 1 year	
Financial Assets				
Financial assets at FVTPL	₱7,037,397	₱–	₱–	₱7,037,397
Financial assets at amortized cost:				
Cash and cash equivalents	2,518,239,904	–	–	2,518,239,904
Short-term investments	–	1,975,286,425	–	1,975,286,425
Accounts receivable	49,720,837	435,140,317	–	484,861,154
Other receivables	3,526,251	–	–	3,526,251
Interest receivable	82,881,996	–	–	82,881,996
Refundable deposits	–	448,721	5,767,910	6,216,631
Restricted cash	–	371,542,980	37,426,391	408,969,371
	2,661,406,385	2,782,418,443	43,194,301	5,487,019,129
Financial Liabilities				
Financial liabilities at amortized cost:				
Loans payable	–	3,709,729,345	4,303,502,612	8,013,231,957
Lease liabilities	–	42,840,017	284,868,594	327,708,611
Accounts payable and accrued expenses	625,178,563	–	–	625,178,563
	625,178,563	3,752,569,362	4,588,371,206	8,966,119,131
Net financial assets (liabilities)	₱2,036,227,822	(₱970,150,919)	(₱4,545,176,905)	(₱3,479,100,002)

	31-Dec-22 (Audited)			Total
	On demand	1 year or less	More than 1 year	
Financial Assets				
Financial assets at FVTPL	₱7,540,090	₱–	₱–	₱7,540,090
Financial assets at amortized cost:				
Cash and cash equivalents	1,677,231,584	–	–	1,677,231,584
Short-term investments	–	946,044,355	–	946,044,355
Accounts receivable	26,063,483	401,797,633	–	427,861,116
Other receivables	3,526,249	–	–	3,526,249
Interest receivable	23,487,736	–	–	23,487,736
Refundable deposits	–	449,351	5,323,862	5,773,213
Restricted cash	–	2,063,387,986	31,451,424	2,094,839,410
	1,737,849,142	3,411,679,325	36,775,286	5,186,303,753
Financial Liabilities				
Financial liabilities at amortized cost:				
Loans payable**	–	1,171,962,383	2,483,851,603	3,655,813,986

	31-Dec-22 (Audited)			
	On demand	1 year or less	More than 1 year	Total
Lease liabilities	-	34,737,976	653,754,365	688,492,341
Accounts payable and accrued expenses*	524,076,152	-	-	524,076,152
	524,076,152	1,206,700,359	3,137,605,968	4,868,382,479
Net financial assets (liabilities)	₱1,213,772,990	₱2,204,978,966	(₱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 September 30, 2023 and December 31, 2022 are as follows:

	30-Sept-23 (Unaudited)		31-Dec-22 (Audited)	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
<i>Financial assets</i>				
Cash and cash equivalents	\$943,897	₱53,765,327	\$2,316,003	₱129,974,085
Receivables	-	-	674,774	37,868,318
Restricted Cash	657,053	37,426,391	933,326	52,378,235
	1,600,950	91,191,717	3,924,103	220,220,638
<i>Financial liabilities</i>				
Accounts payable and accrued expenses	1,403,346	79,935,995	1,187,125	66,621,466
Net exposure	\$197,604	₱11,255,722	\$2,736,978	₱153,599,172

As of September 30, 2023 and December 31, 2022, the exchange rates used for conversion are ₱ 56.961 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:

	Unaudited	Audited
	30-Sept-23	31-Dec-22
Financial assets:		
Cash in banks and cash equivalents	₱2,513,426,050	₱1,673,197,584
Short-term investments	1,975,286,425	946,044,355
Receivables	568,586,948	452,192,649
Restricted cash	408,969,371	2,094,839,410
Financial assets at FVTPL	7,037,397	7,540,090
Refundable deposits	6,216,631	5,772,583
Contract asset	716,620,438	296,358,490
	₱6,196,143,260	₱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:

- Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
- 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.
- 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 twelve (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 September 30, 2023 and December 31, 2022:

30-Sept-23 (Unaudited)				
	Current (High grade)	More than 90 days (Standard grade)	Credit impaired	Total
Financial assets:				
Cash and cash equivalents*	₱2,513,426,050	₱-	₱-	₱2,513,426,050
Short-term investments	1,975,286,425	-	-	1,975,286,425
Accounts receivable	482,178,702	-	2,682,452	484,861,154
Other receivables	3,526,251	-	-	3,526,251
Interest receivable	82,881,996	-	-	82,881,996
Financial assets at				
FVTPL	7,037,397	-	-	7,037,397
Refundable deposits	6,216,631	-	-	6,216,631
Restricted cash	408,969,371	-	-	408,969,371
Contract asset	716,620,438	-	-	716,620,438
	₱6,196,143,261	₱-	₱2,682,452	₱6,198,825,713

31-Dec-22 (Audited)				
	Current (High grade)	More than 90 days (Standard grade)	Credit impaired	Total
Financial assets:				
Cash and cash equivalents*	₱1,673,197,584	₱-	₱-	₱1,673,197,584
Short-term investments	946,044,355	-	-	946,044,355
Accounts receivable	425,178,664	-	2,682,452	427,861,116
Other receivables	3,526,249	-	-	3,526,249
Interest receivable	23,487,736	-	-	23,487,736
Financial assets at				
FVTPL	7,540,090	-	-	7,540,090
Refundable deposits	5,773,213	-	-	5,773,213
Restricted cash	2,094,839,410	-	-	2,094,839,410
Contract asset	296,358,490	-	-	296,358,490
	₱5,475,945,791	₱-	₱2,682,452	₱5,478,628,243

*excluding cash on hand

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

24. 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-Sept-23 (Unaudited)							
	Oil Production	Geothermal Energy	Solar Energy	Wind Energy	Other Activities	Elimination	Consolidated
Segment revenue	₱413,315,179	₱826,741,679	₱668,952,860	₱250,125,320	₱-	₱-	₱2,159,135,038
Net income (loss)	28,237,965	268,188,489	373,229,601	48,918,540	174,483,907	(19,089,549)	873,968,953
Other comprehensive income (loss)	₱-	₱-	₱-	₱-	₱-	₱-	₱-
Other information:							
Segment assets except deferred tax assets	₱6,308,623,436	₱5,707,900,617	₱4,418,632,339	₱5,783,668,218	₱6,248,968,320	(₱7,670,204,554)	₱20,797,585,376
Deferred tax assets - net	₱6,539,828	₱1,809,192	₱2,997,875	6,707,392	₱-	₱-	₱18,054,287
Segment liabilities except deferred tax liabilities	₱2,948,445,898	₱2,128,596,809	₱1,313,660,586	₱2,468,410,434	₱299,791,890	(₱38,471,375)	₱9,120,434,242
Deferred tax liabilities - net	₱-	₱-	₱-	₱252,050	₱-	₱-	₱-
Provision for (benefit from) income tax	₱2,618,459	₱22,534,771	₱15,473,841	₱5,044,868	₱733,776	₱-	₱46,405,715

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

InterGroup investments, revenues and expenses are eliminated during consolidation.

25. Basic/Diluted Earnings Per Share

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

	Unaudited 30-Sept-2023	Unaudited 30-Sept-2022	Audited 31-Dec-2022
Net income attributable to equity holders of the Parent Company	₱428,296,299	₱466,216,825	₱548,523,247
Weighted average number of shares	568,711,842	568,711,842	568,711,842

Basic/diluted earnings per share	₱0.7531	₱0.8198	₱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.

26. Non-controlling Interests

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

	Unaudited	Audited
	30-Sept-2023	31-Dec-2022
Accumulated balances of non-controlling interests:		
PetroSolar	₱ –	₱1,203,285,619
MGI	1,253,389,550	1,159,523,579
PetroGreen	2,386,025,036	1,600,211,911
PetroWind	1,996,209,974	–
	₱5,635,624,560	₱3,963,021,109
Net income attributable to non-controlling interests:		
PetroSolar	₱137,542,390	₱202,111,799
MGI	93,865,971	51,395,928
PetroGreen	177,471,569	61,046,054
PetroWind	19,567,422	–
	₱428,447,352	₱314,553,781

Dividends paid by PetroSolar, MGI, PetroGreen and PetroWind to non-controlling interests amounted to nil and ₱122.80 million as of September 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.

Increase (decrease) in non-controlling interests from purchase of EEI-PC’s shares

PetroEnergy’s acquisition of EEI-PC’s share in PetroSolar (44%) and PetroGreen (7.5%) resulted to a reduction of the balance of non-controlling interest account. On the other hand, PetroEnergy’s acquisition of EEI-PC’s shares in PetroWind (40%) resulted into the consolidation of PWEI thus, non-controlling interest pertaining to BCPG Wind Cooperatief U.A. (“BCPG”) was recognized.

27. Others

- a. The Interim Financial Report (September 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, 2022 Consolidated Audited Financial Statements.
- c. No unusual item or items affected the assets, liabilities, equity and cash flows of the September 30, 2023 Financial Statements except for the effect on consolidation of PWEI as a result of PERC's acquisition of EEIPC's 20% interest in PWEI.
- d. Earnings per share is presented in the face of the unaudited statements of income for the period ended September 30, 2023 and December 31, 2022.
- e. No significant subsequent events happened after the reporting date that will affect the September 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 (September 30, 2023 and December 31, 2022)

	30-Sep-23	31-Dec-22	% Change	% of Total Assets
ASSETS				
Cash and cash equivalents	₱2,518,239,904	₱1,677,231,584	50.14%	12.09%
Short term investments	1,975,286,425	946,044,355	108.79%	9.49%
Restricted cash	371,542,980	2,063,387,986	-81.99%	1.78%
Receivables	574,882,254	452,192,649	27.13%	2.76%
Financial assets at fair value through profit and loss (FVTPL)	7,037,397	7,540,090	-6.67%	0.03%
Crude oil inventory	75,279,157	14,437,192	421.43%	0.36%
Contract Assets - current portion	26,422,376	21,949,016	20.38%	0.13%
Other current assets	266,524,999	165,279,803	61.26%	1.28%
Property and equipment - net	11,949,585,966	8,196,897,057	45.78%	57.39%
Deferred oil exploration costs	387,691,356	311,883,011	24.31%	1.86%
Contract assets - noncurrent portion	690,198,062	274,409,474	151.52%	3.31%
Investment in joint venture	81,182,000	1,877,522,983	-95.68%	0.39%
Right-of-use assets	328,789,798	342,614,655	-4.04%	1.58%
Deferred tax assets-net	18,054,287	10,927,929	65.21%	0.09%
Investment properties-net	1,611,533	1,611,533	0.00%	0.01%
Other noncurrent assets	1,549,606,474	455,882,782	239.91%	7.44%
TOTAL ASSETS	₱20,821,934,968	₱16,819,812,099	23.79%	100.00%
LIABILITIES AND EQUITY				
Accounts payable and accrued	641,431,360	551,463,206	16.31%	3.08%
Loans payable - current	3,709,729,345	947,144,643	291.68%	17.82%
Lease liabilities - current	42,840,017	22,734,502	88.44%	0.21%
Income tax payable	8,683,375	5,995,154	44.84%	0.04%
Loans payable - net of current portion	4,303,502,612	2,530,784,409	70.05%	20.67%
Lease liabilities - net of current	284,868,594	306,059,838	-6.92%	1.37%
Asset retirement obligation	111,015,823	66,230,330	67.62%	0.53%
Deferred tax liabilities - net	252,050	-	100.00%	0.00%
Other noncurrent liability	12,305,026	12,077,639	1.88%	0.06%
TOTAL LIABILITIES	₱9,114,628,202	₱4,442,489,721	105.17%	43.77%
EQUITY				
Attributable to equity holders of the				
Parent Company	6,071,682,206	6,763,246,278	-10.23%	29.16%
Non-controlling interest	5,635,624,560	3,963,021,100	42.21%	27.07%
Deposit for future stock subscription	-	1,651,055,000	-100.00%	0.00%
TOTAL EQUITY	₱11,707,306,766	₱12,377,322,378	-5.41%	56.23%
TOTAL LIABILITIES AND EQUITY	₱20,821,934,968	₱16,819,812,099	23.79%	100.00%

Total assets amounted to ₱20.822 billion and ₱16.820 billion as of September 30, 2023 and December 31, 2022, respectively. Book value is at ₱10.68/share from ₱11.89/share. Starting September 2023 reporting, 100% of PWEI’s financials are presented as part of PERC’s consolidated financial statements.

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 50.14% net increase from ₱1.677 billion as of

December 31, 2022 to ₱2.518 billion as of September 30, 2023 is mainly due to the effect on consolidation of PWEI, 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 principal loan amortization. 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 27.13% increase is essentially attributable to accrue of interest receivable from short-term investments.

Financial assets at fair value through profit and loss (FVTPL) amounted to ₱7.037 million and ₱7.540 million as of September 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 (No lifting for the month of September 2023), resulting to a higher number of barrels left unsold of 652Kbbls as of September 2023 as compared to 146Kbbls as of December 2022.

Contract Assets – current and noncurrent portion pertains to PSC and PWEI'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 and PWEI's collection started in 2022 and 2020, respectively. The increase in current and noncurrent portion is mainly due to the effect on consolidation of PWEI's financials for the period.

Other current assets consist of supplies inventory, prepaid expenses, and other current assets. The bulk of the net increase of 61.26% is mainly due to the effect on consolidation of PWEI for the period, prepayments for insurance, real property taxes and business permits to be amortized over the year.

Property, plant and equipment (PPE) amounted to ₱11.950 billion and ₱8.197 billion as of September 30, 2023 and December 31, 2022, respectively. The 45.78% net increase is mainly due to the effect on consolidation of PWEI, net of continuous depreciation of the Renewable Energy Power Plants, and other assets, and depletion of oil assets.

Deferred oil exploration costs increased by 24.31% resulting from the continuous development of the Gabon oil field.

Investment in joint venture refers to the rights, titles, and interests of 150,000 common shares (100% ownership) of BKS Green Energy Corporation and the 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 95.68% net decrease from ₱1.878 billion to ₱81.182 million is due to transfer of investment to controlling interest after PERC's acquisition of EEIPC's 20% interest in PWEI on May 10, 2023.

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 4.04% 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 September 30, 2023 and December 31, 2022, this amounted to ₱18.054 million and ₱10.928 million, respectively. The net increase pertains to the effect on consolidation of PWEI's financials for the period.

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

Other non-current assets amounted to ₱1.550 billion and ₱455.883 million as of September 30, 2023 and December 31, 2022, respectively. The 239.91% net increase is mainly due to additions to deferred development costs account related to the exploration and effect of 100% PWEI's financials, development, production, and expansion of various renewable energy projects also contributed to the increase.

Accounts payable and accrued expenses increase by 16.31% mainly due to accruals of payables to contractors and suppliers caused by PERC's acquisition of EEIPC's 20% interest in PWEI.

Loans payable current and noncurrent increased by 291.68% and 70.05%, respectively due to loan from PetroWind. On November 4, 2013, PetroWind entered into ₱2.80 billion Omnibus Loan and Security Agreement (OLSA) with DBP to finance the Nabas Project. Subsequently, on June 4, 2015, an amended agreement was entered between PetroWind and DBP for an increase in credit line amounting to ₱200.00 million.

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 is mainly pertains to additional set-up of provision during the period.

Asset retirement obligation amounted to ₱111.015 million and ₱66.230 million as of September 30, 2023 and December 31, 2022, respectively. The 67.62% increase mainly pertains to the effect of consolidation of PWEI and accretion made during the period.

Other non-current liabilities pertain to the Group's accrued retirement liability account.

Equity attributable to equity holders of the Parent Company amounted to ₱6.072 billion or ₱10.68 book value per share and ₱6.763 billion or ₱11.89 book value per share, as of September 30, 2023 and December 31, 2022, respectively. Changes in equity and equity attributable to PERC Parent are mainly due to consolidation of PWEI's financials in PERC's financial statements.

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

- 25% share of Kyuden in PetroGreen as of September 30, 2023, 14.53% December 31, 2022;
- 25% direct share of AC Energy, 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 September 30, 2023; and
- 40% direct share of BCPG in PWEI (May – September 2023).

Non-controlling interest increased by 42.21% from ₱3.963 billion to ₱5.636 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 September 30, 2023 and September 30, 2022)

	Unaudited		% Change	% to Total Revenues
	30-Sep-23	30-Sep-22		
REVENUES				
Electricity sales	701,370,449	396,269,219	76.99%	81.31%
Oil revenues	137,702,553	170,041,953	-19.02%	15.96%
Other revenues	23,551,456	55,124,283	-57.28%	2.73%
	862,624,458	621,435,455	38.81%	100.00%
COST OF SALES				
Cost of sales - Electricity	395,921,539	182,988,292	116.36%	45.90%
Cost of sales - Oil Production	103,612,139	117,806,202	-12.05%	12.01%
Change in crude oil inventory	(32,696,608)	(16,397,080)	99.41%	-3.79%
Cost of sales - Others	23,160,976	53,632,254	-56.82%	2.68%
	489,998,046	338,029,668	44.96%	56.80%
GROSS INCOME	372,626,412	283,405,787	31.48%	43.20%
GENERAL AND ADMINISTRATIVE EXPENSES	66,621,031	44,865,870	48.49%	7.72%
OTHER INCOME (CHARGES)				
Interest income	62,484,122	8,176,570	664.19%	7.24%
Net unrealized foreign exchange gain (loss)	(1,213,634)	11,838,646	-110.25%	-0.14%
Net unrealized gain (loss) on fair value changes on financial assets at FVPL	(403,280)	245,152	-264.50%	-0.05%
Interest expense	(99,319,524)	(75,330,271)	31.85%	-11.51%
Accretion expense	(2,347,413)	(1,037,736)	126.21%	-0.27%
Share in net income (loss) of joint venture	3,926,512	(8,126,577)	-148.32%	0.46%
Miscellaneous income (charges)	30,472,746	8,219,279	270.75%	3.53%
	(6,400,471)	(56,014,937)	-88.57%	-0.74%
INCOME BEFORE INCOME TAX	299,604,910	182,524,980	64.14%	34.73%
PROVISION FOR INCOME TAX	16,908,046	11,317,029	49.40%	1.96%
NET INCOME	282,696,864	171,207,951	65.12%	32.77%
NET INCOME ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	167,951,484	111,030,142	51.27%	19.47%
Noncontrolling interest	114,745,380	60,177,809	90.68%	13.30%
NET INCOME	282,696,864	171,207,951	65.12%	32.77%

The Group's **consolidated net income** amounted to ₱282.697 million and ₱171.207 million for the 3rd quarter ending September 30, 2023 and for the same period in 2022, respectively. While the **consolidated net income attributable to equity holders of the Parent Company** amounted to ₱167.951 million or

₱0.295 earnings per share for the 3rd quarter 2023 as compared with ₱111.030 million or ₱0.195 earnings per share for the same period 2022.

The Group's consolidated net income and net income attributable to equity holders of the Parent Company for the quarter is increased by 65.12% and 51.27%, respectively from the same period last year due to consolidation of PWEI's financials.

Revenues:

Electricity sales refer to the electricity power generation from MGPP, TSPP and NWPP. The 76.99% net increase in third quarter 2023 figure versus third quarter of 2022 is mainly due to effect on consolidation of PWEI including electricity sales and higher generation as a result of hook-up of MB-18D to the system on November 10, 2022.

Oil revenues decreased by 19.02% from ₱170.041 million as of September 30, 2022 to ₱137.702 million in September 30, 2023 mainly due to the decline in crude oil price (from average \$102.20/bbl to average \$84.12/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 decreased by 12.05% mainly due to decline in royalty expenses in Gabon Etame Operations caused by lower average crude oil price.

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 (₱32.697) million and (₱16.397) million for the quarters ended September 30, 2023 and September 30, 2022 pertains to the increase in the value of crude oil inventory reckoning from September 30, 2023 and September 30, 2022, respectively.

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

General and administrative expenses (G&A) increased by 48.49% mainly due to the effect of consolidation of PWEI's financials in PERC's FS and higher expenses incurred during the period related to documentary stamp taxes on loan availment and renewals.

Other income (charges) amounted to (₱6.400 million) and (₱56.014 million) as of September 30, 2023 and September 30, 2022, respectively. Below presents the itemized discussion of offsetting changes in other income (charges) – net account.

- 664.19% increase in interest income due to higher short-term investments;
- Net unrealized forex gain (loss) of (₱1.214 million) and ₱11.839 million for the 3rd quarter of 2023 and 2022, respectively due to reinstatement of USD accounts to Peso;

- Downward movement in the market value of the investments in FVPL, from net unrealized gain of ₱0.245 million to unrealized loss of (₱0.403 million);
- 31.85% increase in interest expense from ₱75.330 million to ₱99.320 million is mainly due to additional interest on new loans of PERC to fund the acquisition of EEIPC's interests in PWEI, PSC and PGEC, offset by the decline in subsidiaries' interest expense as a result of loan principal amortization;
- Upturn movement in share in net income (loss) of joint venture from (₱8.126 million) net loss to ₱3.927 million net income mainly due to PWEI's higher wind speed due to intensified southwest monsoon "Habagat" during July and August 2023.
- Increase in miscellaneous income is mainly due to recorded time-writing fees totaling ₱31.342 million for services rendered by PERC employees relating to Offshore Wind (OSW) Projects for the period January 2020 to June 2023.
- **Provision for (benefit from) income tax:**

Provision for income tax current pertains to the following:

- PSC's tax payable - 5.00% provision for income tax under the PEZA incentives;
- MGPP's, 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;
- PWEI's 10% special corporate income tax rate since the 7- year income tax holiday of Nabas 1 has ended last June 10,2022. This also includes 1% minimum corporate income tax due for PERC and PGEC; and
- PERC recognized tax adjustments to recognize tax credits from its Net Operating Loss Carry Over (NOLCO) resulting to a negative provision balance as of September 2022.

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

- nil share of EEIPC in PetroGreen as of September 30, 2023; 10% as of September 30, 2022;
- 25% share of Kyuden in PetroGreen as of September 30, 2023, nil in September 30, 2022;
- 25% direct share of AC Energy, 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 September 30, 2023; and
- 40% share of BCPG in PWEI (May – September 2023)

This amounted to ₱114.745 million and ₱60.178 million as of September 30, 2023 and same period 2022.

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

	30-Sep-23	30-Sep-22	% Change	% in Total Assets
ASSETS				
Cash and cash equivalents	₱2,518,239,904	₱1,245,508,933	102.19%	12.09%
Short term investments	1,975,286,425	-	100.00%	9.49%
Restricted cash	371,542,980	-	100.00%	1.78%
Receivables	574,882,254	502,319,025	14.45%	2.76%
Financial assets at fair value through profit and loss (FVTPL)	7,037,397	7,220,460	-2.54%	0.03%
Crude oil inventory	75,279,157	29,922,480	151.58%	0.36%
Contract Assets - current portion	26,422,376	6,266,304	321.66%	0.13%
Other current assets	266,524,999	803,248,477	-66.82%	1.28%
Property and equipment-net	11,949,585,966	8,025,167,556	48.90%	57.39%
Deferred oil exploration costs	387,691,356	289,219,058	34.05%	1.86%
Contract assets - net of current portion	690,198,062	272,075,874	153.68%	3.31%
Investment in joint venture	81,182,000	1,776,863,900	-95.43%	0.39%
Right-of-use asset	328,789,798	348,659,666	-5.70%	1.58%
Deferred tax assets-net	18,054,287	13,105,508	37.76%	0.09%
Investment properties-net	1,611,533	1,611,533	0.00%	0.01%
Other noncurrent assets	1,549,606,474	454,310,191	241.09%	7.44%
TOTAL ASSETS	₱20,821,934,968	₱13,775,498,965	51.15%	100.00%
LIABILITIES AND EQUITY				
Accounts payable and accrued	641,431,360	619,113,739	3.60%	3.08%
Loans payable - current	3,709,729,345	855,879,080	333.44%	17.82%
Lease liabilities - current	42,840,017	16,142,767	165.38%	0.21%
Income tax payable	8,683,375	9,523,416	-8.82%	0.04%
Loans payable - net of current portion	4,303,502,612	2,930,859,304	46.83%	20.67%
Lease liabilities - net of current portion	284,868,594	306,059,838	-6.92%	1.37%
Asset retirement obligation	111,015,823	103,528,840	7.23%	0.53%
Deferred tax liabilities	252,050	-	100.00%	0.00%
Other noncurrent liability	12,305,026	16,979,453	-27.53%	0.06%
TOTAL LIABILITIES	9,114,628,202	4,858,086,437	87.62%	43.77%
EQUITY				
Attributable to equity holders of the				
Parent Company	6,071,682,206	6,015,175,707	0.94%	29.16%
Non-controlling interest	5,635,624,560	2,902,236,821	94.18%	27.07%
TOTAL EQUITY	11,707,306,766	8,917,412,528	31.29%	56.23%
TOTAL LIABILITIES AND EQUITY	₱20,821,934,968	₱13,775,498,965	51.15%	100.00%

PERC now owns a 20% direct equity interest in PWEI after the acquisition of shares from EEIPC on May 10, 2023. PERC has now controlling interest in PWEI after having obtained a total of 50% effective interest (direct and indirect) as a result of the said acquisition.

Total assets amounted to ₱20.822 billion and ₱13.775 billion as of September 30, 2023 and September 30, 2022, respectively. Book value increased to ₱10.68/share from ₱10.58/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 102.19% net increase from ₱1.246 billion to ₱2.518 billion is mainly due to the effect on consolidation of PWEI, 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 pertain to money market placements from the proceeds of the Second Final Closing of Kyuden's share subscription on January 10, 2023.

Restricted cash pertains to subsidiaries' debt service payment and reserve account pursuant to the requirements of the Omnibus Loan Security Agreement (OLSA) and Project Loan Facility Agreements.

The **Receivables** account mainly consists of receivables from electricity sales and lifting/sales of crude oil revenue. The 14.45% increase is essentially attributable to higher interest receivable from short-term investments.

Financial assets at fair value through profit and loss (FVPL) decreased by 2.54% from ₱7.220million to ₱7.037 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 652Kbbls as of September 2023 as compared to 281Kbbls as of September 2022.

Contract Assets – current increased mainly due to the effect of consolidation in PWEI and 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 66.82% 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 ₱11.950 billion and ₱8.025 billion as of September 30, 2023 and September 30, 2022, respectively. The 48.90% increase is mainly due to the effect on consolidation of PWEI's financials in PERC's FS.

Deferred oil exploration costs amounted to ₱387.691 million and ₱289.219 million as of September 30, 2023 and September 30, 2022, respectively. The 34.05% 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 and PWEI'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 and PWEI's collection started in 2022 and 2020, respectively. The increase in current and noncurrent portion is mainly due to the effect on consolidation of PWEI's financials for the period.

Investment in joint venture refers to the 100% ownership of BKS Green Energy Corporation amounting to ₱80.00 million and the three newly incorporated special purpose vehicles namely: BuhaWind Energy Northern Luzon Corporation, BuhaWind Energy Northern Mindoro Corporation and BuhaWind Energy East Panay Corporation amounting to ₱1.182 million Bulk of the 95.43% net decrease from ₱1.777 billion to ₱81.182 million pertains to transfer of investment to controlling interest after PERC's acquisition of EEIPC's 20% interest in PWEI on May 10, 2023.

Right-of-use assets – this resulted from the first time adoption of the new PFRS 16 – leases in 2019. The 5.70% decline pertains to the amortization of the account during the period.

The Investment properties-net account remains the same as of September 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 the effect on consolidation of PWEI’s financials for the period.

Other noncurrent assets amounted to ₱1.550 billion and ₱454.310 million as of September 30, 2023 and same period 2022. The 241.09% increase is mainly due to additions to deferred development costs account related to the consolidation of PWEI’s financials. Development, production, and expansion of various renewable energy projects also contributed to the increase.

Accounts payable and accrued expenses increased by 3.60% mainly due additional accruals made during the period.

Current portion of loan payable increased by 333.44% mainly due to the effect on consolidation of PWEI’s financials for the period and loans availed by PERC from BPI for the acquisition of EEIPC’s shares in PWEI, PGEC and PSC. 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 increased by 46.83% to the effect on consolidation of PWEI’s financials for the period.

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 decrease in the **Income tax payable** account mainly due to payment of annual income tax for the year 2022.

Asset retirement obligation amounted to ₱111.016 million and ₱103.529 million as of September 30, 2023 and September 30, 2022, respectively. The 7.23% increase pertains to accretion made during the period and the effect on consolidation of PWEI’s financials.

Other noncurrent liabilities pertain to the Group’s accrued retirement liability account. Net decrease of 27.53% is mainly due to remittance to the retirement fund account during the period.

Equity attributable to equity holders of the Parent Company amounted to ₱6.072 billion or ₱10.68 book value share and ₱6.015 billion or ₱10.58 book value per share as of September 30, 2023 and September 30, 2022, respectively. Changes in equity and equity attributable to PERC Parent is mainly due to consolidation of PWEI’s financials in PERC’s financial statements.

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

- 25% share of Kyuden in PetroGreen as of September 30, 2023;
- 25% direct share of ACEN, 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 September 30, 2023; and

- 40% direct share of BCPG in PWEI (May – September 2023).

Non-controlling interest increased by 94.18% from ₱2.902 billion to ₱5,636 billion due to investment of Kyuden and the effect of PERC's acquisition of EEIPC's shares.

4. Consolidated Financial Performance (for the nine months ending September 30, 2023 and September 30, 2022)

	Unaudited (Nine months ending)		% Change	% to Total Revenues
	30-Sep-23	30-Sep-22		
REVENUES				
Electricity sales	₱1,685,498,384	₱1,260,929,214	33.67%	78.06%
Oil revenues	413,315,179	576,008,580	-28.24%	19.14%
Other revenues	60,321,476	79,512,254	-24.14%	2.79%
	2,159,135,039	1,916,450,048	12.66%	100.00%
COST OF SALES				
Cost of sales - Electricity	782,940,788	562,406,437	39.21%	36.26%
Cost of sales - Oil Production	319,751,773	315,154,655	1.46%	14.81%
Change in crude oil inventory	(60,841,965)	(17,305,804)	251.57%	-2.82%
Cost of sales - Others	59,368,488	77,781,979	-23.67%	2.75%
	1,101,219,084	938,037,267	17.40%	51.00%
GROSS INCOME				
	1,057,915,955	978,412,781	8.13%	49.00%
GENERAL AND ADMINISTRATIVE EXPENSES				
	164,758,515	131,262,532	25.52%	7.63%
OTHER INCOME (CHARGES)				
Interest income	164,107,269	17,452,320	840.32%	7.60%
Net unrealized foreign exchange gain (loss)	(2,530,023)	21,683,707	-111.67%	-0.12%
Net unrealized gain (loss) on fair value changes on financial assets at FVPL	(502,692)	(366,768)	37.06%	-0.02%
Interest expense	(241,445,748)	(224,210,624)	7.69%	-11.18%
Accretion expense	(5,976,458)	(2,766,926)	116.00%	-0.28%
Share in net income of joint venture	50,738,697	41,916,553	21.05%	2.35%
Miscellaneous income (charges)	62,826,184	13,013,632	382.77%	2.91%
	27,217,229	(133,278,106)	-120.42%	1.26%
INCOME BEFORE INCOME TAX				
	920,374,669	713,872,143	28.93%	42.63%
PROVISION FOR (BENEFIT FROM) INCOME TAX				
	46,405,715	36,821,425	26.03%	2.15%
NET INCOME				
	₱873,968,954	₱677,050,718	29.08%	40.48%
NET INCOME ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	445,521,602	466,216,825	-4.44%	20.63%
Noncontrolling interest	428,447,352	210,833,893	103.22%	19.84%
NET INCOME				
	₱873,968,954	₱677,050,718	29.08%	40.48%

Revenues:

Electricity sales refer to sales from electricity power generation of MGPP, TSPP and NWPP . The 33.67% net increase is mainly due to the effect on consolidation of PWEI's financials including electricity sales and improved generation of MGPP during the period, compared to the same period last year when major

plant preventive maintenance of its two geothermal generating units was conducted.

Oil revenue decreased by 28.24% from ₱576.009 million to ₱413.315 million as of September 30, 2023 and same period 2022, respectively mainly due to lower production barrels of 409Kbbls as of September 2023 as compared to 451Kbbls in September 2022 and decline in crude oil price (from average \$109.08/bbl to average \$81.67/bbl) for the said period.

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. The increase is mainly due to the effect on consolidation of PWEI's financials for the period.

Increase in **oil production operating expenses** by 1.46% is mainly due to amortization of FPSO cargo tank and slop tank waste disposal 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 25.52% increase in **general and administrative expenses (G&A)** is mainly due to the effect of consolidation of PWEI's financials in PERC's FS and 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 840.32% 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;
- Higher **unrealized loss on fair value changes on FVPTL** due to negative market changes of prices of the stock investments;
- Increase in **interest expense** of 7.69% is due to additional interest on new loans of PERC to fund the 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;
- Increase in **share in net income of joint venture** of 21.05% due to the relatively higher wind speeds for the period as compared to same period last year.
- Increase in **miscellaneous income** of 382.77% 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 and PGEC's time-writing fees relating to Offshore Wind (OSW) Projects for the period January 2020 to June 2023.

As of September 30, 2023 **net income attributed to the parent company** amounted to ₱445.522 million as compared with ₱466.216 million for the same period in 2022. The decrease of 4.44% 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 of 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 forty-five (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 thirty (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 sixty-six (166) 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 7.63% 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 3rd quarter ranged from 13,813 to 18,209 barrels of oil per day (BOPD). The fluctuations in the daily production were due to the following: 1) signal alarms at the Etame Platform and 2) pressure build-up of 1-2 wells at Ebouri and North Tchibala oil fields.

The total cargo lifted by the Consortium for the 3rd Quarter of 2023 amounted to 1.3 million barrels of oil (MMBO). On a year-to-date basis, the Consortium had produced approximately 4.6 MMBO.

Philippine Operations

Service Contract 14C2 – West Linapacan, Northwest Palawan

Following the release of DOE’s draft guidelines on the “Awarding of Petroleum Service Contracts for Development and Production”, SC 14C2 consortium is currently evaluating farm-in proposals from interested parties.

Service Contract 75 – Offshore Northwest Palawan

SC 75 consortium is waiting for official notice from DOE regarding resumption of operations. Upon lifting of force majeure, consortium will proceed with conduct of survey planning and acquisition of new seismic data.

Summary of Petroleum Properties:

Contract No.	Contract Expiry	Participating Interest %	Location
Foreign Contract			
Production Sharing Contract (PSC) 93 – Gabon	2028	2.525%	Gabon Offshore
Philippine Service Contracts (SC)			
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 July 1 to September 30, 2023, the combined net exported output is 65,014.16 MWh (40,597.72 MWh from MGPP-1 and 24,416.44 MWh from MGPP-2).

Nabas Wind Power Project

The 36-MW Nabas-1 Wind Power Plant (NWPP-1) of PetroWind Energy, Inc. (PWEI) has been operating normally, and for the period of July 1 to September 30, 2023, the total net energy exported to the grid reached 22,831.94 MWh.

For the 13.2-MW Nabas-2 Wind Power Project (NWPP-2), the temporary landing pad (TLP) has been completed while the conduct of Main Balance-of-Plant (BOP) works are ongoing. Meanwhile, four (4) sets of WTGs out of six (6) have been delivered on site and temporarily stored at Nabas-1 existing platforms.

On 18 January 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_{DC} Tarlac-1 (TSPP-1) and 20-MW_{DC} Tarlac-2 (TSPP-2) Solar Power Plants are on continuous operations. The combined net exported output for the second quarter is 22,714.44 MWh (16,027.42 MWh from TSPP-1 and 6,687.02 MWh from TSPP-2).

Puerto Princesa Solar Power Project

The Department of Energy (DOE) approved PGEC's relinquishment of its Puerto Princesa Solar Power Project under Solar Energy Service Contract (SESC) No. 2017-01-360.

San Vicente Wind Power Project

Data from the about 2-year site wind measurement campaign is being assessed for the conduct of the Energy Yield Assessment and Pre-Engineering Services. Meanwhile, 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 shortlisting potential EPC contractors.

Following the approval of the Distribution Impact Study by the Central Pangasinan Electric Cooperative (CENPELCO) last 20 September 2023, PGEC proceeded with the Distribution Asset Study. Conduct of said study is ongoing.

Dagohoy Solar Power Project

Site development works are ongoing and expected to be completed by end of October 2023. Meanwhile System Impact Study and Facility Study were approved and released by NGCP last August 1 and September 26, respectively.

Limbauan Solar Power Project (formerly San Pablo Power Project)

PGEC successfully won the bid for its 28.000 MWac Limbauan SPP-Phase 2 during the second round of the Green Energy 2 Auction (GEA-2). Last 13 September 2023, PGEC has acquired 100% shares of BKS Green Energy Corporation, the service contract holder of the Limbauan Solar Power Project. For this quarter, PGEC is still in the process of selecting a final EPC contractor.

San Jose Solar Power Project

DOE Service Contract (SC) was transferred to PGEC last July 19, 2023. The SC will then be transferred to a new SPV once incorporated. Meanwhile, negotiations for offtake and final evaluation of EPC contractor are ongoing.

Offshore Wind Power Projects

PGEC was provided Offer of Service by the National Grid Corporation of the Philippines (NGCP) for the Northern Luzon Offshore Wind Power Project last 4 September 2023 in which the System Impact Study (SIS) was noted to commence by 18 November 2024. As for the Northern Mindoro and East Panay Offshore Wind Projects, preparation of technical documents for SIS Pre-technical assessment is ongoing.

In the meantime, BuhaWind Energy Philippines (BEP), continues to communicate with potential third-party service providers regarding conduct of the wind measurement campaign, environmental permitting and social acceptability surveys.

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 and other pertinent regulatory documents. Moreover, PGEC plans to participate in Competitive Selection Process (CSP) of PALECO later this year.

Bugallon Solar Power Project

PGEC is continuing negotiations with the EPC contractor to finalize the project specifications for BSPP. Simultaneous to this would be the conduct of the Distribution Asset Study.

Dagohoy Solar Power Project

PGEC is continuing with initial site works and other pertinent permits for DSPP.

Limbauan Solar Power Project (formerly San Pablo 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
SEPTEMBER 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 ₱7.04 million do not constitute 5% or more of the total current assets of the Group as of September 30, 2023.

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

As of September 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 whichever is lower.

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 of September 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
PERC Parent due from subsidiaries						
PetroGreen Energy Corporation	₱326,444	₱ 21,118,701	₱ 2,219,338	₱-	₱-	₱ 19,225,807
Maibarara Geothermal, Inc.	924,276	3,282,080	3,845,951	-	-	360,406
PetroSolar Corporation	239,807	4,898,852	3,254,926	-	-	1,883,733
PetroWind Energy Inc	-	2,239,744	1,994,972	-	-	244,772
	1,490,527	4,847,096	11,315,186	-	-	21,714,718
PGEC due from PERC and subsidiaries						
PetroEnergy Resources Corporation	₱ 1,650,763	₱5,975,617	₱ 6,291,753	₱-	₱-	₱ 1,334,627
Maibarara Geothermal, Inc.	2,047,281	7,060,403	7,406,966	-	-	1,700,718
PetroSolar Corporation	4,745,346	15,161,962	13,522,708	-	-	6,384,600
PetroWind Energy Inc	-	27,033,067	17,307,850	-	-	9,725,218
Rizal Green Energy Corporation	-	5,051,480	-	-	-	5,051,480
Dagohoy Green Energy Corporation	-	1,415,410	-	-	-	1,415,410
	8,443,391	61,697,939	44,529,276	-	-	25,612,053
	₱ 9,933,918	₱93,237,316	₱55,844,463	₱-	₱-	₱47,326,771

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 September 30, 2023.

Schedule F. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of September 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	6,064,534	397,178,583

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

Financial Soundness Indicators

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

Financial ratios	Formula	Unaudited 30-Sept-2023	Unaudited 30-Sept-2022	Audited 31-Dec-2022
Current ratio	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$	1.32:1	1.73:1	3:50:1
Solvency ratio	$\frac{\text{After tax net profit + depreciation}}{\text{Long-term + short-term liabilities}}$	0.14:1	0.23:1	0.32:1
Debt-to-Equity Ratio	$\frac{\text{Total liabilities}}{\text{Total stockholder's equity}}$	0.78:1	0.54:1	0.36:1
Asset-to-Equity Ratio	$\frac{\text{Total assets}}{\text{Total stockholder's equity}}$	1.78:1	1.54:1	1.36:1
Interest rate coverage ratios	$\frac{\text{Earnings before interest and taxes (EBIT)}}{\text{Interest expense*}}$	4.81:1	4.18:1	4.05:1
Return on revenue	$\frac{\text{Net income}}{\text{Total revenue}}$	40.48%	35.33%	33.83%
Earnings per share	$\frac{\text{Net income}}{\text{Weighted average no. of shares}}$	₱0.7531	₱0.8198	₱0.9645
Price Earnings Ratio	$\frac{\text{Closing price}}{\text{Earnings per share}}$	₱5.92	₱5.72	₱4.98
Long term debt-to-equity ratio	$\frac{\text{Long term debt}}{\text{Equity}}$	0.40:1	0.38:1	0.24:1
EBITDA to total interest paid	$\frac{\text{EBITDA**}}{\text{Total interest paid}}$	8.57	7.10	4.94

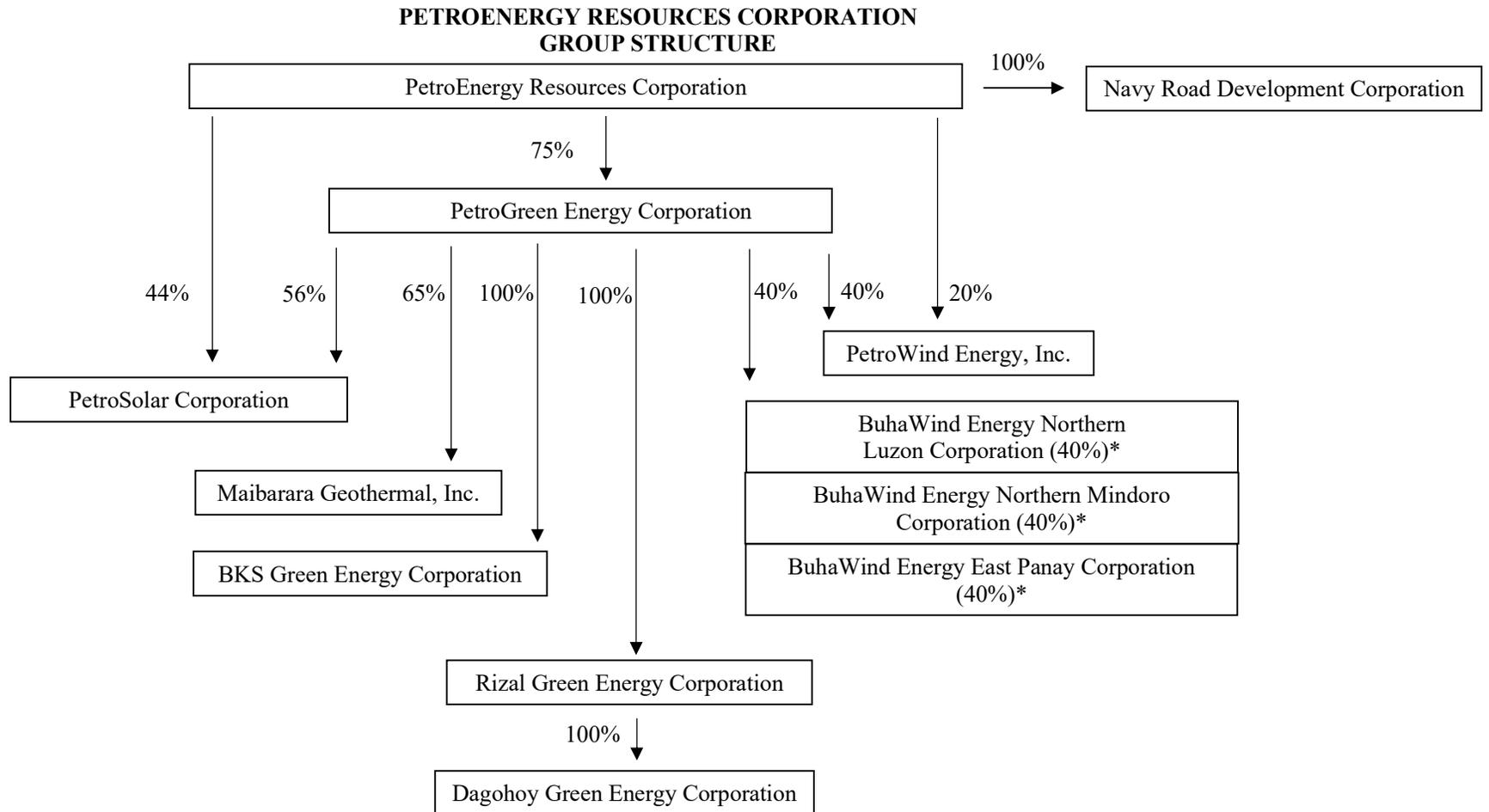
*Interest expense is capitalized as part of the construction-in-progress account under PPE.

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

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

Group Structure

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



*Investment in joint venture.

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

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
<hr/>	<hr/>
Net income for the year	28,237,965
Movement in gross deferred tax assets	–
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	1,150,333
Fair value adjustment - marked-to-market loss	502,692
<hr/>	<hr/>
Net income actual/realized	29,890,990
Less dividend declaration	–
<hr/>	<hr/>
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, SEPTEMBERS 30, 2023	₱262,433,272
<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 : November 13, 2023