

10 November 2022

SECURITIES AND EXCHANGE COMMISSION

7907 Makati Avenue, Salcedo Village
Barangay Bel-Air, Makati City 1209

Attention : **VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

THE PHILIPPINE STOCK EXCHANGE, INC.

PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, Taguig City 1634

Attention : **ALEXANDRA D. TOM WONG**
Officer-in-Charge, Disclosure Department

Re : **SEC Form 17-Q (Quarterly Report)**

Ladies and Gentlemen:

The undersigned is hereby filing on behalf of **SP NEW ENERGY CORPORATION** (formerly Solar Philippines Nueva Ecija Corporation) (the “**Company**”) the Company’s SEC Form 17-Q (Quarterly Report) for the quarter ended 30 September 2022.

Very truly yours,

For the Company:

By:



HAZEL IRIS P. LAFUENTE
Assistant Corporate Secretary and
Chief Information Officer

COVER SHEET

C S 2 0 1 6 2 7 3 0 0

S.E.C. Registration Number

S P N E W E N E R G Y C O R P O R A T I O N
(f o r m e r l y S o l a r P h i l i p p i n e s
N u e v a E c i j a C o r p o r a t i o n)

(Company's Full Name)

2 0 t h F l o o r , P h i l a m L i f e T o w e r ,
8 7 6 7 P a s e o d e R o x a s , M a k a t i
C i t y 1 2 2 6

(Business Address of the Company)

Hazel Iris P. Lafuente

Contact Person

0 2 - 8 8 1 7 - 2 5 8 5

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC Form 17-Q

Form Type

1st Monday of May each year

Regular Meeting

Certificate of Permit to Offer Securities for Sale (Pursuant to SEC MSRD Order No. 87, Series of 2021)

Secondary License type, if applicable

MSRD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = Pls. use black ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **30 September 2022**

2. Commission Identification No. **CS201627300**

3. BIR Tax Identification No. **009-468-103**

SP NEW ENERGY CORPORATION

4. Exact name of issuer as specified in its charter

Metro Manila, Philippines

5. Province, country, or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

112 Legaspi Street, Legaspi Village, Barangay San Lorenzo, Makati City 1229, Philippines¹

7. Address of issuer's principal office and postal code

02 8817 2585

8. Issuer's telephone number, including area code

Solar Philippines Nueva Ecija Corporation; fiscal year ending on June 30 every year

9. Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	8,124,350,005²

11. Are any or all of the securities listed on a stock exchange?

Yes [☒] No [☐]

If yes, state the name of such stock exchange and the class/es of securities listed therein:

Philippine Stock Exchange; common shares

12. Indicate by checkmark whether the registrant:

¹ The Company's business address is the 20th Floor PhilamLife Tower, 8767 Paseo de Roxas, Barangay Bel-Air, Makati City 1226, Philippines.

² The Company's total issued and outstanding capital stock is 10,000,000,000 common shares. Out of the 10,000,000,000 common shares, only 8,124,350,005 common shares are registered with the Securities and Exchange Commission ("SEC"). The 1,875,649,995 common shares are not registered as at the time of their issuance they were exempt from the registration requirement of the SRC, as evidenced by the Confirmation of Exempt Transaction issued by the SEC on 19 July 2022.

- a. Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports):

Yes [☐] No [☒]

- b. Has been subject to such filing requirements for the past ninety (90) days:

Yes [☒] No [☐]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

- Financial Position as of September 30, 2022 and June 30, 2022
- Comprehensive Income for the Three (3)-Month Periods ended September 30, 2022 and 2021
- Changes in Equity for the Three (3)-Month Periods ended September 30, 2022 and 2021
- Cash Flows for the Three (3)-Month Periods ended September 30, 2022 and 2021
- Notes to Unaudited Interim Financial Statements

[Please see attached]

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

- Material Changes to the Statement of Financial Position as of September 30, 2022, compared to the Statement of Financial Position as of June 30, 2022
- Material Changes to the Statement of Comprehensive Income for the Three (3)-Month Period ended September 30, 2022, compared to the Statement of Comprehensive Income for the Three (3)-Month Period ended September 30, 2021
- Key Performance Indicators

[Please see attached]

PART II – OTHER INFORMATION

[Not applicable]

SIGNATURES

Pursuant to the requirements of the SRC, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SP NEW ENERGY CORPORATION

By:



HAZEL IRIS P. LAFUENTE
Assistant Treasurer

Date: **10 November 2022**

SP New Energy Corporation
*(formerly Solar Philippines Nueva Ecija
Corporation, a Subsidiary of Solar
Philippines Power Project Holdings, Inc.)*

Unaudited Interim Condensed
Financial Statements
September 30, 2022
(With Comparative Audited Figures as of
June 30, 2022)
and For the Three-Month Periods Ended
September 30, 2022 and 2021

SP NEW ENERGY CORPORATION

(Formerly Solar Philippines Nueva Ecija Corporation,
A Subsidiary of Solar Philippines Power Project Holdings, Inc.)

UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2022

(With Comparative Audited Figures as at June 30, 2022)

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
ASSETS		
Current Assets		
Cash (Notes 3 and 13)	₱1,889,011,324	₱886,758,302
Subscription receivable (Note 10)	841,528,217	–
Due from related parties (Notes 9 and 13)	821,421,290	541,700,000
Other current assets (Note 4)	17,481,545	20,789,388
Total Current Assets	3,569,442,376	1,449,247,690
Noncurrent Assets		
Property, plant and equipment (Notes 1 and 5)	1,144,577,169	921,385,618
Deposits for land acquisition (Notes 6 and 9)	1,012,918,552	621,499,933
Right-of-use assets (Note 12)	284,200,308	286,910,494
Deferred income tax asset - net	10,466,264	10,466,264
Other noncurrent assets (Note 7)	154,237,082	114,218,371
Total Noncurrent Assets	2,606,399,375	1,954,480,680
TOTAL ASSETS	₱6,175,841,751	₱3,403,728,370
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 8, 9 and 13)	₱15,773,324	₱13,000,260
Due to a related party (Notes 9 and 13)	22,792,348	22,792,348
Current portion of lease liabilities (Notes 12 and 13)	4,538,676	4,538,676
Total Current Liabilities	43,104,348	40,331,284
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 12 and 13)	293,969,958	289,340,172
Total Liabilities	337,074,306	329,671,456
Equity (Note 10)		
Capital stock	1,000,000,000	812,435,001
Additional paid-in capital	4,939,997,430	2,347,338,021
Deficit	(101,229,985)	(85,716,108)
Total Equity	5,838,767,445	3,074,056,914
TOTAL LIABILITIES AND EQUITY	₱6,175,841,751	₱3,403,728,370

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

SP NEW ENERGY CORPORATION**(Formerly Solar Philippines Nueva Ecija Corporation,
A Subsidiary of Solar Philippines Power Project Holdings, Inc.)****UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
INTEREST INCOME (Note 3)	₱49,792	₱753
EXPENSES (Note 11)	15,563,669	21,819,827
LOSS BEFORE INCOME TAX	15,513,877	21,819,074
BENEFIT FROM DEFERRED INCOME TAX	–	809,869
NET LOSS	15,513,877	21,009,205
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE LOSS	₱15,513,877	₱21,009,205
Basic/Diluted Loss Per Share (Note 14)	₱0.0020	₱0.0116

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

SP NEW ENERGY CORPORATION

(Formerly Solar Philippines Nueva Ecija Corporation,
A Subsidiary of Solar Philippines Power Project Holdings, Inc.)

**UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021**

	Capital Stock	Additional Paid-in Capital	Deficit	Total
Balances at July 1, 2022	₱812,435,001	₱2,347,338,021	(₱85,716,108)	₱3,074,056,914
Issuance of shares of stock (Note 10)	187,564,999	2,625,909,994	–	2,813,474,993
Stock issuance costs (Note 10)	–	(33,250,585)	–	(33,250,585)
Total comprehensive loss for the period	–	–	(15,513,877)	(15,513,877)
Balances at September 30, 2022	₱1,000,000,000	₱4,939,997,430	(₱101,229,985)	₱5,838,767,445
Balances at July 1, 2021	₱542,435,000	₱–	(₱25,136,660)	₱517,298,340
Collection of subscription receivable (Note 10)	–	–	(21,009,205)	(21,009,205)
Issuance of shares of stock (Note 10)	1	–	–	1
Total comprehensive loss for the period	–	16,000,000	–	16,000,000
Balances at September 30, 2021	₱542,435,001	₱16,000,000	(₱46,145,865)	₱512,289,136

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

SP NEW ENERGY CORPORATION**(Formerly Solar Philippines Nueva Ecija Corporation,
A Subsidiary of Solar Philippines Power Project Holdings, Inc.)****UNAUDITED INTERIM STATEMENTS OF CASH FLOWS****FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(P15,513,877)	(P21,819,074)
Adjustments for:		
Interest income (Note 3)	(49,792)	(753)
Depreciation expense (Note 5)	3,460	—
Interest accretion of lease liabilities (Note 12)	—	4,571,005
Amortization of right-of-use assets (Note 12)	—	2,710,185
Operating loss before working capital changes	(15,560,209)	(14,538,637)
Decrease (increase) in other current assets	3,307,843	(2,506,433)
Increase in accounts payable and accrued expense	2,773,064	4,880,606
Cash used in operations	(9,479,302)	(12,164,464)
Interest received	49,792	753
Net cash flows used in operating activities	(9,429,510)	(12,163,711)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Deposits for land acquisition (Note 6)	(391,418,619)	—
Property, plant and equipment (Note 5)	(215,855,041)	—
Other noncurrent assets	(40,018,709)	—
Cash flows used in investing activities	(647,292,369)	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares of stock, net of transaction cost (Note 10)	1,938,696,191	1
Net advances from related parties (Notes 9 and 13)	(279,721,290)	—
Additional paid-in capital (Note 10)	—	16,000,000
Net cash flows from financing activities	1,658,974,901	16,000,001
NET INCREASE IN CASH	1,002,253,022	3,116,290
CASH AT JULY 1	886,758,302	351,251
CASH AT SEPTEMBER 30 (Notes 3 and 13)	P1,889,011,324	P3,467,541

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

SP NEW ENERGY CORPORATION

**(Formerly Solar Philippines Nueva Ecija Corporation,
A Subsidiary of Solar Philippines Power Project Holdings, Inc.)**

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

1. Corporate Information

(a) Organization

SP New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation, the Company), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 23, 2016, primarily to construct, erect, assemble, commission, operate and maintain power-generating plants, installations, shops, laboratories, pipelines, repair shops, electrical works, power houses, warehouses, terminals, and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution; to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and systems including but not limited to solar, wind, water, heat, steam, ocean, tidal, biomass, biogas, chemical, mechanical, electrical, synthetic, agricultural, and other natural, fossil or non-fossil fuel based, artificial, organic or otherwise, and of energy systems that use new, renewable and any energy resources applying new and efficient energy conversion and/or utilization technologies for commercial application; and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy. As of November 9, 2022, the Company has not yet started commercial operations.

The Company is a subsidiary of Solar Philippines Power Project Holdings, Inc. (SPPPHI or the Parent Company), a corporation organized in the Republic of the Philippines.

(b) The Project

On August 22, 2017, Solar Philippines Commercial Rooftop Projects, Inc. (SPCRPI), an affiliate of the Company, was awarded Solar Energy Service Contract (SESC) No. 2017-06-404 for the exclusive right to explore and develop the Sta. Rosa Nueva Ecija 2 Solar Power Project (the Project), wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Santa Rosa, Peñaranda and San Leonardo, Nueva Ecija. On December 29, 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations provided under the SESC No. 2017-06-404 to the Company.

On February 23, 2018, the Department of Energy (DOE) acknowledged and approved the Deed of Assignment between SPCRPI and the Company. Further, on that same day, the DOE issued and approved a new Certificate of Registration (COR) under the name of the Company which recognizes the Company as a Renewable Energy (RE) developer.

The Project is a 500-megawatt peak (MWdc) solar power plant project located in Nueva Ecija and is divided into two Phases. The first phase of the Project is a 225-MWdc solar power plant (Phase 1) in Barangay Las Piñas, Peñaranda, Nueva Ecija with sub-phases of Phase 1A at 50 MWdc and Phase 1B at 175 MWdc. The Company targets that Phase 1A shall be commissioned by mid 2023 while Phase 1B is planned to be commissioned by end of 2023 or within nine months of closing financing for Phase 1B. Moving forward, the Company plans to

construct an additional 275 MWdc (Phase 2) after it has commissioned Phase 1.

On August 20, 2019, the Company has declared commerciality which the DOE confirmed via the release of the Certificate of Confirmation of Commerciality ("COCOC") last November 15, 2021.

On December 27, 2021, the Company began construction of Phase 1A (see Note 5).

(c) Initial Public Offering (IPO)

The Company filed with the SEC and the Philippine Stock Exchange, Inc. (PSE) for the registration and application for the listing of all its issued and outstanding stock on July 29, 2021 and August 20, 2021, respectively.

On November 29, 2021, the SEC and the PSE approved the application of the Company for the listing of its 8,124,350,005 common shares on the Main Board of the PSE.

The common shares of the Company consisting of 8,124,350,005 shares, inclusive of the primary offering of 2,700,000,000 common shares and the issued and outstanding shares of 5,424,350,005 common shares, were listed on the Main Board of the PSE on December 17, 2021 and are currently being traded under the stock symbol "SPNEC" (see Note 10).

(d) Stock Rights Offering (SRO) and Share Swap

SRO

On February 14, 2022, the BOD of the Company approved the conduct of an SRO where eligible stockholders would have the opportunity to subscribe to shares, subject to terms to be determined by management and relevant regulatory requirements and approvals.

On August 25, 2022, the SEC and the PSE approved the application of the Company for the listing of its 1,875,649,995 common shares on the Main Board of the PSE.

On September 15, 2022, the primary offering of 1,875,649,995 common shares were listed on the Main Board of the PSE (see Note 10).

Share Swap

On February 24, 2022, the BOD of the Company approved the acquisition of 100% of the outstanding shares of SPPPHI and affiliates in various entities ("Solar Philippines Assets") (see Note 10).

(e) Acceptance of Donation of Shares

On July 4, 2022, the BOD of the Company approved the authorization to accept the transfer by way of donation of shares in Solar Philippines entities owned by Leandro Antonio L. Leviste (LLL), the Chairman, President and Chief Executive Officer of the Company, or Countryside Investments Holdings Corporation (CIHC), including shares in SP Holdings, Inc. (SPHI), which are not directly held by SPPPHI.

(f) Change in Corporate Name and Fiscal Year

On August 8, 2022, the BOD of the Company approved a resolution to amend the Articles of Incorporation and By-Laws to (1) change the corporate name from Solar Philippines Nueva Ecija Corporation to SP New Energy Corporation; and (2) change the Company's fiscal year from July 1 to June 30 of each year to January 1 to December 31 of each year. This was subsequently approved by the Company's stockholders on August 30, 2022.

On October 24, 2022, the SEC approved the application for amendment of the Company's Articles of Incorporation and By-Laws.

The complete requirements for the change in accounting period for tax purposes were submitted to the Bureau of Internal Revenue (BIR) on October 28, 2022. As of November 9, 2022, the application is still pending the approval of the BIR.

(g) Principal Office Address

The registered business address of the Company is at 20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines 1226. The principal place of business based in the Articles of Incorporation is 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City.

(h) Authorization for the Issuance of the Financial Statements

The financial statements of the Company as of September 30, 2022 and for the three-month periods ended September 30, 2022 and 2021 were authorized for issue by the BOD on November 9, 2022.

2. Basis of Preparation and Changes to the Company's Accounting Policies

Basis of Preparation

The unaudited interim condensed financial statements of the Company as of September 30, 2022 and for the three-month periods ended September 30, 2022 and 2021 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at June 30, 2022.

The unaudited interim financial statements of the Company have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded to the nearest ₱, unless otherwise indicated.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2022, except for the adoption of new standards effective as of July 1, 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time starting July 1, 2022, but do not have an impact on the unaudited interim condensed financial statements of the Company.

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

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. The exception requires entities to apply the criteria in PAS 37 or Philippine-IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the unaudited interim condensed financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

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

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

These amendments had no impact on the unaudited interim condensed financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

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

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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

These amendments had no impact on the unaudited interim condensed financial statements of the Company as there were no onerous contracts during the period.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

These amendments had no impact on the unaudited interim condensed financial statements of the Company as it is not a first-time adopter.

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for PAS 39, *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the unaudited interim condensed financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

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

These amendments had no impact on the unaudited interim condensed financial statements of the Company as it did not have assets in scope of PAS 41 as at the reporting date.

3. Cash

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Cash in banks	₱1,888,911,324	₱886,658,302
Cash on hand	100,000	100,000
	₱1,889,011,324	₱886,758,302

Cash in banks earn interest at the respective bank deposit rates. Total interest earned on cash in banks, net of final tax, amounted to ₱49,792 and ₱753 for the three-month periods ended September 30, 2022 and 2021, respectively.

Cash in banks include the balance of escrow account where the net proceeds of the IPO and SRO are deposited. As provided in the escrow agreement, the escrow agent shall release to the Company the offer proceeds within five banking days from the receipt of an instruction letter from the Company directing such release and certifying that the amount released shall be used solely in accordance with the purpose stated in the use of proceeds of IPO and/or SRO.

In the event of any change in the use of proceeds, the Company shall provide the escrow agent with a copy of the certification by the Company's corporate secretary of the board resolution approving such new use of proceeds and a certification by the Company's corporate secretary that the new use of proceeds has been disclosed to the PSE in accordance with applicable PSE rules.

4. Other Current Assets

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Surety and performance bond (Notes 13 and 15)	₱15,000,000	₱16,350,000
Cash bond deposit (Note 13)	552,038	552,038
Others	1,929,507	3,887,350
	₱17,481,545	₱20,789,388

Others include advances to employees of the Parent Company used for the operations that are subject for liquidation within 30 days.

5. Property, Plant and Equipment

	September 30, 2022 (Unaudited)		
	Transportation Equipment	Construction in progress	Total
Cost:			
Balance at beginning of the period	₱–	₱921,385,618	₱921,385,618
Additions (Notes 9 and 12)	207,600	222,987,411	223,195,011
Balances at end of the period	207,600	1,144,373,029	1,144,580,629
Accumulated depreciation, amortization and impairment losses:			
Balance at beginning of the period	–	–	–
Depreciation	3,460	–	3,460
Balances at end of the period	3,460	–	3,460
Net book value	₱204,140	₱1,144,373,029	₱1,144,577,169

	June 30, 2022 (Audited)
	Construction in progress
Cost:	
Balance at beginning of the period	₱–
Additions (Notes 9 and 12)	921,385,618
Balance at end of period	₱921,385,618

The Company's construction in progress pertains to costs capitalized for the Project (see Note 1).

6. Deposits for Land Acquisition

Memorandum of Agreements (MOA) with Provincia Investments Corporation (PIC) and Lupang Hinirang Holdings Corporation (LHHC)

On February 20, 2021, the Company entered into a MOA with an affiliate, PIC, which MOA was later amended on March 3, 2021, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers parcels of land with a total area of 68.621 hectares.

On April 19, 2021, the Company entered into a MOA with an affiliate, LHHC, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers parcels of land with a total area of 56.81 hectares.

As of November 9, 2022, PIC and LHHC are collating all the necessary documentary requirements to be submitted to the DOE and Local Government Unit for the issuance of certification as priority project, and to the National Irrigation Authority for the issuance of certificate of non-irrigation coverage. PIC and LHHC aim to submit these documentary requirements to the appropriate government agencies in 2022.

Contracts to Sell with Various Landowners

In 2022, the Company entered into Contracts to Sell (CTS) with various landowners for the acquisition of parcels of land intended for the expansion of the Project. These CTS covers certain parcels of land with a total area of 785.93 hectares.

The advance payments made by the Company to PIC, LHHC and various landowners totaling to ₱862.9 million and ₱621.5 million as of September 30, 2022 and June 30, 2022, respectively, are presented as “Deposits for land acquisition” (see Note 9).

Project Development Services Agreement with Parent Company

In September 2022, the Company entered into a Project Development Services Agreement with the Parent Company wherein the Parent Company shall provide project development services, including site identification, permitting and land acquisition for a consideration of ₱150.0 million, exclusive of VAT. As of September 30, 2022, the Company has fully paid the services which is included as part of “Deposits for land acquisition” (see Note 9).

7. Other Noncurrent Assets

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Input VAT	₱107,445,918	₱96,601,001
Advances to contractors	38,089,187	8,295,392
Deferred input VAT	480,000	1,200,000
Others	8,350,145	8,250,146
	154,365,250	114,346,539
Less allowance for impairment of input VAT	128,168	128,168
	₱154,237,082	₱114,218,371

Advances to contractors pertain to advance payments for the purchase of goods and services in connection with the construction of the Project (see Note 1).

Others include investment in Terra Nueva, Inc. (TNI) amounting to ₱0.1 million and nil as of September 30, 2022 and June 30, 2022, respectively. The Company subscribed to 50,000 common shares and 50,000 preferred shares of TNI with a par value of ₱1 each, representing 100.0% ownership for a total amount of ₱0.1 million.

8. Accounts Payable and Accrued Expenses

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Withholding tax payable	₱9,401,131	₱691,094
Accounts payable (Note 9)	3,880,220	9,766,610
Accrued expenses	2,487,468	2,538,035
Other payables	4,505	4,521
	₱15,773,324	₱13,000,260

Accounts payable are non-interest bearing and are normally settled within one year. Withholding tax payable pertains to withholding taxes on professional fees. Accrued expenses consist of accrual for professional fees.

9. Related Party Transactions

Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Affiliates are related entities of the Company by virtue of common ownership and representation to management where significant influence is apparent.

Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

- a. The Company, in the normal course of business, has cash advances transactions with its Parent Company, SPPPHI, subsidiary and affiliates for various business requirements.

	Transactions during the three-month periods ended September 30 (Unaudited)		Outstanding balance as of			
	2022	2021	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)	Terms	Conditions
<i>Due from related parties</i>						
Parent:						
SPPPHI	₱8,700,000	₱-	₱8,700,000	₱-	Cash advances	Unsecured
Affiliates:						
SPHI	250,000,000	-	791,700,000	541,700,000	-do-	-do-
SPCRPI	19,100,000	-	19,100,000	-	-do-	-do-

(Forward)

Transactions during the three-month periods ended September 30 (Unaudited)		Outstanding balance as of		Terms	Conditions
2022	2021	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)		
<i>Due from related parties</i>					
Subsidiary:					
TNI	1,921,290	–	1,921,290	–	-do-
	279,721,290	–	₱821,421,290	₱541,700,000	
<i>Due to a related party</i>					
Parent:					
SPPPHI	₱–	₱–	₱22,792,348	₱22,792,348	Cash advances
					Unsecured
<i>Accounts payable</i> (Note 8)					
SPPPHI	₱6,500,000	₱24,000,000	₱3,880,000	₱9,700,000	Management fee
					Unsecured

- b. On February 20, 2021, the Company entered into a MOA with PIC, which was later amended on March 3, 2021, to secure land covering a total area of 68.621 hectares for a total amount of ₱267.0 million (see Note 6).
- c. On April 19, 2021, the Company entered into a MOA with LHHHC to secure land covering a total area of 56.81 hectares for a total amount of ₱270.0 million (see Note 6).
- d. On January 11, 2021, a Deed of Assignment was entered between the Company, as the assignee, and the Parent Company, as the assignor, whereby, the Parent Company assigned to the Company all of its rights and obligations under the September 6, 2016 lease agreement covering a total land area of 169.9 hectares, among others, which was accepted by the Company (see Note 12).
- e. On April 30, 2021, the Company entered into a Management Service Agreement (MSA) with the Parent Company to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from May 1, 2021 to April 30, 2023, renewable upon mutual agreement of both parties, for a monthly fee of ₱2.0 million, with an annual escalation rate of 5%.

The MSA covers all necessary administrative and advisory services on management, investment and technical matters involving the Company's operations, including but not limited to human resources, legal, finance, and information technology.

Prior to May 2021, the administrative and finance functions of the Company were being handled by the Parent Company at no cost to the Company. Starting May 2021, the key administrative and finance functions are performed by SPPPHI through the MSA. Management fee recognized for the three-month periods ended September 30, 2022 and 2021 amounted to ₱6.5 million and ₱6.0 million, respectively.

- f. On April 6, 2022, the BOD of the Company, pursuant to the Company's BOD approval on December 20 2021, approved the authorization to allocate IPO proceeds to advance funding for pursuing offtake agreements and developing projects for Terra Renewables Holdings, Inc. (Terra) and its associated developments to SPHI, given that SPHI is a shareholder in Terra and that SPHI is to become a subsidiary of the Company, provided this would only be from the excess of the amount needed by Phase 1A of the Nueva Ecija solar project and would form part of the expansion of the Company's projects.

As of September 30, 2022 and June 30, 2022, the Company has advances to SPHI amounting to ₱791.7 million and ₱541.7 million, respectively.

- g. In September 2022, the Company entered into a Construction Support Services Agreement (CSSA) with the Parent Company wherein the Parent Company shall provide support services, including engineering, procurement and construction (EPC), logistics, warehousing and other contractor-related services during the construction of the Project for a consideration of ₱50.0 million, exclusive of VAT. As of September 30, 2022, the Company has fully paid the services rendered, which was capitalized as part of construction in progress (see Note 5).

In the same month, the Company entered into a separate CSSA with SPCRPI wherein SPCRPI shall provide support services, including EPC, logistics, warehousing and other contractor-related services during the construction of the Project for a consideration of ₱100.0 million, exclusive of VAT. As of September 30, 2022, the Company has fully paid the services rendered which was capitalized as part of construction in progress (see Note 5).

- h. In September 2022, the Company entered into a Project Development Services Agreement with the Parent Company wherein the Parent Company shall provide project development services, including site identification, permitting and land acquisition for a consideration of ₱150.0 million, exclusive of VAT. As of September 30, 2022, the Company has fully paid the services and is presented as part of “Deposits for land acquisition” (see Note 6).
- i. On September 29, 2022, the Company entered into a Support Services Agreement with Solar Maintenance Services Corporation (SMSC), an affiliate of the Company, wherein SMSC shall provide support services during the construction and development of the Project. The Company will pay the equivalent of the monthly rates of the employees of SMSC ranging from ₱18,000 to ₱26,000 per month, exclusive of VAT, for a period of one year or until August 26, 2023, unless mutually terminated earlier by the parties. Manpower services recognized for the three-month periods ended September 30, 2022 amounted to ₱10.8 million, which was capitalized as part of construction in progress (see Note 5).

10. Equity

Capital Stock and Additional Paid-in Capital

The details of the Company’s capital stock as of September 30, 2022 and June 30, 2022 are as follows:

	September 30, 2022 (Unaudited)		June 30, 2022 (Audited)	
	Shares	Amount	Shares	Amount
Common shares - ₱0.1 par value per share				
Authorized:	10,000,000,000	₱1,000,000,000	10,000,000,000	₱1,000,000,000
Issued and outstanding:				
Balances at beginning of period	8,124,350,005	₱812,435,001	5,424,350,000	₱542,435,000
Issuance of shares during the period	1,875,649,995	187,564,999	2,700,000,005	270,000,001
Balances at end of period	10,000,000,000	₱1,000,000,000	8,124,350,005	₱812,435,001

In July 2021, the Company issued five (5) shares to the new directors.

In July 2021 and November 2021, the Company entered into a Memorandum of Agreement with its Parent Company, whereby the Parent Company provided ₱16.0 million and ₱2.0 million, respectively, representing additional payment for shares previously issued. This was recognized as additional paid-in capital under equity.

IPO

On December 17, 2021, the Company completed its IPO and was listed in the PSE under the stock symbol “SPNEC.” The Company issued 2,700,000,000 new common shares for a total consideration of ₱2,700.0 million, or at ₱1.0 per share. This resulted to an additional paid-in capital of ₱2,329.3 million, net of transaction costs amounting to ₱100.7 million.

Increase in Authorized Capital Stock

On January 10, 2022, the BOD of the Company approved amendments in the Company’s Articles of Incorporation to increase the authorized capital stock from ₱1.0 billion divided into 10.0 billion common shares at ₱0.1 per share, to ₱5.0 billion divided into 50.0 billion common shares at ₱0.1 per share. This was subsequently approved by the stockholders of the Company on March 7, 2022. The proposal to increase the Company’s authorized capital stock would enable the Company to acquire other solar projects and fund the expansion of its portfolio.

As of November 9, 2022, the Company is in the process of filing the required documents with the SEC.

Stock Rights Offering and Share Swap

On February 14, 2022, the BOD of the Company approved the conduct of a Stock Rights Offering (SRO) where eligible stockholders would have the opportunity to subscribe to shares, subject to terms to be determined by management and relevant regulatory requirements and approvals.

On February 24, 2022, the BOD of the Company approved the acquisition of 100% of the outstanding shares of SPPPHI and affiliates in various entities (“Solar Philippines Assets”) including but not limited to:

- Solar Philippines Calatagan Corporation
- Solar Philippines Tarlac Corporation
- Solar Philippines Tanauan Corporation
- Terra Solar Philippines, Inc.
- SP Holdings, Inc.
- Solar Philippines Batangas Baseload Corporation
- Solar Philippines Tarlac Baseload Corporation
- Solar Philippines Central Luzon Corporation
- Solar Philippines South Luzon Corporation
- Solar Philippines Southern Tagalog Corporation
- Solar Philippines Eastern Corporation
- Solar Philippines Western Corporation
- Solar Philippines Visayas Corporation
- Solar Philippines Central Visayas Corporation
- Solar Philippines Southern Mindanao Corporation
- Solar Philippines Batangas Corporation
- Solar Philippines Retail Electricity, Inc.
- Laguna Solar Rooftop Corporation
- Solar Philippines Rooftop Corporation

- Solar Philippines Commercial Rooftop Projects, Inc.

The Company would acquire the Solar Philippines Assets through an asset-for-share swap, with SPPPHI subscribing to 24,373,050,000 shares of the Company at ₱2.50 per share (“Share Swap”). This Share Swap is supported by a third-party valuation and fairness opinion by FTI Consulting Philippines, Inc., an independent valuation and fairness opinion provider accredited with the SEC and PSE. The Solar Philippines Assets would serve as the Company’s subscription payment for the increase in its authorized capital stock from 10.0 billion common shares to 50.0 billion common shares.

On March 7, 2022, the stockholders of the Company approved the following resolutions:

- Increase of the Company’s authorized capital stock from ₱1.0 billion divided into 10 billion common shares to ₱5.0 billion divided into 50 billion common shares, the amendment of the Articles of Incorporation, and the Share Swap between the Company and SPPPHI and their affiliates;
- Approval of the waiver of any requirement that a rights or public offering is first undertaken prior to a share swap notwithstanding that the share swap price is at a premium to the weighted average price of the shares; and
- Reiteration of the approval of the share swap between the Company and its parent and affiliates.

On March 28, 2022, pursuant to the approval of its BOD, the Company confirmed its plan to file the SRO based on its current unissued authorized capital stock of 1,875,649,995 shares, at an entitlement ratio of 1 share for every 1.28 shares held (from its current public float of 2,399,614,000 shares), at an offer price range that has been fixed at ₱1.60 to ₱1.76 per share, with the middle of this range being ₱1.68 per share.

On April 8, 2022, the Company filed with the SEC an application for Confirmation of Exempt Transaction covering the common shares to be issued relative to the SRO, pursuant to Section 10.1(e) (in respect of the Rights Offer) and 10.1(l) (in respect of the QB Take-Up) of the Securities Regulation Code (“SRC”) under which the exemption is based. The SEC issued the Confirmation of Exempt Transaction on July 19, 2022.

On August 18, 2022, the Company notified the PSE of the final offer price of ₱1.50 per share, and offered the option to pay in installments, with a down payment of 25% and the balance of 75% within three months of the offer period.

On September 15, 2022, the Company completed its SRO and issued 1,875,649,995 new common shares for a total consideration of ₱2,813.5 million or at ₱1.50 par value. This resulted to an additional paid-in capital of ₱2,592.6 million, net of transaction costs of ₱33.2 million. Subscription receivable resulting from those that subscribed on installment payment amounted to ₱841.5 million as of September 30, 2022.

Pledge of Company’s Shares owned by the Parent Company

On June 25, 2021, the Parent Company executed a pledge over all the Company’s shares it holds to secure a loan by its affiliate, PIC, from AC Energy Corporation (the Lender). The pledged stock certificates of the Company’s shares were delivered to and was in the custody of the Lender. It agreed to provisionally return the stock certificates representing the pledged shares and to have the same placed under escrow for the exclusive purpose of enabling the IPO.

11. Expenses

	For the Three-Month Periods Ended September 30 (Unaudited)	
	2022	2021
Management fee (Note 9)	₱6,500,000	₱6,000,000
Taxes and licenses	2,032,180	350,600
Professional fees	1,981,650	—
Surety bond fees	1,350,000	—
Filing fees	—	8,124,350
Interest accretion of lease liabilities (Note 12)	—	4,571,005
Amortization of right-of-use assets (Note 12)	—	2,710,185
Others	3,699,839	63,687
	₱15,563,669	₱21,819,827

Others include security services, penalties and surcharges, insurance, advertising expense, supplies, utilities and travel expenses.

12. Leases

- a. In 2019, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on January 1, 2019 with a one year rent-free period plus a 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by parties. The land lease agreement has an annual rent of ₱45,000 per hectare, net of tax, and is subject to an increase of 5% in rental payments after every five years.
- b. On January 11, 2021, a Deed of Assignment was entered between the Company, as the assignee, and the Parent Company, as the assignor, whereby, the Parent Company assigned all of its rights and obligations under the September 6, 2016 lease agreement for certain parcels of land with a total area 179.6 hectares in Peñaranda, Nueva Ecija, which was accepted and assumed by the Company. The annual rent increased from ₱50,000 per hectare per year, net of tax, to ₱55,000 per hectare per year, net of tax, which shall be subject to an escalation of 10.0% every five years from the start date. Further, as agreed by the parties, the lease of the updated total land area of 169.9 hectares commenced in March 2021.
- c. In May 2021, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 81.75 hectares. The land was made available for use on the execution date of the contract with a one year rent-free period plus a 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by the parties. The land lease agreement has an annual rent of ₱55,000 per hectare, net of tax, and is subject to an increase of 8% in rental payments after every three years.

- d. Right-of-use (ROU) assets as of September 30, 2022 and June 30, 2022 are as follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Balances at beginning of year	₱286,910,494	₱297,751,234
Amortization charged to expense	–	(5,420,370)
Amortization capitalized to construction in progress*	(2,710,186)	(5,420,370)
Balances at end of period	₱284,200,308	₱286,910,494

*Incurred during the construction period (see Notes 1 and 5)

- e. Lease liabilities as of September 30, 2022 and June 30, 2022 are as follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Balances at beginning of period	₱293,878,848	₱289,525,826
Interest expense charged to expense	–	9,142,009
Interest expense capitalized to construction in progress*	4,629,786	9,215,478
Payments	–	(14,004,465)
Total lease liabilities	298,508,634	293,878,848
Current portion of lease liabilities	(4,538,676)	(4,538,676)
Noncurrent portion of lease liabilities	₱293,969,958	₱289,340,172

*Incurred during the construction period (see Notes 1 and 5)

- f. The following are the amounts recognized for the three-month periods ended September 30, 2022 and 2021 in the statements of comprehensive income:

	For the Three-Month Periods Ended September 30 (Unaudited)	
	2022	2021
Interest expense	₱–	₱4,571,005
Amortization of ROU assets	–	2,710,185
Total amount recognized in the statements of comprehensive income	₱–	₱7,281,190

- g. As of September 30, 2022 and June 30, 2022, cash bond deposit amounting to ₱0.6 million, pertain to cash bond deposits paid to Department of Agrarian Reform (DAR) for the conversion of leased land from agricultural to industrial land. On April 30, 2021, the Company received the DAR order for the conversion of 169.9 hectares of leased land. On October 11, 2021, the DAR issued the Certificate of Finality to the Company to effectively cause the conversion of said land from agricultural to industrial classification.

13. Financial Instruments and Financial Risk Management

Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash in bank, subscription receivable, due from related parties, accounts payable and accrued expenses and due to a related party. The main purpose of these financial instruments is to finance the Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to liquidity and credit risks from the uses of its financial instruments. The BOD reviews and approves the policies for managing this risk as summarized below:

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

With respect to the credit risk arising from other financial assets of the Company, which comprise cash (excluding cash on hand), the Company exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Company's cash in banks amounted to ₱1,888.9 million and ₱886.6 million as of September 30, 2022 and June 30, 2022, respectively (see Note 3).

Cash in banks

For cash in banks, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Subscription receivable, due from related parties, performance bond and cash bond deposit

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The credit quality is further classified and assessed by reference to historical information about each of the counterparty's historical default rates. Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, the Company has assessed that the outstanding balances are exposed to low credit risk. ECL on these balances have therefore been assessed as insignificant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

The tables below show the maturity profile as of September 30, 2022 and June 30, 2022 of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and financial liabilities based on contractual undiscounted payments:

	September 30, 2022 (Unaudited)				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
	(In Thousand Pesos)				
Financial assets at amortized cost:					
Cash in banks	₱1,888,911	₱–	₱–	₱–	₱1,888,911
Subscription receivable	–	841,528	–	–	841,528
Due from related parties	821,421	–	–	–	821,421
Performance bond and cash bond deposit	15,552	–	–	–	15,552
	₱2,725,884	₱841,528	₱–	₱–	₱3,567,412
Financial liabilities at amortized cost:					
Accounts payable	₱3,880	₱–	₱–	₱–	₱3,880
Accrued expenses	2,487	–	–	–	2,487
Due to a related party	22,792	–	–	–	22,792
Lease liabilities	–	4,538	79,756	598,572	682,866
	₱29,159	₱4,538	₱79,756	₱598,572	₱712,025
	June 30, 2022 (Audited)				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
	(In Thousand Pesos)				
Financial assets at amortized cost:					
Cash in banks	₱886,658	₱–	₱–	₱–	₱886,658
Due from a related party	541,700	–	–	–	541,700
Performance bond and cash bond deposit	15,552	–	–	–	15,552
	₱1,443,910	₱–	₱–	₱–	₱1,443,910
Financial liabilities at amortized cost:					
Accounts payable	₱9,767	₱–	₱–	₱–	₱9,767
Accrued expenses	2,538	–	–	–	2,538
Due to a related party	22,792	–	–	–	22,792
Lease liabilities	4,539	–	91,597	582,193	678,329
	₱39,636	₱–	₱91,597	₱582,193	₱713,426

Fair Value and Category of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash in banks, subscription receivable, due from related parties, performance bond, cash bond deposit, accounts payable and accrued expenses and due to a related party

The carrying amounts of these financial instruments approximate their fair values due to their short-term maturities.

Lease liabilities

The fair values for the Company's lease liabilities are estimated using the discounted cash flow methodology adjusted for credit risk (Level 3 of the fair value hierarchy). The discount rates used are 8.40% and 7.46% as at September 30, 2022 and June 30, 2022, respectively. The fair value of the lease liabilities amounted to P249.5 million and P253.4 million as of September 30, 2022 and June 30, 2022, respectively, while the carrying value of the lease liabilities amounted to P298.5 million and P293.9 million as of September 30, 2022 and June 30, 2022, respectively.

As of September 30, 2022 and June 30, 2022, the fair value of lease liabilities are measured using Level 3 valuation technique. For the three-month period ended September 30, 2022 and for the year ended June 30, 2022, there were no transfers into and out of Level 3 fair value measurements.

Capital Management

As the Company has not started commercial operations, it ensures that the minimum capital infused by the shareholders is properly managed. The Company manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions.

No changes were made in the objectives, policies or processes for the three-month period ended September 30, 2022 and for the year ended June 30, 2022.

The Company considers the following as its core capital:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Capital stock	₱1,000,000,000	₱812,435,001
Additional paid-in capital	4,939,997,430	2,347,338,021
Deficit	(101,229,985)	(85,716,108)
	₱5,838,767,445	₱3,074,056,914

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

The basic/diluted loss per share amounts were computed as follows:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
(a) Net loss attributable to equity holders of the Company	₱15,513,877	₱21,819,074
(b) Weighted average number of common shares outstanding	7,830,654,171	1,814,783,335
Basic/diluted loss per share (a/b)	₱0.0020	₱0.0116

The Company does not have any dilutive potential common shares as at September 30, 2022 and 2021.

15. **Other Matters**

Continuing Impact of COVID-19

The Company was not materially affected by the COVID-19 outbreak as it has not yet started commercial operations. Considering the evolving nature of this outbreak, the Company will continue to monitor the situation in subsequent periods.

Change in Allocation of IPO Proceeds

On December 20, 2021, the BOD of the Company approved the following:

- a) Pending the use of IPO proceeds for future land acquisitions and capital expenditures, effective by January 19, 2022, to allow the Company to allocate such IPO proceeds towards bid bonds, bid security, and other expenses for potential off-take agreements, to enable the Company to be responsive to contracting opportunities as soon as they arise, in support of the Company's strategy to pursue off-take on an opportunistic basis.
- b) The authority to transact with financial institutions to secure bid bonds and bid security for the projects of the Company.
- c) Subject to applicable law, rules and regulations to be clarified, the incorporation and funding of wholly-owned subsidiaries to hold the IPO's use of proceeds and to receive instructions from the Company for the use of such proceeds.
- d) The authority to file and submit all compliance, disclosures and any other reportorial requirements of the Company to the relevant regulatory agencies and the PSE.
- e) Other ancillary powers and authorities necessary and proper for the execution of the above approvals.

On February 14, 2022, the BOD of the Company approved the acquisition of land in support of the Company's plan to develop 10 GW of solar projects, to be funded from proceeds of a rights offering and the proceeds from its IPO, as available, and the delegation of authority to the Company's President or his authorized representative to determine the location, particular parcels and terms for such land, and authority to execute contracts for this purpose.

On April 6, 2022, the BOD of the Company approved the authorization to allocate IPO proceeds to advance funding for pursuing offtake agreements and developing projects for Terra and its associated developments to SPHI, given that SPHI is a shareholder in Terra and that SPHI is to be a subsidiary by the Company, provided this would only be from the excess of the amount needed by Phase 1A of the Nueva Ecija solar project and would form part of the expansion of the Company's projects.

Acquisition of shares in Solar Philippines Central Luzon Corporation (SPCLC) from ACEN Corporation (ACEN)

On August 24, 2022, the BOD of the Company approved the acquisition from ACEN of 118,999 shares in SPCLC and subscription for 375,000 shares in SPCLC for ₱493,999. This is in view of the joint venture between SPPPHI and ACEN in SPCLC, where SPPPHI is planned to own 50% minus one share and ACEN is planned to own 50% plus one share; and the asset-for-share swap between SPPPHI and the Company, on which basis SPPPHI is assigning its interest in SPCLC to the Company.

Angeles Electric Corporation (AEC) Competitive Selection Process (CSP)

On October 14, 2021, the Company expressed its interest to participate in the CSP of AEC, a distribution utility in Pampanga Province, for the supply of renewable energy to AEC. On December 7, 2021, the Company was determined to be the winning supplier for the said bidding. The contract awarded is for a term of 10 years commencing on March 26, 2023, or upon ERC approval, whichever comes later.

Renewable Power Supply Agreement with AEC

In February 2022, the Company secured a 10-year Offtake Agreement with AEC, under which the Company will supply AEC 97.8 MWh daily, representing a portion of the Project's capacity to supply energy once completed.

The Company provided a performance bond in relation to the project amounting to ₱15.0 million valid until May 25, 2023. The performance bond is presented as part of "Other current assets" in the statement of financial position (see Note 4).

Green Energy Auction Program (GEAP)

On June 24, 2022, the Company was awarded a 280-MW contract by the DOE on its First Green Energy Auction Round. The Company intends to continue to pursue additional offtake agreements through contracting on an opportunistic basis with RESs, and/or Distribution utilities (“DUs”) by participating in further Competitive Selection Processes (“CSPs”). In the absence of additional offtake Agreements, the Company intends to supply its excess generation power through the Wholesale Electricity Spot Market.

Operating Segment

The Company’s operating segments are organized and managed separately according to the business units. The Company has no operating segments as it has not yet commenced its operations as of September 30, 2022.

Seasonality of Operations

The Company has not started commercial operations as of September 30, 2022. As such, there were no operations subject to seasonality and cyclicalities.

Repurchases, and Repayments of Debt and Equity Securities

There are no repurchases and repayments of debt and equity securities during the current period.

Changes in Estimates and Amounts Reported in Prior Financial Years

The key assumptions concerning the future and other key sources of estimation uncertainty used in preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements as of and for the year ended June 30, 2022.

Changes in Contingent Liabilities or Contingent Assets Since the Last Annual Reporting Date

There are no material changes in the contingent liabilities or contingent assets since the last annual reporting date.

Changes in the Composition of the Company During the Interim Period

There were no material changes in the composition of the Company during the period.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Material Changes to the Statement of Financial Position as of September 30, 2022, compared to the Statement of Financial Position as of June 30, 2022

Horizontal and Vertical Analysis of Financial Position September 30, 2022 vs June 30, 2022						
Amounts in ₱0.00	September 30, 2022	June 30, 2022	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		September 2022	June 2022
			Amount	Percentage		
Assets						
Cash	1,889,011,324	886,758,302	1,002,253,022	113.02%	30.59%	26.05%
Subscription receivable	841,528,217	-	841,528,217	100.00%	13.63%	0.00%
Due from related parties	821,421,290	541,700,000	279,721,290	51.64%	13.30%	15.91%
Other current assets	17,481,545	20,789,388	(3,307,843)	-15.91%	0.28%	0.61%
TOTAL CURRENT ASSETS	3,569,442,376	1,449,247,690	2,120,194,686	146.30%	57.80%	42.58%
Property, plant and equipment	1,144,577,169	921,385,618	223,191,551	24.22%	18.53%	27.07%
Deposit for land acquisition	1,012,918,552	621,499,933	391,418,619	62.98%	16.40%	18.26%
Right-of-use assets	284,200,308	286,910,494	(2,710,186)	-0.94%	4.60%	8.43%
Deferred income tax asset - net	10,466,264	10,466,264	-	0.00%	0.17%	0.31%
Other noncurrent assets	154,237,082	114,218,371	40,018,711	35.04%	2.50%	3.36%
TOTAL NONCURRENT ASSETS	2,606,399,375	1,954,480,680	651,918,695	33.36%	42.20%	57.42%
TOTAL ASSETS	6,175,841,751	3,403,728,370	2,772,113,381	81.44%	100.00%	100.00%
Liabilities and Equity						
Accounts payable and accrued expenses	15,773,324	13,000,260	2,773,064	21.33%	0.26%	0.38%
Due to a related party	22,792,348	22,792,348	-	0.00%	0.37%	0.67%
Current portion of lease liabilities	4,538,676	4,538,676	-	0.00%	0.07%	0.13%
TOTAL CURRENT LIABILITIES	43,104,348	40,331,284	2,773,064	6.88%	0.70%	1.18%
Lease liabilities - Net of current portion	293,969,958	289,340,172	4,629,786	1.60%	4.76%	8.50%
TOTAL LIABILITIES	337,074,306	329,671,456	7,402,850	2.25%	5.46%	9.69%
Common stock	1,000,000,000	812,435,001	187,564,999	23.09%	16.19%	23.87%
Additional paid-in capital	4,939,997,430	2,347,338,021	2,592,659,409	110.45%	79.99%	68.96%
Deficit	(101,229,985)	(85,716,108)	(15,513,877)	18.10%	-1.64%	-2.52%
TOTAL EQUITY	5,838,767,445	3,074,056,914	2,764,710,531	89.94%	94.54%	90.31%
TOTAL LIABILITIES AND EQUITY	6,175,841,751	3,403,728,370	2,772,113,381	81.44%	100.00%	100.00%

Cash

In September 2022, the Company completed its Stock Rights Offering (SRO) and received partial proceeds totaling to ₱1,971.9 million and paid SRO-related transaction costs amounting to ₱33.2 million.

For the three-months period ended September 30, 2022, the Company made various deposits for land acquisition amounting to ₱391.4 million and incurred an amount of ₱215.0 million for the construction of the project. This resulted to a net increase of cash account by 113.02 % from ₱886.8 million as of June 30, 2022 to ₱1,889.0 million as of September 30, 2022.

Subscription Receivable

This account pertains to SRO Shares subscribed on installment which will be due on December 5, 2022

Due from Related Parties

On April 6, 2022, the Board of Directors (BOD) of the Company, pursuant to the BOD approval on December 20, 2021, approved the allocation of IPO proceeds to advance the funding for pursuing off take agreements and developing projects for Terra Renewables Holdings, Inc. (Terra) and its associated developments to SP Holdings, Inc. (SPHI), given that SPHI is a shareholder in Terra and that SPHI is planned to be a subsidiary of SPNEC through the share swap approved by SPNEC's stockholders on March 7 2022, provided this would only be from the excess of the amount needed by Phase 1A of the Nueva Ecija solar project and would form part of the expansion of the Company's projects.

For the three months period ended September 30, 2022, the Company made additional advances amounting to ₱279.7 million to various related parties and presented as Due from A Related Party in the Company's financial statements.

Right-of-Use (ROU) Assets

On January 11, 2021 a Deed of Assignment was entered into between SPPPHI, as the assignor, and SPNEC, as the assignee, whereby the assignor assigned all of its rights and obligations under the original Lease Agreement dated September 6, 2016. The total annual lease payment is ₱9.4 million, net of tax.

On May 31, 2021, the Company entered into a land lease agreement with various landowners with a total area of 81.75 hectares. The land was made available for use on May 1, 2021, with a one (1) year rent-free period or until April 30, 2022. The lease will expire on April 30, 2047. Further, the lease is subject to renewal of five (5) years or for a reasonable period upon mutual agreement by parties. The total annual lease payment is ₱4.5 million, net of tax.

The Company recognized ROU assets in this regard, which decreased by 0.94% from ₱286.9 million as of June 30, 2022 to ₱284.2 million as of September 30, 2022 due to amortization during the period capitalized in construction in progress amounting to ₱2.7 million.

Deposits for Land Acquisition

On February 20, 2021, the Company entered into a MOA with an affiliate, PIC, which MOA was later amended on March 3, 2021, to secure land for future expansion in excess of the capacity contemplate for the Project. The MOA covers certain parcels of land with a total area of 68.621 hectares. Through the MOA, the Company was granted by PIC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to executive definitive agreements, e.g., DOAS, to transfer the parcels of land to the Company. Hence, at the Company's discretion, PIC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in February and March 2021 totaling to ₱267.0 million, which represents the full payment.

On April 19, 2021, the Company entered into a MOA with an affiliate, LHHC, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 56.81 hectares. Through the MOA, the Company was granted by LHHC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g., DOAS to transfer the parcels of land to the Company. Hence, at the Company's discretion, LHHC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in April and May 2021 totaling to ₱270.0 million, which represents the full payment.

In September 2022, the Company entered into a Project Development Services Agreement with the Parent Company wherein the Parent Company shall provide project development services, including site identification, permitting and land acquisition for a consideration of ₱150.0 million, exclusive of VAT. As of September 30, 2022, the Company has fully paid the services which is included as part of "Deposits for land acquisition"

Furthermore, for the three-months period ended September 30, 2022, the Company made deposits for land acquisition to various landowners amounting to ₱391.4 million. This caused the deposits for land acquisition to increase by 62.98% from ₱621.5 million as of June 30, 2022 to ₱1,012.9 million as of September 30, 2022.

Other Current Assets

Other Current Assets decreased by 21.21% from ₱20.8 million as of June 30, 2022 to ₱16.4 million as of September 30, 2022. This is primarily due to the amortization of Surety Bond Fees for Sta. Rosa Nueva Ecija 2 Solar Power Project amounting to ₱1.4 million and reclassification of SRO-related transaction costs paid in advance against Additional Paid-in Capital amounting to ₱3.9 million, upon completion of SRO.

Property, Plant and Equipment

Construction in progress increased by 24.20% from ₱921.4 million as of June 30, 2022 to ₱1,144.4 million as of September 30, 2022. As the construction for the Project continues, the Company incurred costs for materials needed for the Project such as solar photovoltaic modules, mounting structures, and other construction materials and equipment totaling to ₱223.0 million.

The Company also capitalized the interest accretion of lease liability and amortization of ROU asset during the construction period totaling to ₱7.3 million.

Deferred Tax Asset/Deferred Tax Liability

The Company's net deferred tax asset as at September 30, 2022 and net deferred tax liability as at June 30, 2022 came from recognition on ROU assets and lease liabilities.

Other Noncurrent Assets

Increase in this account by 35.04% from ₱114.2 million as of fiscal year ended June 30, 2022 to ₱154.4 million as of September 30, 2022, is mainly attributed to the payment of taxes on importation amounted to ₱10.5 million, advances to contractors of ₱29.8 million for rental of equipment and project-related studies and investment in Terra Nueva, Inc. (TNI) amounting to ₱0.1 million.

Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses increased by 21.33% from ₱13.0 million as of June 30, 2022 to ₱15.8 million as of September 30, 2022. This was primarily due to accrual of Security Services from July to September 2022 amounting to ₱0.7 million and Audit Fees for the three months review as of September 30, 2022.

Due to A Related Party

The Company, in the normal course of business, has transactions with its Parent Company, SPPPHI, which are recorded as advances. These advances are unsecured, non-interest bearing, due and demandable. No movement in the account from June 30, 2022 to September 30, 2022.

Lease Liabilities

In 2019, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on January 1, 2019 with a one (1) year rent-free period plus 25-year term. Further, the lease is subject for renewal of five (5) years upon mutual agreement by parties. The total annual lease payment is ₱4.3 million, net of tax. As of June 30, 2022, the total lease liability recognized for this lease contract is ₱52.6 million.

On January 11, 2021 a Deed of Assignment was entered into between SPPPHI, as the assignor, and SPNEC, as the assignee, whereby the assignor assigned all of its rights and obligations under the original Lease Agreement dated September 6, 2016, among others, to the assignee, and the assignee accepted and assumed all of the said rights and obligations thus assigned, in pursuance of the said Deed of Assignment. In March 2021, the Company and the lessor executed an Addendum amending Section 4.1 (Annual Rental) and Section 4.2 (Advance Rental) to the September 6, 2016 lease agreement and agreed that the lease commencement date shall be on March 31, 2021, for the parcels of land with a total area of 169.86 hectares. The total annual lease payment is ₱9.4 million, net of tax. As of June 30, 2022, the total lease liability recognized for this lease contract is ₱164.1 million.

On May 31, 2021, the Company entered into a land lease agreement with various landowners with a total area of 81.75 hectares. The land was made available for use on May 1, 2021, with a one (1)

year rent-free period or until April 30, 2022. The lease will expire on April 30, 2047. Further, the lease is subject to renewal of five (5) years or for a reasonable period upon mutual agreement by parties. The total annual lease payment is ₱4.5 million, net of tax. As of June 30, 2022, the total lease liability recognized for this lease contract is ₱81.7 million.

The increase in total lease liabilities of 1.58% from ₱293.9 million as of June 30, 2022 to ₱298.5 million as of September 30, 2022 is due to the accretion of interest capitalized in construction in progress during the period amounting to ₱3.5 million.

Common Stock and Additional Paid-in Capital

On September 15, 2022, the Company undertook a stock rights offering of its 1.88 billion common shares with a total par value of ₱187.6 million for a total consideration of ₱2,813.5 million. As a result of the SRO, additional paid-in capital amounting to ₱2,592.7 million, net of share issuance costs of ₱33.3 million, has been recognized in the September 30, 2022 financial statements.

As of September 30, 2022, 10,000.0 million common shares are issued and outstanding with an amount of ₱1,000.0 million presented as Common Stock.

Deficit

Deficit increased by 18.10% from ₱85.7 million as of fiscal year ended June 30, 2022, to ₱101.2 million as of September 30, 2022. This is primarily due to the net losses incurred during the period amounted to ₱15.5 million.

Material Changes to the Statement of Comprehensive Income for the Three (3) months ended September 30, 2022 compared to the Statement of Comprehensive Income for the Three (3) months ended September 30, 2021

Horizontal and Vertical Analysis of Comprehensive Income September 30, 2022 vs September 30, 2021						
Amounts in ₱0.00	September 30, 2022	September 30, 2021	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		September 2022	September 2021
			Amount	Percentage		
Interest Income	49,792	753	49,039	6512.48%	0.32%	0.00%
Expenses						
Management fee	6,500,000	6,000,000	500,000	8.33%	41.90%	28.56%
Taxes and licenses	2,032,180	350,558	1,681,622	479.70%	13.10%	1.67%
Professional fee	1,981,650	-	1,981,650	100.00%	12.77%	0.00%
Surety bond fees	1,350,000	-	1,350,000	100.00%	8.70%	0.00%
Filing fees	-	8,124,350	(8,124,350)	-100.00%	0.00%	38.67%
Interest expense	-	4,571,005	(4,571,005)	-100.00%	0.00%	21.76%
Amortization	-	2,710,185	(2,710,185)	-100.00%	0.00%	12.90%
Others	3,699,839	63,687	3,636,152	5709.41%	23.85%	0.30%
Total Expenses	15,563,669	21,819,827	(6,256,158)	-28.67%	100.32%	103.86%
LOSS BEFORE TAX	15,513,877	21,819,074	(6,305,197)	-28.90%	100.00%	103.85%
Benefit from deferred tax	-	(809,869)	809,869	-100.00%	0.00%	-3.85%
NET LOSS AFTER TAX	15,513,877	21,009,205	(5,495,328)	-26.16%	100.00%	100.00%
TOTAL COMPREHENSIVE LOSS	15,513,877	21,009,205	(5,495,328)	-26.16%	100.00%	100.00%

Management Fee

On April 30, 2021, the Company entered into a Management Service Agreement with SPPPHI, its Parent Company, to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from May 1, 2021 to April 30, 2024, in which the parties upon mutual agreement may renew or extend. The monthly fee for the said agreement is ₱2.00 million, exclusive of value-added tax. For each new year starting from the first day of May of such year, the Service Fee shall be increased by five percent (5%) of the Service Fee of the immediately preceding year. For the quarter ended September 30, 2022 and 2021, the management fees recorded amounted to ₱6.5 million and ₱6.0 million, respectively.

Taxes and Licenses

The Company paid real property taxes amounting to ₱0.7 million and other land related fees such as tax declarations, CTC of titles and tax clearance amounting to ₱0.1 million. These payments are related to the ongoing land acquisitions of the company for Project Development.

The Company also paid duties and taxes related to the construction amounting to ₱1.2 million.

Professional Fees

Professional fees increased by 100.00% from nil for the quarter ended September 30, 2021, as compared to ₱2.0 million for the quarter ended September 30, 2022, due to the payment of directors' and consultancy fees totaling to ₱2.0 million.

Surety Bond Fees

This account pertains to the amortization of Surety Bond Fees for Sta. Rosa Nueva Ecija 2 Solar Power Project (300MW).

Filing Fees

This account pertains to the payment of IPO and SRO filing fees.

Interest and Amortization Expense

Interest accretion of lease liability amounting to ₱4.6 million and amortization of ROU asset amounting to ₱2.7 million for the three-month period ended September 30, 2022 are capitalized to Construction-in-Progress.

Others

Other expenses increased by 5709.41% from ₱0.06 million for the quarter ended September 30, 2021, as compared to ₱3.7 million for the quarter ended September 30, 2022. Increase in this account is mainly due to the various general and admin expenses incurred in the construction site such as security services, insurance, materials and supplies for the temporary facilities.

Benefit from Deferred Tax

The Company's benefit from deferred tax came from recognition on right-of-use assets and lease liabilities.

Net Loss

As the Company continues the construction of the Project, amortization and interest on accretion related to ROU Assets are directly capitalized to Construction-in-Progress, it recognized lower net loss for the quarter ended September 30, 2022 amounting to ₱15.5 million, a decrease of 26.16% from the net loss of ₱21.0 million recognized in the quarter ended September 30, 2021.

Aging of Receivables

Not applicable.

Key Performance Indicators

As the Company has not yet started commercial operations, its key performance indicators are limited to the following:

Financial Ratios	September 2022	June 2022
Current Ratio	8280.93%	3593.36%
Debt to Equity Ratio	5.77%	10.72%

Notes:

1) Current ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.

2) The debt-to-equity ratio is used to evaluate Company's financial leverage and is calculated by dividing the Company's total liabilities by its shareholder's equity. It is a measure of the degree to which a company is financing its operations through debt versus wholly owned funds.