

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2016
2. Commission identification number: CS200719819 3. BIR Tax Identification No.: 006-940-588-000
4. Exact name of issuer as specified in its charter: PXP ENERGY CORPORATION
5. Province, country or other jurisdiction of incorporation or organization: Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office: 2/F LaunchPad, Reliance cor. Sheridan St., Mandaluyong City  
Postal Code: 1550
8. Issuer's telephone number, including area code: (632) 631-1381
9. Former name, former address and former fiscal year, if changed since last report:

PHILEX PETROLEUM CORPORATION, 27 Brixton Street, Pasig City

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>Common Shares</u>	<u>1,700,000,000</u>
<u>Debt</u>	<u>₱ 2,931,698,907</u>

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 check mark whether the registrant:

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

Yes [ / ] 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.

The Unaudited Consolidated Financial Statements as of and for the nine-month period ended September 30, 2016 are hereto attached.

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

Consolidated operating revenues amounted to ₱78.4 million for the first nine months of 2016 (9M2015: ₱105.5 million) consisting solely of petroleum revenues.

The lower petroleum revenue resulted from four (4) oil liftings [9M2015: five (5) liftings] equivalent to a gross volume of 1.38 million barrels of oil (9M2015: 1.72 million barrels) and low average crude oil prices of \$42.54 per barrel (9M2015: \$58.67 per barrel) during the review period. This was contributed by Forum Energy Limited ("Forum"), a 67.19% directly and indirectly owned subsidiary, from its 2.27% participating interest in Service Contract ("SC") 14C1 Galoc oil field. Forum also has minority interests in oil producing fields, SC14 Nido, Matinloc and North Matinloc, and its gas field in SC40 Libertad.

Production data from the oil and gas business for the nine-month period ended September 30, 2016 and 2015 were as follows:

	9 months	
	2016	2015
<b>Revenues</b> (In millions)		
Oil and gas	<b>₱78.4</b>	₱105.5
<b>Sales volume</b>		
Oil (barrels net to Forum)	<b>38,150</b>	45,714
Gas (mmBTU)	–	15,549

Costs and expenses decreased to ₱122.2 million for the period (9M2015: ₱261.1 million) with production costs amounting to ₱79.8 million (9M2015: ₱73.2 million) resulting from lower oil output. General and administrative expenses fell to ₱42.4 million (9M2015: ₱187.8 million) arising from management's continuing cost reduction efforts that included the delisting of Forum in the London Stock Exchange and the restructuring of Pitkin Petroleum Limited's ("Pitkin") Manila office.

A lower net other income of ₱5.0 million was recorded during the period (9M2015: net other income ₱37.4 million) due to a higher foreign exchange gain and; a net other income of ₱6.4 million last year, mainly brought about by a recovery of impairment in Brixton assets.

A consolidated net loss of ₱38.5 (9M2015: ₱118.1 million) was incurred, primarily attributable to a 77.4% reduction in overhead due to management's continuing cost reduction efforts. The substantial drop in overhead expenses more than offset the decrease in petroleum revenues contributed by its subsidiary, Forum. As such, net loss attributable to equity holders of the Parent amounted to ₱26.3 million (9M2015: ₱65.9 million), with basic/diluted loss per share amounting to ₱0.0155 (9M2015: ₱0.0388). Core net loss for the period amounted to ₱29.1 million (9M2015: ₱95.3 million).

During the third quarter of this year, consolidated operating revenues slightly fell to ₱19.2 million (Q32015: ₱22.1 million) contributed solely by oil and gas operations. The lower revenue was attributed to a small drop in average crude oil prices to \$46.15 per barrel (Q32015: \$49.8 per barrel) in the three-month period.

Production data from oil and gas operations for the 3<sup>rd</sup> quarter ended September 30, 2016 and 2015 were as follows:

	3 <sup>rd</sup> quarter (3 months)	
	2016	2015
<b>Revenues</b> (In millions ₱)		
Oil and gas	<b>₱19.2</b>	₱22.1
<b>Production</b>		
Oil (barrels)	<b>9,625</b>	10,196
Gas (mmBTU)	-	8,514

Costs and expenses in the third quarter alone went down to ₱32.0 million (Q32015: ₱81.8 million). However, production costs for petroleum remained flat at ₱20.4 million (Q32015: ₱19.1 million). General and administrative expenses declined to ₱11.6 million (Q32015: ₱62.7 million), attributed to management's continued cost containment initiatives.

In terms of the reduction in other income (charges), a lower foreign exchange gain of ₱5.9 million was recorded in Q32016 (Q32015: gain of ₱24.1 million).

A lower consolidated net loss of ₱7.9 million (Q32015: ₱32.1 million loss) was incurred primarily as a result of an 81.5% reduction in overhead expenses.

As at September 30, 2016, the Company's total assets stood at ₱7.305 billion as against ₱7.228 billion as at December 31, 2015. Total current assets slightly decreased to ₱625.7 million from ₱670.3 million, primarily due to increase in cash and cash equivalents by ₱23.5 million, resulting from the collection of receivables for oil liftings made from December of the previous year and the recovery of bond and taxes from the Peruvian government following the exit of Pitkin in Peru block XXVIII. This was offset by the cash spent on the exploration costs in SC 74 amounting to ₱75.1 million. These correspondingly decreased Accounts receivable to ₱55.0 million (2015: ₱111.6 million) and Other current assets to ₱12.6 million (2015: ₱23.3 million).

Noncurrent assets reached to ₱6.679 billion from ₱6.558 billion, largely arising from the decrease in other noncurrent assets to ₱1.1 million from ₱26.8 million. This resulted from the recovery of cash bond of \$0.6 million from the Peruvian government, upon the surrender of Peru Block XXVIII in 2015. This was compensated by the increase in deferred exploration costs resulting from the exploration activities in SC 74 and the effect of foreign currency exchange rates to other service contracts.

Current liabilities as at the end of the period totaled ₱2.956 billion from ₱2.947 billion as at December 31, 2015 following the increase in accounts payable and accrued expenses from ₱14.9 million to ₱29.9 million upon receipt of cash calls from SC 74 partners. The proceeds of this were partly used to fund in the exploration activities of the said block.

As at end of the period in review, total noncurrent liabilities slightly decreased to ₱1.313 billion from ₱1.314 billion. Total liabilities thus increased by ₱7.46 million from the end of the prior year following the rise in current liabilities by ₱8.67 million and the decline in non-current liabilities by ₱ 1.2 million.

As of September 30, 2016, total equity reached ₱3.036 billion from ₱2.967 billion as at the end of last year. This was a result of the increase in deficit by ₱26.3 million, partially offset by the upturn cumulative translation adjustment and non-controlling interest by ₱68.8 million and ₱26.7 million, resulting from the strengthening of the US dollar against the local currency during the period.

Net Cash provided by Operating Activities for the period amounted to ₱50.2 million (9M2015: net outflow of ₱177.3 million) resulting from the collection of receivables during the year and the recovery of cash bond and taxes from the Peruvian government following the exit in Peru Block XXVIII. Operating expenses was also lower by 77.4% or ₱145.4 million, which resulted in reduced outflows than the previous year.

Net Cash from Investing Activities registered a net outflow of ₱68.0 million (9M2015: net outflow of ₱79.2 million), primarily due to the recovery of prepaid taxes related to Pitkin's exit from Peru Block XXVIII which was included in the decrease in the other noncurrent assets of ₱19.5 million. This was then offset by the cash paid for the acquisition and process of 2D seismic, gravity and magnetic data in SC 74.

Net Cash provided by Financing Activities amounted to ₱244 thousand (9M2015: net outflow of ₱1.137billion). In the previous year, cash amounting to ₱647.6 million was used for Pitkin's share buyback transaction while cash amounting to ₱264.1 million was expend as partial payment of PXP Energy Corporation' ("PXP") loan to Philex Mining Corporation ("PMC").

## **TOP FIVE (5) KEY PERFORMANCE INDICATORS**

### **1) Enhance Value of Assets**

Maturing assets from the exploration to the development and production phases enhances the value of the Company's assets.

The key activities in 2016 which were aimed at enhancing asset value included: (a) preparations for the drilling of two exploration wells in Peru Block Z-38 [Pitkin 25%) and; (b) continuing exploration in SC 74 and 2D seismic survey (PXP 70%). PXP, through its third party contractors recently finished the acquisition of 2D seismic, gravity and magnetic data in SC 74 on which the interpretation is expected to be completed during the second quarter of the subsequent year. The SC 14C1 Consortium is also preparing for a Galoc Phase 3 development which will start with the drilling of an appraisal well, Galoc-7, within the first half of 2017. Seismic reprocessing has also been initiated in SCs 6A Octon and 6B Bonita which will be completed in 2016.

### **2) Portfolio Management**

Selective acquisitions and divestments help mitigate the risks inherent in petroleum exploration, and ensure alignment of resources with the Company's objectives and strategies.

Key changes to the Company's asset portfolio during the period included the transfer of 70% operating interest in SC74 from Pitkin to PXP. Also, Pitkin assigned its 70% interest in SC53 Mindoro to Mindoro-Palawan Oil and Gas, Inc. The assignment was approved by the Department of Energy on October 24, 2016.

### **3) Control of Costs and Expenses**

The Company's optimization of costs and expenses and its subsidiaries would consequently result in improved net income and better financial stability for the Company.

General and administrative expenses was reduced to ₱42.4 million (9M2015: ₱77.4 million) attributed to management's continued cost containment initiatives, resulting to minimization of recurring expenses. In June 2015, the group reduced operating costs on Forum by de-listing its London entity, Forum Energy Plc, and by conducting manpower right-sizing in both Forum and Pitkin. To further reduce General and Administrative Expenses, management continuously monitors opportunities to rationalize and share the resources within the Company and its subsidiaries.

### **4) Financial Management**

Prudent and well-implemented financial management will prolong the Company's ability to finance its activities and thus its corporate life.

PMC provided cash advances for the Company's working capital, exploration activities and acquisition of assets. These advances are covered by a Pledge Agreement, approved by the shareholders on August 11, 2015, whereby such advances shall be payable within nine (9) months from the date of demand. It is not known as to when PMC will be making a repayment demand. Thus, it is important for the Company to develop sources of cash for its funding needs, particularly in Forum, to the extent possible.

### **5) Health, Safety and Environment**

A commitment to undertake activities without endangering the environment and the health and safety of people is key to maintaining the Company's license to operate.

No lost-time injuries, fatalities, or environmental-related incidents were recorded by the Company and its subsidiaries during the year.

### **KNOWN TRENDS, EVENTS OR UNCERTAINTIES**

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that has not been booked, although the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business of which no material claims have been identified.

Other than what have been discussed above, there are no known significant trends, demands, commitments or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way. There are no material commitments for capital expenditures not reflected in the Company's financial statements. There is likewise no significant seasonality or cyclicity in its business operation that would have material effect on the Company's financial condition or results of operation. There were no other significant elements of

income or loss that did not arise from the Company's continuing operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period. There are no line items in the Company's financial statements not already explained for causes either above or in the Notes to the Consolidated Financial Statements other than due to the usual period-to-period fluctuations in amounts natural in every business operations.

#### **PART II--OTHER INFORMATION**

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

#### **SIGNATURES**

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



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**DANIEL STEPHEN P. CARLOS**  
President



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**MARK RAYMOND H. RILLES**  
Finance Controller

Date: November 14, 2016

PXP ENERGY CORPORATION  
*(Formerly Philex Petroleum Corporation)*  
AND SUBSIDIARIES

UNAUDITED CONSOLIDATED  
CONDENSED INTERIM  
FINANCIAL STATEMENTS  
September 30, 2016

**PXP ENERGY CORPORATION**  
**(Formerly Philex Petroleum Corporation)**  
**AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
(Amounts in Thousands)

ASSETS	SEPTEMBER 30, 2016 (UNAUDITED)	DECEMBER 31, 2015 (AUDITED)
<b>Current Assets</b>		
Cash and cash equivalents	₱ 549,901	₱ 526,355
Accounts receivable	54,979	111,630
Inventories	8,247	9,044
Other current assets -net	12,568	23,260
<b>Total Current Assets</b>	<b>625,695</b>	<b>670,289</b>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment - net	323,282	333,049
Goodwill	1,238,583	1,238,583
Deferred oil and gas exploration costs - net	5,094,855	4,936,712
Deferred income tax assets	21,270	22,723
Other noncurrent assets	1,051	26,824
<b>Total Noncurrent Assets</b>	<b>6,679,041</b>	<b>6,557,891</b>
<b>TOTAL ASSETS</b>	<b>₱ 7,304,736</b>	<b>₱ 7,228,180</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	₱ 23,879	₱ 14,932
Advances from related parties	2,931,699	2,931,943
Income tax payable	-	33
<b>Total Current Liabilities</b>	<b>2,955,578</b>	<b>2,946,908</b>
<b>Noncurrent Liabilities</b>		
Deferred income tax liabilities - net	1,110,008	1,112,043
Other liabilities	202,801	201,981
<b>Total Noncurrent Liabilities</b>	<b>1,312,809</b>	<b>1,314,024</b>
<b>Total Liabilities</b>	<b>4,268,387</b>	<b>4,260,932</b>
<b>Equity</b>		
Capital Stock - P1 par value	1,700,000	1,700,000
Equity reserves	120,172	120,172
Deficit	(1,259,509)	(1,233,205)
Cumulative translation adjustment on foreign subsidiaries	64,719	(3,958)
	<b>625,382</b>	<b>583,009</b>
<b>Non-controlling Interests</b>	<b>2,410,967</b>	<b>2,384,239</b>
<b>Total equity</b>	<b>3,036,349</b>	<b>2,967,248</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱ 7,304,736</b>	<b>₱ 7,228,180</b>



**PXP ENERGY CORPORATION**  
**(Formerly Philex Petroleum Corporation)**  
**AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Thousands, except Earnings or Loss Per Share)

	<b>Nine-Month Period Ended September 30</b>	
	<b>2016</b>	<b>2015</b>
<b>PETROLEUM REVENUE</b>	<b>₱ 78,354</b>	<b>₱ 105,509</b>
<b>COSTS AND EXPENSES</b>		
Petroleum production costs	79,802	73,217
General and administrative expenses	42,426	187,846
	<b>122,228</b>	<b>261,063</b>
<b>OTHER INCOME (CHARGES)</b>		
Interest income	1,084	5,218
Foreign exchange gains - net	3,856	25,738
Others - net	21	6,425
	<b>4,961</b>	<b>37,381</b>
<b>LOSS BEFORE TAX</b>	<b>(38,913)</b>	<b>(118,173)</b>
<b>PROVISION FOR DEFERRED INCOME TAX</b>	<b>(457)</b>	<b>(36)</b>
<b>NET LOSS</b>	<b>(₱ 38,465)</b>	<b>(₱ 118,137)</b>
<b>Net Income (Loss) Attributable to:</b>		
Equity holders of the Parent Company	<b>(₱ 26,304)</b>	<b>(₱ 65,884)</b>
Non-controlling interests	<b>(12,161)</b>	<b>(52,253)</b>
	<b>(₱ 38,465)</b>	<b>(₱ 118,137)</b>
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE</b>	<b>(₱ 0.0155)</b>	<b>(₱ 0.0388)</b>

**PXP ENERGY CORPORATION**  
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**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Thousands, except Earnings Per Share)

	Third Quarter Ended September 30	
	2016	2015
<b>REVENUE</b>		
Petroleum	₱ 19,167	₱ 22,057
<b>COSTS AND EXPENSES</b>		
Petroleum production costs	20,405	19,093
General and administrative expenses	11,618	62,705
	<b>32,023</b>	<b>81,798</b>
<b>OTHER INCOME (CHARGES)</b>		
Interest income	(734)	3,414
Foreign exchange gains - net	5,856	24,059
Other income	(158)	123
	<b>4,964</b>	<b>27,596</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(7,892)</b>	<b>(32,145)</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>		
Current	9	-
Deferred	(21)	(1,531)
<b>BENEFIT FROM INCOME TAX</b>	<b>(12)</b>	<b>(1)</b>
<b>NET LOSS</b>	<b>(₱ 7,880)</b>	<b>(₱ 32,144)</b>
<b>Net income attributable to:</b>		
Equity holders of the Parent Company	(₱ 4,510)	(₱ 17,182)
Non-controlling interests	(3,370)	(14,962)
	<b>(₱ 7,880)</b>	<b>(₱ 32,144)</b>
<b>BASIC/DILUTED EARNINGS PER SHARE</b>	<b>(₱ 0.0155)</b>	<b>(₱ 0.0189)</b>

**PXP ENERGY CORPORATION**  
**(Formerly Philex Petroleum Corporation)**  
**AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

	Nine-Month Period Ended September 30	
	2016	2015
<b>NET LOSS</b>	( ₱ 38,465)	( ₱ 85,993)
<b>OTHER COMPREHENSIVE INCOME</b>		
Gain (Loss) on translation of foreign subsidiaries	107,566	(13,174)
Re-measurement losses on defined benefit plans	-	(4,282)
	<b>107,566</b>	<b>(17,456)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱ 69,101</b>	<b>( ₱ 103,449)</b>
<b>Total Comprehensive Income (Loss) Attributable to:</b>		
Equity holders of the Parent Company	₱ 42,373	( ₱ 60,757)
Non-controlling interests	26,728	(42,692)
	<b>₱ 69,101</b>	<b>( ₱ 103,449)</b>

**PXP ENERGY CORPORATION**  
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**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(Amounts in Thousands)**

	Equity Attributable to Equity Holders of the Parent Company						
	Capital Stock	Equity Reserves	Retained Earnings (Deficit)	Cumulative Translation Adjustment on Foreign Subsidiaries	Subtotal	Non-controlling Interests	Total
<b>Balances at December 31, 2014</b>	<b>₱ 1,700,000</b>	<b>₱ 48,970</b>	<b>( ₱ 1,145,665)</b>	<b>( ₱ 57,018)</b>	<b>₱ 546,287</b>	<b>₱ 3,126,404</b>	<b>₱ 3,672,691</b>
Net Income for the period			(65,884)		(65,884)	(52,253)	(118,137)
Other comprehensive income (loss):							
Loss on translation of foreign subsidiaries	-	-	-	46,107	46,107	36,568	82,675
Re-measurements of net defined benefit losses	-	-	(4,436)	-	(4,436)	-	(4,436)
Total comprehensive income (loss) for the period	-	-	(70,320)	46,107	(24,213)	(15,685)	(39,898)
Effect of transaction from owners	-	71,175	-	-	71,175	(721,376)	(650,201)
<b>Balance at September 30, 2015</b>	<b>₱ 1,700,000</b>	<b>₱ 120,145</b>	<b>( ₱ 1,215,985)</b>	<b>( ₱ 10,911)</b>	<b>₱ 593,249</b>	<b>₱ 2,389,343</b>	<b>₱ 2,982,592</b>

	Equity Attributable to Equity Holders of the Parent Company						
	Capital Stock	Equity Reserves	Retained Earnings (Deficit)	Cumulative Translation Adjustment on Foreign Subsidiaries	Subtotal	Non-controlling Interests	Total
<b>Balances at December 31, 2015</b>	<b>₱ 1,700,000</b>	<b>₱ 120,172</b>	<b>( ₱ 1,233,205)</b>	<b>( ₱ 3,958)</b>	<b>₱ 583,009</b>	<b>₱ 2,384,239</b>	<b>₱ 2,967,248</b>
Net income (loss) for the period	-	-	(26,304)	-	(26,304)	(12,161)	(38,465)
Other comprehensive income (loss):							
Gain on translation of foreign subsidiaries	-	-	-	68,677	68,677	38,889	107,566
Total comprehensive income (loss) for the period	-	-	(26,304)	68,677	42,373	26,728	69,101
<b>Balance at September 30, 2016</b>	<b>₱ 1,700,000</b>	<b>₱ 120,172</b>	<b>( ₱ 1,259,509)</b>	<b>₱ 64,719</b>	<b>₱ 625,382</b>	<b>₱ 2,410,967</b>	<b>₱ 3,036,349</b>

**PXP ENERGY CORPORATION**  
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**AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amount in Thousands)

Nine-Month Period Ended September 30

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	( ₱ 38,913)	( ₱ 118,173)
Adjustments for:		
Unrealized foreign exchange gains - net	(3,456)	(23,296)
Gain on reversal of impairment loss	-	(7,000)
Depreciation and depletion	31,613	14,623
Interest income	(1,084)	(5,218)
Operating income (loss) before working capital changes	(11,840)	(139,064)
Decrease (Increase) in:		
Accounts receivable	59,039	16,798
Inventories	1,070	7,238
Other current assets	9,762	16,233
Increase (Decrease) in:		
Accounts payable and accrued liabilities	5,045	(52,460)
Provision for losses and other liabilities	(13,759)	(33,969)
Net cash used in operations	49,317	(185,224)
Income taxes paid	(167)	(653)
Interest received	1,079	8,544
<b>Net cash provided by (used in) operating activities</b>	<b>50,229</b>	<b>(177,333)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Deferred oil and gas exploration costs	(80,918)	(78,565)
Property, plant and equipment	(6,581)	(680)
Decrease (increase) in other noncurrent assets	19,500	
<b>Net cash used in investing activities</b>	<b>(67,999)</b>	<b>(79,245)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Acquisition by subsidiary of own shares	-	(647,550)
Advances from (payments to) related parties-net	(244)	(490,159)
<b>Net cash provided by (used in) financing activities</b>	<b>(244)</b>	<b>(1,137,709)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	41,560	23,295
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>23,546</b>	<b>(1,370,992)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	526,355	1,908,365
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱ 549,901</b>	<b>₱ 537,373</b>

**PXP ENERGY CORPORATION**  
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#27 Brixton St., Pasig City

<b><u>SCHEDULE OF BANK LOANS PAYABLE</u></b>	
September 30, 2016 (In thousand Pesos)	
BN Paribas	
Current portion (Short term)	nil
Non-current portion (Long - term)	nil
Total	<u>nil</u>

  

<b><u>SCHEDULE OF SHORT-TERM LOAN</u></b>	
September 30, 2016	
Philex Mining Corporation	nil
Total	<u>nil</u>

**PXP ENERGY CORPORATION**  
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#27 Brixton St., Pasig City

AGING OF ACCOUNTS RECEIVABLE  
September 30, 2016  
(In Thousand Pesos)

	0-30 days	31-60 days	61-90 days	over 90 days	Total
The Galoc Production Company	₱ 19,110	₱ -	₱ -	₱ 12,417	₱ 31,527
The Philodrill Corporation	4,517	20	-	-	4,537
Shell Corporation	1,646	-	-	-	1,646
Resources Management Associates	-	-	-	-	-
Others	650	7	-	16,542	17,199
	₱ 25,993	₱ 27	₱ -	₱ 28,959	₱ 54,979

**PXP ENERGY CORPORATION**  
**(Formerly Philex Petroleum Corporation)**  
**AND SUBSIDIARIES**  
**FINANCIAL SOUNDNESS INDICATORS**

	SEPTEMBER 30, 2016 (UNAUDITED)	DECEMBER 31, 2015 (AUDITED)
Current Ratio	0.21	0.59
Debt-to-equity Ratio	1.41	1.31
Asset-to-equity Ratio	2.41	2.31
Interest Rate Coverage ratio	n/a	(86.70)
Net Income Ratio	(0.49)	(1.45)



**PXP ENERGY CORPORATION**  
**(Formerly Philex Petroleum Corporation)**  
**AND SUBSIDIARIES**

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**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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**1. Summary of Significant Accounting Policies and Financial Reporting Practices**

Basis of Preparation

The unaudited interim condensed consolidated financial statements of PXP Energy Corporation (formerly Philex Petroleum Corporation) and Subsidiaries (PXP or the Group) as at September 30, 2016 and December 31, 2015 and for the nine-month period ended September 30, 2016 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. The unaudited interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2015.

The unaudited interim condensed consolidated financial statements of the Group have been prepared on a historical cost basis. The unaudited interim condensed consolidated financial statements are presented in Philippine Peso (Peso), which is the Parent Company's functional currency. All amounts are rounded to the nearest thousands except when otherwise indicated.

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations [based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations] which became effective in 2016. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and joint Ventures - Investment entities: Applying the Consolidation Exception (Amendments)*
- PAS 27, *Separate Financial Statement - Equity Method in Separate Financial Statements (Amendments)*
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests (Amendments)*
- PAS 1, *Presentation of Financial Statements - Disclosure Initiative (Amendments)*
- PAS 14, *Regulatory Deferral Accounts*
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*

- PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)

Effective January 1, 2018

- PFRS 9, Financial Instruments  
In addition, to International Accounting Standards Board has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plants to adopt them on their required effective dates once adopted locally.
- International Financial Reporting Standards (IFRS) 15, Revenue from Contracts with Customers (effective January 1, 2018).
- IFRS 16, Leases (effective January 1, 2019).

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## 2. Management's Use of Significant Judgments, Accounting Estimates and Assumptions

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

Accounting assumptions, estimates and judgments 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 have the most significant effects on amounts recognized in the unaudited interim condensed consolidated financial statements:

### Classification of financial instruments

The Group exercises judgment in classifying financial instruments in accordance with PAS 39. The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's unaudited interim condensed consolidated balance sheets.

### Valuation of financial assets and financial liabilities

The Group carries certain financial assets and financial liabilities (i.e., AFS financial assets) at fair value, which requires the use of accounting estimates and judgment. At initial recognition, the fair value of quoted AFS, financial assets is based on its quoted price in an active market while

the value of quoted AFS financial assets is based on its quoted price in an active market while the fair value of unquoted AFS financial assets is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities would affect the profit and loss or other comprehensive income.

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### 3. Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and advances from related parties. The main purpose of these financial instruments is to provide financing for the Group's operations.

#### Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

#### Financial Risks

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The market risk exposure of the Group can be further be classified to foreign currency risk and equity price risk. The BOD reviews and approves policies for managing these risks.

#### *Credit risk*

Credit risk is such risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. The Group manages credit risk by doing business mostly with affiliates and recognized creditworthy third parties.

With respect to credit risk arising from the financial assets of the Group, which comprise of cash in banks and cash equivalents, receivables, deposit and AFS financial assets, the Group's exposure to credit risk could arise from the default of the counterparty, having a maximum exposure equal to the carrying amount of the instrument.

The table below summarizes the Group's maximum exposure to credit risk for the Group's financial assets as of September 30, 2016:

Cash in banks and cash equivalents	
Cash in banks	₱200,032
Short-term deposits	349,802
Accounts receivable	
Trade	47,940
Accrued interest and others	7,039
	<hr/>
	₱604,813

The following tables show the credit quality of the Group's financial assets by class as of September 30, 2016 based on the Group's credit evaluation process.

	Neither Past Due nor Impaired		Past Due and Individually Impaired	Total
	High-Grade	Standard		
Cash and cash equivalents, excluding cash on hand:				
Cash in banks	₱200,032	₱-	₱-	₱200,032
Short-term investments	349,802	-	-	349,802
Accounts receivable:				
Trade	-	47,940	-	47,940
Accrued interest and others	-	7,039	-	7,039
<b>Total</b>	<b>₱549,834</b>	<b>₱54,979</b>	<b>₱-</b>	<b>₱604,813</b>

Credit quality of cash and cash equivalents, and AFS financial assets is based on the nature of the counterparty and the Group's evaluation process.

High-grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience. Standard-grade credit quality financial assets include quoted and unquoted equity investments that can be readily sold to a third party.

Aside from above, the Group has no past due but not impaired financial assets as of September 30, 2016.

#### *Liquidity risk*

Liquidity risk is such risk where the Group is unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility, and addresses its liquidity concerns through advances from Philex Mining Corporation, an affiliate.

The following tables summarize the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contractual undiscounted repayment obligations (including interest) as of September 30, 2016:

	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Cash on hand	₱67	₱-	₱-	₱-	₱67
Loans and receivables:					
Cash in banks	₱200,032	-	-	-	200,032
Short-term investments	-	349,802	-	-	349,802
Accounts receivable	25,993	27	28,959	-	54,979
<b>Total undiscounted financial assets</b>	<b>₱226,092</b>	<b>₱349,829</b>	<b>₱28,959</b>	<b>₱-</b>	<b>₱604,880</b>

	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Accounts payable and accrued liabilities:					
Trade	₱5,414	₱-	₱-	₱-	₱5,414
Accrued expenses	-	10,143	-	-	10,143
Other nontrade liabilities	-	-	8,322	-	8,322
Advances from related parties	-	-	2,931,699	-	2,931,969
<b>Total undiscounted financial liabilities</b>	<b>₱5,414</b>	<b>₱10,143</b>	<b>₱2,940,021</b>	<b>₱-</b>	<b>₱2,955,848</b>

Market Risk

*Foreign currency risk*

Foreign currency risk is the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from cash in banks. Net foreign exchange losses amounting to ₱3.9 million arising from the translation of these foreign currency-denominated financial instruments were recognized by the Parent Company for the period ended September 30, 2016. As at September 30, 2016, the exchange rate is ₱48.5 to US\$1.

The Parent Company's foreign currency-denominated monetary assets as of September 30, 2016 follow:

	US\$	Peso Equivalent
Assets		
Cash and cash equivalents	\$4,610	₱223,579

The table below summarizes the impact on income (loss) before income tax of reasonably possible changes in the exchange rates of US dollar against the Peso:

US Dollar (Depreciates) Appreciates	Effect on Income (Loss) Before Income Tax
Appreciate by 6%	₱13,415
Depreciate by (6%)	(13,415)

There is no other impact on the Parent Company's equity other than those already affecting profit or loss.

*Equity price risk*

There is no equity price risk as the Group does not own investment in quoted shares of stock.

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#### 4. Segment Information

The Group currently has two reportable segments namely oil and gas activities and coal mining activities.

Operating results of the Group is regularly reviewed by the Group's chief operating decision maker for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income (loss) for the year, and earnings or losses before interest, taxes and depreciation and depletion (EBITDA).

Net income (loss) for the year is measured consistent with the consolidated net income (loss) in the consolidated statements of income. EBITDA is measured as net income (loss) excluding financing costs, interest income, provision for income tax, and depreciation and depletion of property and equipment.

EBITDA is not a uniform or legally defined financial measure. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. The Group relies primarily on the results in accordance with PFRS and uses EBITDA only as supplementary information.

Core income is the performance of the operating segment based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company excluding the effects of non-recurring items, net of their tax effects. Non-recurring items represent gains (losses) that, through occurrence or size, are not considered usual operating items, such as foreign exchange gains (losses), gains (losses) on disposal of investments, and other non-recurring gains (losses).

The Group's capital expenditures include acquisitions of property and equipment, and the incurrence of deferred oil and gas exploration costs.

The Group has only one geographical segment as the Group operates and derives all its revenue from domestic operations. The Group's assets are principally located in the Philippines. Thus, geographical business operation is not required.

For the Group's oil and gas activities, over 94% of crude oil production from SC 14 during the first 9 months of 2016 was from the Galoc oil field and the balance from the Nido, Matinloc and North Matinloc fields. Crude oil liftings from the Galoc field were sold to customers in Japan and South Korea, while all crude oil liftings from the Nido Matinloc and North Matinloc fields were sold to a customer in the Philippines. For the Group's gas production in SC 40 - Libertad, a GE Jenbacher Turbine rated at 1MW has been installed and the power generated from the 1MW facility is sold by Desco to the local grid through Cebu II Electric Cooperative under a power supply agreement.

The following tables present revenue and profit, including the computation of EBITDA as derived from the consolidated net income, and certain asset and liability information regarding the Group's operating segments.

As of September 30, 2016:

	Oil and Gas	Coal	Eliminations	Total
Consolidated Revenue				
External customers	<b>₱78,354</b>	<b>₱-</b>	<b>₱-</b>	<b>₱78,354</b>
Results				
EBITDA	<b>₱21,412</b>	<b>₱-</b>	<b>(₱29,795)</b>	<b>(₱8,383)</b>
Depreciation and depletion	<b>(31,614)</b>	-	-	<b>(31,614)</b>
Benefit from income tax	<b>448</b>	-	-	<b>448</b>
Interest income - net	<b>1,484</b>	-	<b>(400)</b>	<b>1,084</b>
Consolidated net income (loss)	<b>(₱8,270)</b>	<b>₱-</b>	<b>(₱30,195)</b>	<b>(₱38,465)</b>
Core net loss				<b>(₱29,058)</b>
Consolidated total assets	<b>₱7,446,513</b>	<b>₱2,643</b>	<b>(₱144,420)</b>	<b>₱7,304,736</b>
Consolidated total liabilities	<b>₱3,412,908</b>	<b>₱737,907</b>	<b>₱117,572</b>	<b>₱4,268,387</b>

As of September 30, 2015:

	Oil and Gas	Coal	Eliminations	Total
Consolidated Revenue				
External customers	<b>₱ 105,509</b>	<b>₱-</b>	<b>₱-</b>	<b>₱105,509</b>
Results				
EBITDA	<b>(₱86,593)</b>	<b>₱7,000</b>	<b>(₱29,174)</b>	<b>(108,767)</b>
Depreciation and depletion	<b>(14,624)</b>	-	-	<b>(14,624)</b>
Benefit from income tax	<b>36</b>	-	-	<b>36</b>
Interest expense - net	<b>7,661</b>	-	<b>(2,443)</b>	<b>5,218</b>
Consolidated net income (loss)	<b>(₱93,520)</b>	<b>₱7,000</b>	<b>(₱31,617)</b>	<b>(₱118,137)</b>
Core net loss				<b>(₱95,570)</b>
Consolidated total assets	<b>₱6,599,634</b>	<b>₱6,782</b>	<b>₱644,098</b>	<b>₱7,250,514</b>
Consolidated total liabilities	<b>₱3,339,581</b>	<b>₱739,558</b>	<b>₱188,784</b>	<b>₱4,267,923</b>

The table below shows the Group's reconciliation of core net loss to the consolidated net loss for the nine-month period ended September 30, 2016 and 2015.

	2016	2015
Core net loss	<b>(₱29,058)</b>	<b>(₱95,570)</b>
Non-recurring items:		
Recovery for impairment of assets		7,000
Net foreign exchange gain	<b>2,497</b>	22,650
Net tax effect of aforementioned adjustments	<b>257</b>	36
Net loss attributable to equity holders of the Parent Company	<b>(26,304)</b>	(65,884)
Net loss attributable to non-controlling interests	<b>(12,161)</b>	(52,253)
Consolidated net loss	<b>(₱38,465)</b>	<b>(₱118,137)</b>

## 5. Related Party Transactions

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Companies within the Group in the regular conduct of business, enters into transactions with related parties which consists of advances, loans, reimbursement of expenses, regular banking transactions, leases and management and administrative service agreements.

Intercompany transactions are eliminated in the consolidated financial statements. The Group's significant related party transactions, which are under terms that are no less favorable than those arranged with third parties, are as follows:

	Amount/ Volume	Outstanding Balance	Terms	Conditions
<b>Affiliate – Philex Mining Corporation</b>				
<i>Advances: increase (decrease)</i>				
PXP Parent	₱246	₱2,193,884	Payable 9 months from the date of demand; non-interest bearing	Secured with a pledge of PXP shareholdings in Forum and Pitkin, no impairment
	Amount/V olume	Outstanding Balance	Terms	Conditions
<i>Advances: increase (decrease)</i>				
Brixton Energy & Mining Company	₱-	₱737,815	On demand; non-interest bearing	Unsecured, no impairment

- a. On November 24, 2010, FPHL entered into a US\$10,000 loan facility agreement with PMC. The facility agreement will be available for a three-year period and funds can be borrowed at an annual interest rate of US LIBOR + 4.5% for the drawn portion and a commitment fee of 1% for the undrawn portion. The facility agreement will enable FPHL to fund its 70% share of a first sub-phase work program over SC 72. Obligations arising from funds drawn under this facility agreement are not convertible into FEP's or FPHL's ordinary shares.

In June 2012, an amendment to the original loan agreement has been made to extend the loan facility to US\$15,000.



On November 21, 2013, PMC assigned its rights and obligations under the facility agreement to the Parent Company. On the same date, the loan facility was increased to US\$18,000 and has been extended for an additional three (3) years. Total draw down on the loan as at September 30, 2016 amounted to US\$15,500.

- b. PMC made cash advances to be used as additional working capital of the Parent Company and acquisition of investments. In 2013, PMC and the Parent Company have agreed that the settlement of the outstanding US dollar-denominated advances amounting to US\$45,375 or ₱1,858,594 will be settled in Peso.

On August 11, 2015, PMC and the Parent Company entered into an agreement wherein the Parent Company's shareholdings in subsidiaries are pledged to PMC as security to these advances.

As at September 30, 2016, advances from PMC consisted of Peso-denominated advances amounting to ₱2,193,884.

- c. BEMC has significant transactions with related parties involving advances to provide funding on BEMC's exploration and development activities. As at September 30, 2016, the non-interest-bearing advances from PMC amounted to ₱737,815. The advances are payable on demand.

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#### 6. Basic/Diluted Earnings Per Share

Basic/diluted loss per share for the period ended September 30, 2016 and 2015 is computed as follows:

	<b>2016</b>	2015
Net loss attributable to equity holders of the Parent Company	<b>(₱26,304)</b>	(₱65,884)
Divided by weighted average number of common shares issued during the period	<b>1,700,000</b>	1,700,000
Basic/diluted income per share	<b>(₱0.0155)</b>	(₱0.0388)

As of September 30, 2016, the Parent Company does not have any potentially dilutive stocks.

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#### 7. Seasonality and Cyclicity of Interim Operation

There is no significant seasonality or cyclicity in its business operation that would have material effect on the Company's financial condition or results of operation.