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 **March 31, 2017**

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
Common Shares	**1,700,000,000**
Debt	**₱ 2,906,498,220**

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 three-month period ended March 31, 2017 are hereto attached.

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

Consolidated operating revenues amounted to ₱26.0 million for the first three months of 2017 (3M2016: ₱23.1 million) consisting solely of petroleum revenues.

The slightly higher petroleum revenue resulted from one (1) oil lifting for both periods equivalent to a gross volume of 0.35 million barrels of oil (3M2016: 0.35 million barrels) and higher average crude oil prices of $56.2 per barrel (3M2016: $32.8 per barrel) during the review period. This was contributed by Forum Energy Limited (“Forum”), a 77.5% 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 oil and gas for the three-month period ended March 31, 2017 and 2016 were as follows:

	3 months (January to March)	
	2017	2016
Revenues (In millions ₱)		
Oil and gas	**₱26.0**	₱23.1
Sales volume		
Oil (barrels net to Forum)	**9,819**	9,581

Costs and expenses reached ₱37.0 million for the period (3M2016: ₱32.5 million) with production costs amounting to ₱27.0 million (3M2016: ₱19.0 million) resulting from cost adjustments by the operator of Galoc from the previous year. On the other hand, general and administrative expenses fell to ₱10.0 million (3M2016: ₱13.5 million), arising from management’s continuing cost reduction efforts.

A net other income of ₱2.6 million was recorded in the period (3M2016: net charge of ₱5.5 million) resulting from a realized foreign exchange gain of ₱1.7 million (3M2016: ₱6.8 million), due to a lower peso-to-dollar exchange rate in 2016. In addition, a lower interest income of ₱0.9 million (3M2016: ₱ 1.2 million) was recorded due to lower dollar denominated cash deposits than the previous year.

A consolidated net loss of ₱8.5 million (3M2016: ₱15.0 million) was incurred resulting from a foreign exchange gain of P1.7 million (3M2016: forex loss of P6.8 million) and continued reduction in group overhead. As such, net loss attributable to equity holders of the Parent amounted to ₱5.3 million (3M2016: ₱11.8 million), with basic/diluted loss per share amounting to ₱0.0031 (3M2016: ₱0.0070). Core net loss for both periods amounted to ₱6.6 million.

As at March 31, 2017, the Company’s total assets stood at ₱7.322 billion and unchanged from end-December 31, 2016. Total current assets slightly decreased to ₱594.6 million from ₱669.2 million, primarily due to a decrease in cash and cash equivalents by ₱78.8 million, resulting from the buyback of shares of Pitkin held by its shareholders which netted a cash outlay of US$1.8 million and also the partial payment of debt to Philex Mining Corporation (“PMC”) amounting to US$0.5 million.

Noncurrent assets reached to ₱6.727 billion from ₱6.663 billion, largely arising from the increase in deferred exploration costs to ₱5.150 billion from ₱5.081 billion following the seismic exploration activities in Service Contract (“SC”) 74 and the costs incurred for commencement of the Galoc Phase 3 appraisal well in SC 14 C-1 Galoc oil field.

Current liabilities as at the end of the period decreased to ₱2.926 billion from ₱2.960 billion as at December 31, 2016. This was a result of the decrease in Advances from related parties, after PXP partially paid its debt to PMC.

As at end of the period in review, total noncurrent liabilities remained flat at ₱1.314 billion. Total liabilities were reduced by ₱33.6 million from the end of the prior year following the reduction in current liabilities by ₱33.9 million and a very slight rise in non-current liabilities by ₱267 thousand.

As of March 31, 2017, total equity reached ₱3.082 billion from ₱3.059 billion as at the end of last year. This was due to the increase in non-controlling interest by ₱33.5 million resulting from the net increase of transaction with owners following: (1) Buyback of Pitkin’s shares amounting to US$1.8 million and (2) capital infusion of a major shareholder of Forum Energy Limited amounting to US$2.0 million.

Net Cash provided by Operating Activities for the period amounted to ₱14.2 million (3M2016: ₱51.3 million) which is lower than the same quarter last year as there was a collection of receivables in 2016 for the oil liftings made in December 2015. Net Cash from Investing Activities resulted in a net outflow of ₱69.5 million (3M2016: ₱7.0 million) resulting from: (1) Exploration activities in SC 74 and the drilling of an appraisal well in SC14 C-1 Galoc oil field totaling ₱68.9 million; (2) Equity transaction with owners, denoting the infusion of additional cash by a minority shareholder in Forum amounting to ₱100.3 million; and (3) Acquisition by a subsidiary of its own shares at ₱95.0 million, representing the cash paid to minority shareholders of Pitkin when its shares held were bought back by the latter. Finally, net Cash used in Financing Activities amounted to ₱25.2 million (3M2016: net inflow of ₱24 thousand) due to partial payment of debt to PMC during the current quarter.

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 2017 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 (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 this year. The SC 14C1 Consortium has also started with the drilling of an appraisal well, Galoc-7 until the first half of the year. Seismic reprocessing has also been initiated in SCs 6A Octon which will be completed during the third quarter of 2017. Lastly, the SC 14C2 West Linapacan Consortium will initiate an interpretation of 3D seismic data during the second quarter of 2017.

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.

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 ₱10.1 million (3M2016: ₱13.5 million) attributed to management's continued cost containment initiatives, resulting to minimization of recurring expenses. 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 cyclicality 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.

DANIEL STEPHEN P. CARLOS
President

MARK RAYMOND H. RILLES
Finance Controller

Date: May 9, 2017

PXP ENERGY CORPORATION
(Formerly Philex Petroleum Corporation)
AND SUBSIDIARIES

UNAUDITED CONSOLIDATED
CONDENSED INTERIM
FINANCIAL STATEMENTS
March 31, 2017

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

ASSETS		March 31, 2017 (Unaudited)		December 31, 2016 (Audited)
Current Assets				
Cash and cash equivalents	₱	**494,496**	₱	573,341
Accounts receivable		**71,259**		63,480
Inventories		**15,337**		19,160
Other current assets -net		**13,549**		13,231
Total Current Assets		**594,641**		669,212
Noncurrent Assets				
Property, Plant and Equipment - net		**303,110**		307,835
Goodwill		**1,238,583**		1,238,583
Deferred oil and gas exploration costs - net		**5,150,331**		5,081,450
Deferred income tax assets		**33,854**		33,706
Other noncurrent assets		**1,303**		939
Total Noncurrent Assets		**6,727,181**		6,662,513
TOTAL ASSETS	₱	**7,321,822**	₱	7,331,725

LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	₱	**19,225**	₱	27,937
Advances from related parties		**2,906,498**		2,931,701
Income tax payable		**29**		25
Total Current Liabilities		**2,925,752**		2,959,663
Noncurrent Liabilities				
Deferred income tax liabilities - net		**1,109,848**		1,109,848
Other liabilities		**203,971**		203,704
Total Noncurrent Liabilities		**1,313,819**		1,313,552
Total Liabilities		**4,239,571**		4,273,215
Equity				
Capital Stock - P1 par value		**1,700,000**		1,700,000
Equity reserves		**108,227**		128,842
Deficit		**(1,260,857)**		(1,255,567)
Cumulative translation adjustment on foreign subsidiaries		**86,168**		70,016
		633,538		643,291
Non-controlling Interests		**2,448,713**		2,415,219
Total equity		**3,082,251**		3,058,510
TOTAL LIABILITIES AND EQUITY	₱	**7,321,822**	₱	7,331,725

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

	For the 3 Months Period Ended March 31 2017	2016
PETROLEUM AND OTHER REVENUES	₱ 25,966	₱ 23,126
COSTS AND EXPENSES		
Petroleum and other production costs	26,978	19,008
General and administrative expenses	10,060	13,533
	37,038	32,541
OTHER INCOME (CHARGES)		
Foreign exchange gains (losses) - net	1,683	(6,842)
Interest income (expense) - net	915	1,243
Others - net	-	54
	2,598	(5,545)
NET LOSS	(₱ 8,474)	(₱ 14,960)
Net Income (Loss) Attributable to:		
Equity holders of the Parent Company	(₱ 5,290)	(₱ 11,827)
Non-controlling interests	(3,184)	(3,133)
	(₱ 8,474)	(₱ 14,960)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE	(₱ 0.0031)	(₱ 0.0070)

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

	For the 3 Months Period Ended March 31	
	2017	2016
NET LOSS	**(₱ 8,474)**	(₱ 14,960)
OTHER COMPREHENSIVE INCOME		
Gain (Loss) on translation of foreign subsidiaries	**26,864**	(71,468)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱ 18,390**	(₱ 86,428)
Total Comprehensive Income (Loss) Attributable to:		
Equity holders of the Parent Company	**₱ 10,862**	(₱ 56,078)
Non-controlling interests	**7,528**	(30,350)
	₱ 18,390	(₱ 86,428)

PXP ENERGY CORPORATION
(Formerly Philex Petroleum Corporation)
AND SUBSIDIARIES
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
Balances at December 31, 2015	**₱ 1,700,000**	**₱ 120,172**	**(₱ 1,233,205)**	**(₱ 3,958)**	**₱ 583,009**	**₱ 2,384,239**	**₱ 2,967,248**
Net Income for the period			(11,827)		(11,827)	(3,133)	(14,960)
Other comprehensive income (loss):							
Loss on transalation of foreign subsidiaries	-	-		(44,251)	(44,251)	(27,217)	(71,468)
Total comprehensive income (loss) for the period	-	-	(11,827)	(44,251)	(56,078)	(30,350)	(86,428)
Balance at March 31, 2016	**₱ 1,700,000**	**₱ 120,172**	**(₱ 1,245,032)**	**(₱ 48,209)**	**₱ 526,931**	**₱ 2,353,889**	**₱ 2,880,820**

	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
Balances at December 31, 2016	**₱ 1,700,000**	**₱ 128,842**	**(₱ 1,255,567)**	**₱ 70,016**	**₱ 643,291**	**₱ 2,415,219**	**₱ 3,058,510**
Net income (loss) for the period	-	-	(5,290)	-	(5,290)	(3,184)	(8,474)
Other comprehensive income (loss):							
Gain on transalation of foreign subsidiaries	-	-	-	16,152	16,152	10,712	26,864
Total comprehensive income (loss) for the period	-	-	(5,290)	16,152	10,862	7,528	18,390
Effect of transaction from owners		(20,615)			(20,615)	25,966	5,351
Balance at March 31, 2017	**₱ 1,700,000**	**₱ 108,227**	**(₱ 1,260,857)**	**₱ 86,168**	**₱ 633,538**	**₱ 2,448,713**	**₱ 3,082,251**

PXP ENERGY CORPORATION
(Formerly Philex Petroleum Corporation)
AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amount in Thousands)

	For the 3 Months Period Ended March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(₱ 8,474)**	(₱ 14,960)
Adjustments for:		
Unrealized foreign exchange gains - net	**(1,691)**	6,861
Gain on reversal of impairment loss	**-**	
Depreciation and depletion	**10,300**	6,571
Interest income	**(915)**	(1,243)
Operating income (loss) before working capital changes	**(780)**	(2,771)
Decrease (Increase) in:		
Accounts receivable	**(6,397)**	46,356
Inventories	**1,397**	(447)
Other current assets	**(1,514)**	(283)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	**(12,008)**	898
Provision for losses and other liabilities	**32,543**	3,909
Net cash generated by operations	**13,241**	47,662
Interest received	**915**	3,650
Net cash provided by operating activities	**14,156**	51,312
CASH FLOWS FROM INVESTING ACTIVITIES		
Equity transaction with owners	**100,320**	-
Acquisition by subsidiary of its own shares	**(94,969)**	-
Additions to:		
Deferred oil and gas exploration costs	**(68,881)**	(1,251)
Property, plant and equipment	**(5,596)**	(5,790)
Decrease (increase) in other noncurrent assets	**(364)**	-
Net cash used in investing activities	**(69,490)**	(7,041)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from (payments to) related parties-net	**(25,203)**	24
Net cash provided by (used in) financing activities	**(25,203)**	(14,058)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,692**	11,505
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(78,845)**	41,718
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**573,341**	526,355
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱ 494,496**	₱ 568,073

PXP ENERGY CORPORATION
(Formerly Philex Petroleum Corporation)
AND SUBSIDIARIES

SCHEDULE OF BANK LOANS PAYABLE
March 31, 2017
(In thousand Pesos)

BN Paribas	
Current portion (Short term)	nil
Non-current portion (Long - term)	nil
Total	nil

SCHEDULE OF SHORT-TERM LOAN
March 31, 2017

Philex Mining Corporation	nil
Total	nil

PXP ENERGY CORPORATION
(Formerly Philex Petroleum Corporation)
AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLE
March 31, 2017
(In Thousand Pesos)

	0-30 days	31-60 days	61-90 days	over 90 days	Total
The Galoc Production Company	₱ 21,997	₱ -	₱ -	₱ 25,653	₱ 47,650
The Philodrill Corporation	2,991	-	-	-	2,991
Shell Corporation	1,750	-	-	-	1,750
Others	3,568	-	-	15,035	18,603
	₱ 30,306	₱ -	₱ 84	₱ 40,869	₱ 71,259

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

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Current Ratio	0.20	0.59
Debt-to-equity Ratio	1.38	1.31
Asset-to-equity Ratio	2.38	2.31
Interest Rate Coverage ratio	n/a	(86.70)
Net Income Ratio	(0.33)	(1.45)

PXP ENERGY CORPORATION
(Formerly Philex Petroleum Corporation)
AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

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 March 31, 2017 and December 31, 2016 and for the three-month period ended March 31, 2017 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, 2016.

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 2017. 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.

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014-2016 Cycle)*.
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative.*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

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

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a sharebased payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in

subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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.

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 March 31, 2017:

Cash in banks and cash equivalents	
Cash in banks	₱271,162
Short-term deposits	223,269
Accounts receivable	
Trade	63,645
Accrued interest and others	7,615
	₱565,691

The following tables show the credit quality of the Group's financial assets by class as of March, 31, 2017 based on the Group's credit evaluation process.

	Neither Past Due nor Impaired		Past Due and Individually	
	High-Grade	Standard	Impaired	Total
Cash and cash equivalents, excluding cash on hand:				
Cash in banks	₱271,162	₱–	₱–	₱271,162
Short-term investments	223,269	–	–	223,269
Accounts receivable:				
Trade	–	63,645	–	63,645
Accrued interest and others	–	7,615	–	7,615
Total	₱494,431	₱71,260	₱–	₱565,691

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 March 31, 2017.

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 March 31, 2017:

	On Demand	Less than 3 Months	3 to12 Months	Over 12 Months	Total
Cash on hand	₱65	₱–	₱–	₱–	₱67
Loans and receivables:					
Cash in banks	271,162	–	–	–	271,162
Short-term investments	–	223,269	–	–	223,269
Accounts receivable	30,306	84	15,035	25,653	71,078
Total undiscounted financial assets	₱301,533	₱223,353	₱15,035	₱25,653	₱565,576

	On Demand	Less than 3 Months	3 to12 Months	Over 12 Months	Total
Accounts payable and accrued liabilities:					
Trade	₱5,359	₱–	₱–	₱–	₱5,359
Accrued expenses	–	9,295	–	–	9,295
Other nontrade liabilities	–	–	4,598	–	4,598
Advances from related parties	–	–	2,906,498	–	2,906,498
Total undiscounted financial liabilities	₱5,359	₱9,295	₱2,940,021	₱–	₱2,925,750

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 gain amounting to ₱1.6 million arising from the translation of these foreign currency-denominated financial instruments were recognized by the Parent Company for the period ended March 31, 2017. As at March 31, 2017, the exchange rate is ₱50.16 to US$1.

The Parent Company's foreign currency-denominated monetary assets as of March 31, 2017 follow:

	US$	Peso Equivalent
Assets		
Cash and cash equivalents	$4,947	₱248,121

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%	₱14,887
Depreciate by (6%)	(14,887)

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.

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 76% of crude oil production from SC 14 during the first 3 months of 2017 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 March 31, 2017:

	Oil and Gas	Coal	Eliminations	Total
Consolidated Revenue				
External customers	**₱25,966**	**₱–**	**₱–**	**₱25,966**
Results				
EBITDA	**(₱136,057)**	**₱–**	**₱136,969**	**₱912**
Depreciation and depletion	**(10,300)**	**–**	**–**	**(6,590)**
Benefit from income tax	**–**	**–**	**–**	**–**
Interest expense - net	**908**	**–**	**7**	**1,261**
Consolidated net income (loss)	**(₱31,616)**	**₱–**	**₱16,656**	**(₱14,960)**
Core net loss				**(₱6,613)**
Consolidated total assets	**₱7,236,619**	**₱2,441**	**₱82,762**	**₱7,321,822**
Consolidated total liabilities	**₱ 2,798,457**	**₱737,867**	**₱703,247**	**₱4,239,571**

As of March 31, 2016:

	Oil and Gas	Coal	Eliminations	Total
Consolidated Revenue				
External customers	₱23,126	₱–	₱–	₱23,126
Results				
EBITDA	(₱26,305)	₱–	₱16,674	(₱9,631)
Depreciation and depletion	(6,572)	–	(18)	(6,590)
Benefit from income tax	–	–	–	–
Interest expense - net	1,261	–	–	1,261
Consolidated net income (loss)	(₱31,616)	₱–	₱16,656	(₱14,960)
Core net loss				(₱6,561)
Consolidated total assets	₱7,137,580	₱2,643	₱–	₱7,140,223
Consolidated total liabilities	₱3,521,496	₱737,907	₱–	₱4,259,403

The table below shows the Group’s reconciliation of core net loss to the consolidated net loss for the three-month period ended March 31, 2017 and 2016.

	2017	2016
Core net loss	**(₱6,613)**	(₱6,561)
Non-recurring item:		
Net foreign exchange gain (loss)	**1,324**	(5,266)
Net loss attributable to equity holders of the Parent Company	**(5,289)**	(11,827)
Net loss attributable to non-controlling interests	**(3,184)**	(3,133)
Consolidated net loss	**(₱8,473)**	(₱14,960)

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
Affiliate – Philex Mining Corporation				
Advances: increase (decrease)				
PXP Parent	(₱25,235)	₱2,168,684	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/ Volume	Outstanding Balance	Terms	Conditions
Advances: increase (decrease)				
Brixton Energy & Mining Company	₱32	₱737,847	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.

On March 23, 2017, PXP converted into equity $11.8 million of the Company's $18.3 million loan to a subsidiary of Forum which increased its direct shareholding in Forum Energy Limited from 48.8% to 69.5%. This increased PXP's total direct and indirect interest in Forum from 67.5% to 77.5%. The additional interest was acquired through a subscription to 39,350,920 new ordinary shares of Forum which were issued at approximately US$0.30 per share. Subsequently, Forum Energy Limited paid additional $1 million to PXP. This resulted to a decrease in PXP's loan to a subsidiary of Forum to $5.3 million. This is covered by a new loan agreement which will mature on March 16, 2020. Interest rate is at 3.5% plus LIBOR.

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 March 31, 2017, advances from PMC consisted of Peso-denominated advances amounting to ₱2,168,684.

c. BEMC has significant transactions with related parties involving advances to provide funding on BEMC's exploration and development activities. As at March 31, 2017, the non-interest-bearing advances from PMC amounted to ₱737,847. The advances are payable on demand.

6. Basic/Diluted Earnings Per Share

Basic/diluted loss per share for the period ended March 31, 2017 and 2016 is computed as follows:

	2017	2016
Net loss attributable to equity holders of the Parent Company	**(₱5,289)**	(₱11,827)
Divided by weighted average number of common shares issued during the period	**1,700,000**	1,700,000
Basic/diluted income per share	**(₱0.0031)**	(₱0.0070)

As of March 31, 2017, the Parent Company does not have any potentially dilutive stocks.

7. **Seasonality and Cyclicality of Interim Operation**

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