

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 June 30, 2018
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:

N/A

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>₱2,896,212,000</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 six-month period ended June 30, 2018 are hereto attached.

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

Consolidated operating revenues amounted to ₱66.7 million for the first half of 2018 (1H2017: ₱52.6 million) consisting solely of petroleum revenues.

The increase in petroleum revenue resulted from two (2) oil liftings for both periods equivalent to a gross volume of 0.69 million barrels of oil (1H2017: 0.70 million barrels). The slightly lower oil production was offset by higher average crude oil prices of \$73.88 per barrel (1H2017: \$55.75 per barrel) during the review period. This was contributed by Forum Energy Limited ("Forum"), a 79.0% 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, SC 14 Nido, Matinloc and North Matinloc.

Production data from oil and gas for the six-month period ended June 30, 2018 and 2017 were as follows:

	6 months (January to June)	
	2018	2017
<b>Revenues</b> (In millions ₱)		
Oil	<b>₱66.7</b>	₱52.6
<b>Sales volume</b>		
Oil (barrels net to Forum)	<b>19,142</b>	17,910

Costs and expenses reached ₱110.5 million for the period (1H2017: ₱77.8 million) with production costs amounting to ₱88.9 million (1H2017: ₱52.9 million) resulting from the plugging and decommissioning (P&A) of SC 14 Tara and Libro production wells, of SC 14 Tara and Libro oil field and higher depletion charges in SC 14 C-1 Galoc oil field. On the other hand, general and administrative expenses fell to ₱21.6 million (1H2017: ₱24.9 million), arising from management's continuing cost reduction and containment measures.

A net other income of ₱12.6 million was recorded in the period (1H2017: ₱8.0 million) resulting from a realized foreign exchange gain of ₱23.3 million (1H2017: ₱6.3 million), arising from a lower peso-to-dollar exchange rate in 2018. This was offset by an other charge of ₱11.9 million (1H2017: nil) brought about by a write-off of a receivable in Pitkin.

A consolidated net loss of ₱32.8 million (1H2017: ₱17.2 million) was incurred resulting from higher depletion cost and decommissioning costs, an Other charge of P11.9 million and a provision for income tax of P1.6 million; offset by a Forex gain of P23.3 million. As such, net loss attributable to equity holders of the Parent amounted to ₱20.1 million (1H2017: ₱11.3 million), with basic/diluted loss per share amounting to ₱0.0118 (1H2017: ₱0.0067). Core net loss for the current period amounted to ₱38.9 million (1H2017: ₱11.3 million).

During the second quarter of this year, consolidated operating revenues rose to ₱36.0 million (Q22017: ₱26.7 million) contributed solely by oil and gas operations. The higher revenue was attributed to the improvement in average crude oil price of \$77.96 per barrel (Q22017: \$55.3 per barrel) during the quarter.

Production data from oil and gas operations for the 2<sup>nd</sup> quarter ended June 30, 2018 and 2017 were as follows:

	2 <sup>nd</sup> quarter (3 months)	
	2018	2017
<b>Revenues</b> (In millions ₱)		
Oil and gas	<b>₱36.0</b>	₱26.7
<b>Production</b>		
Oil (barrels)	<b>9,902</b>	7,501

Costs and expenses in the second quarter alone went up to ₱69.0 million (Q22017: ₱40.8 million). Production costs for petroleum stood at ₱56.4 million (Q22017: ₱25.9 million) resulting from the P&A of SC 14 Tara and Libro wells, and higher depletion charges in SC 14 Galoc oil fields. General and administrative expenses declined to ₱12.6 million (Q22017: ₱14.8 million), attributed to management's continued cost containment.

In terms of other income (charges), an interest income of ₱728 thousand was recorded during the second quarter (Q22017: ₱770 thousand) due to lower interest income from short term cash deposits. Foreign currency exchange gain was higher at ₱7.8 million (Q22017: ₱4.7 million) resulting from a weaker Philippine peso.

A consolidated net loss of ₱24.4 million (Q22017: ₱8.7 million) was incurred primarily as a result of higher petroleum production costs resulting from the P&A of SC 14 Tara and Libro wells, and higher depletion charges in SC 14 Galoc oil fields.

As at June 30, 2018, the Company's total assets stood at ₱7.352 billion as against ₱7.229 billion from end December 31, 2017. Total current assets amounted to ₱496.4 million from ₱525.8 million, primarily due to a decrease in cash and cash equivalents by ₱35.7 million, the decrease in oil inventory by ₱7.9 million and offset by the increase in accounts receivable by ₱13.2 million following the oil liftings made during the period in review.

Noncurrent assets reached ₱6.856 billion from ₱6.703 billion, largely arising from the increase in deferred exploration costs to ₱5.281 billion from ₱5.168 billion arising from the seismic interpretation activities in SC 74 and foreign currency exchange translation gain in the Group's dollar denominated exploration assets.

Current liabilities as at the end of the period reached ₱2.946 billion from ₱2.926 billion as at December 31, 2017. This was a result of the increase in trade payables offset by the decrease in Advances from related parties, after PXP partially paid its debt to Philex Mining Corporation ("PMC").

As at end of the period in review, total noncurrent liabilities remained flat at ₱1.301 billion. Total liabilities increased by ₱20.5 million from the end of the prior year following the increase in current liabilities by ₱20.1 million and a marginal rise in non-current liabilities by ₱387 thousand.

As of June 30, 2018, total equity reached ₱3.105 billion from ₱3.002 billion as at the end of last year. This was due to the increases in: (1) cumulative translation adjustment at ₱151.7 million from ₱76.3 million, as the peso weakens; (2) non-controlling interest to ₱2.446 billion from ₱2.398 billion following the increase in foreign currency translation and, the increase in deficit to ₱1.315 billion from ₱1.295 billion arising from the net loss incurred during the period.

Net Cash provided by Operating Activities for the period amounted to ₱28.6 million (1H2017: ₱19.7 million) which is higher than the same period last year due to the slight increase in oil revenues, combined with the increase in average realized foreign currency exchange rate.

Net Cash from Investing Activities resulted in a net outflow of ₱27.0 million (1H2017: ₱108.8 million) resulting from the increase in Deferred exploration costs from the exploration activities in SC 74. In 2017, the decrease in cash was a result of : (1) Increase of ₱88.2 million in Deferred exploration costs from the exploration activities in SC 74 and the drilling of an appraisal well in SC 14C1 Galoc oil field; (2) Increase of ₱82.6 million in Equity transaction with owners, denoting the infusion of additional cash by a minority shareholder in Forum amounting to \$2 million and the acquisition of PXP of an additional 1.5% interest in Forum at \$356 thousand and; (3) Acquisition by a subsidiary of its own shares at ₱95.0 million, representing the \$1.9 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 ₱10.3 million (1H2017: ₱25.2 million) due to partial payment of debt to PMC for both periods in review.

Effect of exchange rates on cash and cash equivalents amounted to ₱27.0 million (1H2017: ₱6.3 million).

## **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 for 2018, which were aimed at enhancing asset value, include: (1) the completion of the gravity modeling exercise in SC 74. This generated model will be forwarded to contractor for technical review. In June 2018, fieldwork in the Calamian Islands was conducted in cooperation with graduate students from the University of the Philippines National Institute of Geological Sciences (UP NIGS). Rock samples acquired during fieldwork will be selected for bostatigraphy and age dating. Currently, engineering and economic studies are ongoing on Linapacan A & B Fields, while Pre-Stack Depth Migration (PSDM) reprocessing of selected 2D seismic lines is being considered with contractor CGG starting August 2018. On 27 March 2018, the DOE approved the Consortium's entry to Sub-Phase (SP) 3 starting 13 December 2017 until 13 December 2019 with the interpretation of Linapacan A and B fields 3D seismic data, Linapacan engineering and market study, and geologic fieldwork and biostratigraphy as the approved work activities under SP 3; (2) Completion of a detailed land gravity survey in SC 40 northern Cebu last 25 April 2018 with a total of 94 gravity stations acquired; (3) Ongoing interpretation of Pre-Stack Depth Migrated 3D seismic data in SC 14C2 West Linapacan and; (4) Completion of the Pre-Stack Depth Migration (PSDM) processing and quantitative interpretation (QI) of the 2013 3D seismic data in SC 6A Octon, to be interpreted in 1H 2018 as part of the work program for the year.

## **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 consistently controlled and slightly reduced to ₱21.6 million (2017: ₱24.9 million) attributed to management's continued cost containment initiatives, resulting to minimization of recurring expenses. Management continuously monitors its general and administrative expenses and looks for 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: August 14, 2018

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

**UNAUDITED CONSOLIDATED  
CONDENSED INTERIM  
FINANCIAL STATEMENTS**  
June 30, 2018

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	₱ 414,371	₱ 450,039
Accounts receivable	54,770	41,585
Inventories	13,835	21,727
Other current assets -net	13,407	12,408
<b>Total Current Assets</b>	<b>496,383</b>	<b>525,759</b>
<b>Noncurrent Assets</b>		
Property and Equipment - net	300,043	261,883
Goodwill	1,238,583	1,238,583
Deferred oil and gas exploration costs - net	5,281,390	5,168,368
Deferred income tax assets	32,755	31,651
Other noncurrent assets	2,912	2,368
<b>Total Noncurrent Assets</b>	<b>6,855,683</b>	<b>6,702,853</b>
<b>TOTAL ASSETS</b>	<b>₱ 7,352,066</b>	<b>₱ 7,228,612</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	₱ 49,792	₱ 19,410
Advances from related parties	2,896,212	2,906,490
Income tax payable	-	30
<b>Total Current Liabilities</b>	<b>2,946,004</b>	<b>2,925,930</b>
<b>Noncurrent Liabilities</b>		
Deferred income tax liabilities - net	1,108,699	1,109,853
Other liabilities	192,254	190,713
<b>Total Noncurrent Liabilities</b>	<b>1,300,953</b>	<b>1,300,566</b>
<b>Total Liabilities</b>	<b>4,246,957</b>	<b>4,226,496</b>
<b>Equity</b>		
Capital Stock - P1 par value	1,700,000	1,700,000
Equity reserves	122,062	122,062
Deficit	(1,314,827)	(1,294,692)
Cumulative translation adjustment on foreign subsidiaries	151,704	76,258
	<b>658,939</b>	<b>603,628</b>
<b>Non-controlling Interests</b>	<b>2,446,170</b>	<b>2,398,488</b>
<b>Total equity</b>	<b>3,105,109</b>	<b>3,002,116</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱ 7,352,066</b>	<b>₱ 7,228,612</b>



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

	For the 6-Month Period Ended June 30	
	2018	2017
<b>PETROLEUM REVENUES</b>	₱ 66,703	₱ 52,622
<b>COSTS AND EXPENSES</b>		
Petroleum and other production costs	88,913	52,904
General and administrative expenses	21,557	24,903
	<b>110,470</b>	<b>77,807</b>
<b>OTHER INCOME (CHARGES)</b>		
Foreign exchange gains - net	23,267	6,336
Interest income - net	1,230	1,685
Others - net	(11,901)	-
	<b>12,596</b>	<b>8,021</b>
<b>LOSS BEFORE TAX</b>	<b>(31,171)</b>	<b>(17,164)</b>
<b>PROVISION FOR INCOME TAX</b>	<b>1,671</b>	<b>26</b>
<b>NET LOSS</b>	<b>( ₱ 32,842)</b>	<b>( ₱ 17,190)</b>
<b>Net Income (Loss) Attributable to:</b>		
Equity holders of the Parent Company	<b>( ₱ 20,135)</b>	<b>( ₱ 11,332)</b>
Non-controlling interests	<b>(12,707)</b>	<b>(5,858)</b>
	<b>( ₱ 32,842)</b>	<b>( ₱ 17,190)</b>
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE</b>	<b>( ₱ 0.0118)</b>	<b>( ₱ 0.0067)</b>

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

	<b>For the 2nd Quarter Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>PETROLEUM REVENUES</b>	<b>₱ 36,049</b>	<b>₱ 26,656</b>
<b>COSTS AND EXPENSES</b>		
Petroleum production costs	56,378	25,926
General and administrative expenses	12,626	14,843
	<b>69,004</b>	<b>40,769</b>
<b>OTHER INCOME</b>		
Foreign exchange gains - net	7,808	4,653
Interest income - net	728	770
Other income	20	-
	<b>8,556</b>	<b>5,423</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(24,399)</b>	<b>(8,690)</b>
<b>PROVISION FOR INCOME TAX</b>	<b>29</b>	<b>26</b>
<b>NET LOSS</b>	<b>(₱ 24,428)</b>	<b>(₱ 8,716)</b>
<b>Net income attributable to:</b>		
Equity holders of the Parent Company	<b>(₱ 16,476)</b>	<b>(₱ 6,042)</b>
Non-controlling interests	<b>(7,952)</b>	<b>(2,674)</b>
	<b>(₱ 24,428)</b>	<b>(₱ 8,716)</b>
<b>BASIC/DILUTED EARNINGS PER SHARE</b>	<b>(₱ 0.01)</b>	<b>(₱ 0.01)</b>

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

	For the 6-Month Period Ended June 30	
	2018	2017
<b>NET LOSS</b>	( ₱ 32,842)	( ₱ 17,190)
<b>OTHER COMPREHENSIVE INCOME</b>		
Gain (Loss) on translation of foreign subsidiaries	135,835	46,315
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱ 102,993</b>	<b>₱ 29,125</b>
<b>Total Comprehensive Income (Loss) Attributable to:</b>		
Equity holders of the Parent Company	₱ 55,311	₱ 16,180
Non-controlling interests	47,682	12,945
	<b>₱ 102,993</b>	<b>₱ 29,125</b>

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

	Equity Attributable to Equity Holders of the Parent Company					Non-controlling Interests	Total
	Capital Stock	Equity Reserves	Retained Earnings (Deficit)	Cumulative Translation Adjustment on Foreign Subsidiaries	Subtotal		
<b>Balances at December 31, 2016</b>	<b>₱ 1,700,000</b>	<b>₱ 128,842</b>	<b>( ₱ 1,255,567)</b>	<b>₱ 70,016</b>	<b>₱ 643,291</b>	<b>₱ 2,415,219</b>	<b>₱ 3,058,510</b>
Net Income for the period			(11,332)		(11,332)	(5,858)	(17,190)
Other comprehensive income (loss):							
Loss on translation of foreign subsidiaries	-	-	-	27,512	27,512	18,803	46,315
Total comprehensive income (loss) for the period	-	-	(11,332)	27,512	16,180	12,945	29,125
Effect of transaction from owners	-	(20,615)	-	-	(20,615)	8,261	(12,354)
<b>Balance at June 30, 2017</b>	<b>₱ 1,700,000</b>	<b>₱ 108,227</b>	<b>( ₱ 1,266,899)</b>	<b>₱ 97,528</b>	<b>₱ 638,856</b>	<b>₱ 2,436,425</b>	<b>₱ 3,075,281</b>
	Equity Attributable to Equity Holders of the Parent Company					Non-controlling Interests	Total
	Capital Stock	Equity Reserves	Retained Earnings (Deficit)	Cumulative Translation Adjustment on Foreign Subsidiaries	Subtotal		
<b>Balances at December 31, 2017</b>	<b>₱ 1,700,000</b>	<b>₱ 122,062</b>	<b>( ₱ 1,294,692)</b>	<b>₱ 76,258</b>	<b>₱ 603,628</b>	<b>₱ 2,398,488</b>	<b>₱ 3,002,116</b>
Net income (loss) for the period	-	-	(20,135)	-	(20,135)	(12,707)	(32,842)
Other comprehensive income (loss):							
Gain on translation of foreign subsidiaries	-	-	-	75,446	75,446	60,389	135,835
Total comprehensive income (loss) for the period	-	-	(20,135)	75,446	55,311	47,682	102,993
<b>Balance at June 30, 2018</b>	<b>₱ 1,700,000</b>	<b>₱ 122,062</b>	<b>( ₱ 1,314,827)</b>	<b>₱ 151,704</b>	<b>₱ 658,939</b>	<b>₱ 2,446,170</b>	<b>₱ 3,105,109</b>

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

For the 6-Month Period Ended June 30

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	( ₱ 31,171)	( ₱ 17,164)
Adjustments for:		
Unrealized foreign exchange gains - net	(23,267)	(6,314)
Depreciation and depletion	50,765	16,948
Interest income	(1,257)	(1,685)
Operating income (loss) before working capital changes	(4,930)	(8,215)
Decrease (Increase) in:		
Accounts receivable	26,819	29,050
Inventories	8,633	14,894
Other current assets	(728)	4,366
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(2,947)	(15,139)
Provision for losses and other liabilities	1,085	(6,935)
Net cash generated by operations	27,932	18,021
Interest received	1,377	1,685
Income tax paid	(735)	(25)
<b>Net cash provided by operating activities</b>	<b>28,574</b>	<b>19,681</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Deferred oil and gas exploration costs	(26,415)	(88,174)
Property, plant and equipment	-	(7,514)
Acquisition by subsidiary of its own shares	-	(94,969)
Equity transaction with owners	-	82,615
Increase in other noncurrent assets	(545)	(733)
<b>Net cash used in investing activities</b>	<b>(26,960)</b>	<b>(108,775)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from (payments to) related parties-net	(10,279)	(25,203)
<b>Net cash provided by (used in) financing activities</b>	<b>(10,279)</b>	<b>(25,203)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND</b>		
<b>CASH EQUIVALENTS</b>	<b>(27,003)</b>	<b>6,288</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(35,668)</b>	<b>(108,009)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	450,039	573,341
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱ 414,371</b>	<b>₱ 465,332</b>

**PXP ENERGY CORPORATION**  
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**AND SUBSIDIARIES**

**SCHEDULE OF BANK LOANS PAYABLE**

June 30, 2018  
(In thousand Pesos)

BN Paribas	
Current portion (Short term)	nil
Non-current portion (Long - term)	nil
Total	<u>nil</u>

**SCHEDULE OF SHORT-TERM LOAN**

June 30, 2018

Philex Mining Corporation	nil
Total	<u>nil</u>

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

AGING OF ACCOUNTS RECEIVABLE

June 30, 2018

(In Thousand Pesos)

	0-30 days	31-60 days	61-90 days	over 90 days	Total
The Galoc Production Company	₱ 6,959	₱ -	₱ -	₱ 13,673	₱ 20,632
The Philodrill Corporation	12,971	-	-	-	12,971
Shell Corporation	2,528	-	-	-	2,528
Others	51	-	-	18,587	18,638
	₱ 22,510	₱ -	₱ -	₱ 32,259	₱ 54,770

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Current Ratio	0.17	0.18
Debt-to-equity Ratio	1.37	1.41
Asset-to-equity Ratio	2.37	2.41
Interest Rate Coverage ratio	n/a	n/a
Net Income Ratio	(0.49)	(0.36)



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

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**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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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 June 30, 2018 and December 31, 2017 and for the six-month period ended June 30, 2018 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, 2017.

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.

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis except for AFS financial assets that are carried at fair value. The consolidated financial statements are presented in Philippine Peso (Peso), which is the Parent Company's functional and reporting currency, rounded to the nearest thousand (₱000) except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- 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 share-based 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 has assessed that the adoption of these amendments will not have any impact on the 2018 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 new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

- 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.

- 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.

- 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 non-monetary 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 non-monetary 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. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity 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.

#### Standards and Interpretations Issued but not yet Effective

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, 2019*

- **Amendments to PFRS 9, *Prepayment Features with Negative Compensation***  
The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Group is currently assessing the impact of adopting PFRS 9.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Group is currently assessing the impact of adopting PFRS 16

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

#### *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 deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

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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 June 30, 2018:

Cash in banks and cash equivalents	
Cash in banks	₱237,132
Short-term deposits	177,222
Accounts receivable	
Trade	45,958
Accrued interest and others	812
	<u>₱461,124</u>

The following tables show the credit quality of the Group's financial assets by class as of June 30, 2018 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	₱237,132	₱-	₱-	₱237,132
Short-term investments	177,222	-	-	177,222
Accounts receivable:				
Trade	-	45,958	-	45,958
Accrued interest and others	-	8,812	-	8,812
<b>Total</b>	<b>₱414,354</b>	<b>₱54,770</b>	<b>₱-</b>	<b>₱469,124</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 June 30, 2018.

#### *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 June 30, 2018:

	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Cash on hand	₱17	₱	₱-	₱-	₱17
Loans and receivables:					
Cash in banks	237,132	-	-	-	237,132
Short-term investments	-	177,222	-	-	177,222
Accounts receivable	-	22,510	13,673	18,587	54,770
<b>Total undiscounted financial assets</b>	<b>₱237,149</b>	<b>₱199,732</b>	<b>₱13,673</b>	<b>₱18,587</b>	<b>₱469,141</b>

	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Accounts payable and accrued liabilities:					
Trade	₱6,046	₱-	₱-	₱-	₱6,046
Accrued expenses	-	41,732	-	-	41,732
Other nontrade liabilities	-	-	2,013	-	2,013
Advances from related parties	-	-	2,896,212	-	2,896,212
<b>Total undiscounted financial liabilities</b>	<b>₱6,046</b>	<b>₱41,732</b>	<b>₱2,898,225</b>	<b>₱-</b>	<b>₱2,946,003</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 gain amounting to ₱12.6 million arising from the translation of these foreign currency-denominated financial instruments were recognized by the Parent Company for the period ended June 30, 2018. As at June 30, 2018, the exchange rate is ₱53.40 to US\$1.

The Parent Company's foreign currency-denominated monetary assets as of June 30, 2018 follow:

	US\$	Peso Equivalent
Assets		
Cash and cash equivalents	\$3,439	₱183,649

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%	₱11,019
Depreciate by (6%)	(11,019)



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 84% of crude oil production from SC 14 during the first 3 months of 2018 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 South Korea, while all crude oil liftings from the Nido Matinloc and North Matinloc fields were sold to a customer in the Philippines.

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 June 30, 2018:

	Oil and Gas	Coal	Eliminations	Total
Consolidated Revenue				
External customers	<b>₱66,703</b>	<b>₱-</b>	<b>₱-</b>	<b>₱66,703</b>
Results				
EBITDA	<b>₱34,700</b>	<b>₱19</b>	<b>(₱16,354)</b>	<b>₱18,365</b>
Depreciation and depletion	<b>(50,765)</b>	-	-	<b>(50,765)</b>
Income tax expense	<b>(1,672)</b>	-	-	<b>(1,672)</b>
Interest income - net	<b>1,237</b>	-	<b>(7)</b>	<b>1,230</b>
Consolidated net income (loss)	<b>(₱16,500)</b>	<b>₱19</b>	<b>(₱16,361)</b>	<b>(₱32,842)</b>
Core net loss				<b>(₱38,941)</b>
Consolidated total assets	<b>₱7,434,930</b>	<b>₱2,307</b>	<b>(₱85,171)</b>	<b>₱7,352,066</b>
Consolidated total liabilities	<b>₱2,860,819</b>	<b>₱737,734</b>	<b>₱648,404</b>	<b>₱4,246,957</b>

As of June 30, 2017:

	Oil and Gas	Coal	Eliminations	Total
Consolidated Revenue				
External customers	<b>₱52,622</b>	<b>₱-</b>	<b>₱-</b>	<b>₱52,622</b>
Results				
EBITDA	<b>(₱138,899)</b>	<b>₱-</b>	<b>₱136,998</b>	<b>(₱1,901)</b>
Depreciation and depletion	<b>(16,948)</b>	-	-	<b>(16,948)</b>
Income tax expense	<b>(26)</b>	-	-	<b>(26)</b>
Interest income - net	<b>1,706</b>	-	<b>(21)</b>	<b>1,685</b>
Consolidated net income (loss)	<b>(₱154,167)</b>	<b>₱-</b>	<b>₱136,977</b>	<b>(₱17,190)</b>
Core net loss				<b>(₱16,582)</b>
Consolidated total assets	<b>₱7,241,342</b>	<b>₱2,441</b>	<b>₱66,746</b>	<b>₱7,310,529</b>
Consolidated total liabilities	<b>₱2,792,447</b>	<b>₱737,867</b>	<b>₱704,934</b>	<b>₱4,235,248</b>

The table below shows the Group's reconciliation of core net loss to the consolidated net loss for the six-month period ended June 30, 2018 and 2017.

	2018	2017
Core net loss	<b>(₱38,941)</b>	<b>(₱16,582)</b>
Non-recurring item:		
Net foreign exchange gain (loss)	<b>20,470</b>	5,265
Net tax effect of aforementioned adjustment	<b>(1,664)</b>	(15)
Net loss attributable to equity holders of the Parent		
Company	<b>(20,135)</b>	(11,332)
Net loss attributable to non-controlling interests	<b>(12,707)</b>	(5,858)
Consolidated net loss	<b>(₱32,842)</b>	<b>(₱17,190)</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	(₱10,279)	₱2,158,354	Payable 9 months from the date of demand; non-interest bearing	Secured with a pledge of PXP shareholdings in Forum and Pitkin, no impairment
<hr/>				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Advances: increase (decrease)</i>				
Brixton Energy & Mining Company	₱1	₱737,815	On demand; non-interest bearing	Unsecured, no impairment

- a. On November 24, 2010, Forum Philippine Holdings Limited (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 London Interbank Offered Rate (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 SP work program over SC 72. Obligations arising from funds drawn under this facility agreement are not convertible into FEL'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. The loans receivable from FPHL and loan payable to PMC recorded in the Parent Company amounted to ₱674,804 in 2013.

In 2015, a transfer agreement has been entered into by FPHL (the “Original Borrower”) and GSEC 101 - Jersey (the “New Borrower”). This states that all the rights and obligations under the Finance Documents of the Original Borrower will be transferred by way of novation to the New Borrower and the Original Borrower will be released from its obligations and will cease to own any rights under the Facility Agreement.

On March 23, 2017, PXP, FEL and GSEC 101 - Jersey agreed the conversion of US\$11,805 loan to equity, by subscribing to 39,350,920 new ordinary shares of FEL. The loan payable consisted of total drawdowns from the loan facility of US\$15,500 and interest accrued of US\$2,828. Of the remaining balance, US\$1,000 was paid through cash received from subscription of Tidemark to 6,666,667 new ordinary shares of FEL.

On the same date, PXP and GSEC entered into a new loan facility amounting to US\$6,000 of which US\$5,522 was drawn out to fully settle the remaining portion of the long term loan.

The interest expense and commitment fees were recorded under ‘Interest expense and other charges’ in the consolidated statements of income while these were eliminated upon consolidation for the year ended June 30, 2018 and 2017.

- b. PMC made cash advances to be used as additional working capital of the Parent Company and acquisition of investments.

On August 11, 2015, the BOD has agreed that a pledge agreement with PMC (pledgee) be entered into by PXP (pledgor). In order to secure the balance of ₱2,200,000 as of pledge date, the Parent Company has pledged its shares in its subsidiaries, Pitkin and Forum to PMC. The contract was formally executed on August 17, 2015.

During the period, the Group paid PMC amounting to ₱10,279. As at June 30, 2018, advances from PMC amounted to ₱2,158,354.

- c. BEMC has significant transactions with related parties involving advances to provide funding on BEMC’s exploration and development activities. As at June 30, 2018, 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 June 30, 2018 and 2017 is computed as follows:

	<b>2018</b>	2017
Net loss attributable to equity holders of the Parent Company	<b>(₱20,135)</b>	(₱11,332)
Divided by weighted average number of common shares issued during the period	<b>1,700,000</b>	1,700,000
<b>Basic/diluted income per share</b>	<b>(₱0.0118)</b>	(₱0.0067)

As of June 30, 2018, 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.