COVER SHEET

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SEC Registration Number

PXP ENERGY CORPORATION

(Company's Full Name)

2/F LAUNCHPAD
RELIANCE CORNER SHERIDAN STREETS
MANDALUYONG CITY

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

Mark H. Rilles
(Contact Person)

631-1381
(Company Telephone Number)

1	2		3	1

Month *Day*
(Calendar Year)

SEC 17-Q
(Form Type)

3rd Tuesday of May
Month *Day*
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use black ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2020**

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) 8631-1381**

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
Common Shares	**₱1,960,000,000**

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, 2020 are hereto attached.

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

Consolidated petroleum revenues amounted to ₱6.1 million for the first three months of 2020 (3M2019: ₱29.7 million).

The lower petroleum revenue resulted from one (1) oil lifting for both periods equivalent to a gross volume of 234,148 barrels of oil (3M2019: 380,512 million barrels) and a 60% drop in average crude oil prices of $24.5 per barrel (3M2019: $61.4 per barrel) during the review period. This was contributed by Forum Energy Limited ("Forum"), a 79% 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.

Production data for the three-month period ended March 31, 2020 and 2019 were as follows:

	3 months (January to March)	
	2020	2019
Revenues (In millions ₱)		
Oil and gas	**₱6.1**	₱29.7
Sales volume		
Oil (barrels net to Forum)	**3,118**	8,080

Costs and expenses reached ₱26.7 million for the period (3M2019: ₱46.9 million) with production costs amounting to ₱12.3 million (3M2019: ₱35.5 million) resulting from decrease in depletion following lower volume lifted from the Galoc field. On the other hand, general and administrative expenses stood at ₱14.4 million (3M2019: ₱11.4 million).

A net other charges of ₱19.8 million was recorded during the current period (3M2019: net other income of ₱24.9 million) resulting from the impairment charge in SC14 C-1 Galoc amounting to P20.2 million, related primarily to the lower-than-expected future returns in SC 14C1-Galoc following the recent crash in global crude oil prices.

A consolidated net loss of ₱40.4 million (3M2019: net income of ₱7.0 million) was recorded due to higher other income (charges), resulting from the substantial decrease in oil revenues and an impairment loss incurred in SC14 C-1 Galoc. As such, net loss attributable to equity holders of the Parent amounted to ₱32.0 million (3M2019: net income of ₱11.1 million), with basic/diluted loss per share amounting to ₱0.0163 (3M2019: basic/diluted earnings per share of ₱0.0057). Core net loss during the current period amounted to ₱16.9 million (3M2019: ₱12.5 million).

As at March 31, 2020, the Company's total assets stood at ₱6.785 billion from ₱6.865 billion at end-December 31, 2019. Total current assets decreased to ₱239.8 million from ₱302.6 million, as cash and cash equivalents decreased by ₱58.0 million.

Noncurrent assets reached to ₱6.545 billion from ₱6.563 billion, largely arising from the decrease in Property, Plant and Equipment to ₱6.18 million from ₱23.4 million following impairment charges in SC14 C-1 Galoc.

Current liabilities as at the end of the period amounted to ₱43.6 million from ₱74.6 million as at December 31, 2019, mainly a result of the decrease in Accounts payable and accrued liabilities to ₱ 34.6 million from ₱63.1 million due to payment of trade payables to suppliers.

As at end of the period in review, total noncurrent liabilities remained at ₱1.274 billion. Total liabilities stood at ₱1.318 billion from the end of the prior year at ₱1.349 billion following the decrease in current liabilities by ₱31.1 million and decrease in non-current liabilities by ₱82 thousand.

As of March 31, 2020, total equity reached ₱5.467 billion from ₱5.517 billion as at the end of last year. Deficit increased from ₱1.644 billion to ₱1.676 billion, following the net loss attributable to Parent recorded during the year at ₱32.0 million. Cumulative translation adjustment on foreign subsidiaries decreased by ₱14.3 million while non-controlling interests declined by ₱3.3 million.

Net Cash used by Operating Activities for the period stood at ₱46.0 million (3M2019: net cash inflow of ₱30.8 million) resulting primarily from the payment of accounts payable and accrued liabilities and operating expenses.

Net Cash Used in Investing Activities resulted in a net outflow of ₱3.0 million (3M2019: ₱20.8 million) primarily from the cash paid for the exploration activities in SC 74.

Finally, net Cash used in Financing Activities amounted to ₱7 thousand (3M2019: ₱1.9 million). Net effect of exchange rate changes from the conversion of cash and cash equivalents from Philippine Peso vis-à-vis the United States dollar amounted to ₱9.0 million (3M2019: ₱18.5 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 2020, which were aimed at enhancing asset value, include:

In SC 72, the conduct of broadband Post Stack Depth Migration ("PSDM") reprocessing of 565 sq. km 3D seismic data with DownUnder GeoSolutions ("DUG") was completed in June 2019. This was followed by an interpretation of the newly-reprocessed seismic data and the formulation of an appraisal program for the Sampaguita gas field, the results of which are expected to be available in 2Q 2020.

In SC 74, the gravity modeling and seismic interpretation of MC2D data are completed. A gravity modeling exercise write-up was submitted by Cosine Global Limited ("Cosine") in September 2019, which is being reviewed by PXP prior to submission to the Department of Energy ("DOE"). Paleodating and total organic carbon analysis of rock samples collected in the Calamian Islands are ongoing. Initial 12 samples were sent to Core Laboratories, Malaysia on October 31, 2019, and the results were submitted to PXP in December 2019. Additional samples will be sent to Malaysia in 2020 for further testing.

The Phase 1 Well Feasibility with Rock Physics and Phase 1A Test Inversion under the joint Quantitative Interpretation (“QI”) study of SC 74 and SC 14C-2 (West Linapacan) were completed and presented to the consortium in October 2019. The said initial phase involved a pilot study covering 30 sq. km of PSDM 3D seismic and data from 6 vintage wells. From the test, it was concluded that lithology is easier to identify on seismic than fluid type due to the limestone reservoir’s overlapping elastic properties. In December 2019, the Joint Venture decided to proceed to Phase 2 of the project which is an inversion study over a wider, 400 sq. km 3D data. Phase 2 has commenced in 1Q 2020 and will be completed in early June 2020.

In SC 40 (North Cebu), FEI conducted a land gravity survey over the Libertad and Dalingding areas in Bogo City and Daanbantayan Municipality, respectively. The gravity survey aims to further delineate the carbonate bodies detected in the said areas by the initial 3D gravity modelling exercise. The survey began on February 18, 2020 and was completed on March 14, 2020 with a total of 84 stations acquired at intervals of between 300m and 500m. data reduction, processing and interpretation will be undertaken starting April 2020. The results of the gravity survey will be used to update the current depth model for northern Cebu.

In SC 6A (Octon), the approved work program for 2020 will focus on further geological and geophysical (“G&G”) studies in the North Block in support of establishing a final well location over one of the identified prospects in the area. Other G&G works will continue to identify additional resources in the South Block and around the Octon field.

In SC 6B (Bonita), the Farm-In Agreement (“FIA”), Deed of Assignment and transfer of operatorship from The Philodrill Corporation (“Philodrill”) to Manta Oil Company Ltd. (“Manta”) were approved conditionally by the DOE on October 17, 2019, requiring Manta to submit additional financial documents. Under the FIA, Manta will carry the Joint Venture up to First Oil to earn 70% interest. FEPC’s interest will be reduced to 2.4546% upon completion of the farm-in. A plan of development (“POD”) for Cadlao oil field will be submitted to the DOE around 3Q 2020. It will include the proposed drilling of 1-2 deviated production wells. Cadlao has an estimated Recoverable Reserves (P50) of 6.32 million barrels (“MMbbl”) of oil.

In Peru Block Z-38, Karoon, Tullow, and Stena Drilling signed a Rig Assignment Agreement for the use of the drillship, Stena Forth in November 2019. The agreement provided the Z-38 Consortium with a single well slot from the existing rig contract between Tullow and Stena. Soon after, the drillship started its mobilization to Peru. It left Ghana in mid-November 2019 and arrived in Lima, Peru in early January 2020.

The Marina-1X well was spudded on January 26, 2020 in 362m water depth. It reached a total depth of 3,021m MD (2,889m TVD) on February 15, 2020. Mudlogging and Logging While Drilling (“LWD”) results from the primary targets in the Tumbes Formation indicated that the well encountered thin water-bearing sands with no oil and only minor gas shows. In view of the results, the well was plugged and abandoned as a dry well, and the drillship was demobilized before the end of February 2020.

Marina-1X provided a large amount of valuable data on the geological setting for this region of the Tumbes Basin. Several potential reservoir sequences were encountered in the well, unfortunately these sections were water wet and provide no prospectivity at this location. The well results will now be thoroughly analyzed to come up with the best way forward for the block.

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.

The Company had participated in the Philippine Conventional Energy Contracting Program ("PCECP") of the DOE, which was launched in November 2018 and ended in August 2019. The Company and its partner, Philodrill, submitted a joint bid for Area 7, a prospective block located in the Sulu Sea. The consortium's bid remains under evaluation with the DOE.

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 increased by ₱3.0 million (2019: ₱ 11.4 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.

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

On April 16, 2020, PXP increased its direct shareholding in FEL from 72.24% to 72.33%. This increases PXP's total direct and indirect interest in FEL from 79.04% to 79.13%. The additional interest was acquired through a subscription to 6,099,626 new ordinary shares of FEL. The new shares were issued at approximately US$0.30 per share for a total consideration of US$1.83 million.

Further, major shareholders, Tidemark and FEC subscribed to 1,666,666 shares and 567,038 shares of FEL, amounting to US$500,000 and US$170,111, respectively, both paid for in cash. As a result of these transactions, Tidemark's and FEC's holdings in FEL remain at 20% and 6.8%, respectively.

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: July 1, 2020

PXP ENERGY CORPORATION
(Formerly Philex Petroleum Corporation)
AND SUBSIDIARIES

UNAUDITED CONSOLIDATED
CONDENSED INTERIM
FINANCIAL STATEMENTS
March 31, 2020

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

ASSETS		March 31, 2020		December 31, 2019
Current Assets				
Cash and cash equivalents	₱	**187,942**	₱	245,954
Accounts receivable		**30,504**		33,516
Inventories		**2,979**		7,300
Other current assets -net		**18,392**		15,801
Total Current Assets		**239,817**		302,571
Noncurrent Assets				
Property, Plant and Equipment - net		**6,177**		23,440
Goodwill		**1,234,387**		1,234,387
Deferred oil and gas exploration costs - net		**5,299,920**		5,300,659
Other noncurrent assets		**4,217**		4,222
Total Noncurrent Assets		**6,544,701**		6,562,708
TOTAL ASSETS	₱	**6,784,518**	₱	6,865,279

LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	₱	**34,621**	₱	63,053
Income tax payable		**615**		615
Lease liability - current portion		**503**		503
Provision for plug and abandonment costs		**7,822**		10,444
Total Current Liabilities		**43,561**		74,615
Noncurrent Liabilities				
Deferred income tax liabilities - net		**1,076,940**		1,077,098
Right-of-use liability		**5,293**		4,791
Other liabilities		**191,788**		192,214
Total Noncurrent Liabilities		**1,274,021**		1,274,103
Total Liabilities		**1,317,582**		1,348,718
Equity				
Capital Stock - P1 par value		**1,960,000**		1,960,000
Additional paid-in capital		**2,816,545**		2,816,545
Subscription receivable		**(184,300)**		(184,300)
Equity reserves		**122,250**		122,250
Deficit		**(1,675,827)**		(1,643,864)
Cumulative translation adjustment on foreign subsidiaries		**73,380**		87,713
		3,112,048		3,158,344
Non-controlling Interests		**2,354,888**		2,358,217
Total equity		**5,466,936**		5,516,561
TOTAL LIABILITIES AND EQUITY	₱	**6,784,518**	₱	6,865,279

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

	For the Period Ended March 31	
	2020	2019
PETROLEUM REVENUES	₱ **6,139**	₱ 29,711
COSTS AND EXPENSES		
Petroleum and other production costs	**12,292**	35,522
General and administrative expenses	**14,416**	11,363
	26,708	46,885
OTHER INCOME (CHARGES)		
Provision for impairment of assets	**(20,161)**	-
Foreign exchange gains (losses) - net	**118**	(1,279)
Interest income - net	**247**	607
Others - net	**-**	25,570
	(19,796)	24,898
INCOME (LOSS) BEFORE TAX	**(40,365)**	7,724
PROVISION (BENEFIT) FROM INCOME TAX	**(1)**	732
NET INCOME (LOSS)	**(₱ 40,364)**	₱ 6,992
Net Income (Loss) Attributable to:		
Equity holders of the Parent Company	**(₱ 31,963)**	₱ 11,119
Non-controlling interests	**(8,401)**	(4,127)
	(₱ 40,364)	₱ 6,992
BASIC LOSS PER SHARE	**(₱ 0.0163)**	₱ 0.0057
DILUTED LOSS PER SHARE	**(₱ 0.0163)**	₱ 0.0057

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

	For the Period Ended March 31	
	2019	2018
NET INCOME (LOSS)	**(₱ 40,364)**	(₱ 49,093)
OTHER COMPREHENSIVE INCOME		
Gain (Loss) on translation of foreign subsidiaries	**(9,261)**	159,580
TOTAL COMPREHENSIVE INCOME	**(₱ 49,625)**	₱ 110,487
Total Comprehensive Income (Loss) Attributable to:		
Equity holders of the Parent Company	**(₱ 46,296)**	₱ 57,599
Non-controlling interests	**(3,329)**	52,888
	(₱ 49,625)	₱ 110,487

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	Additional paid in capital	Subscription Receivable	Equity Reserves	Retained Earnings (Deficit)	Cumulative Translation Adjustment on Foreign Subsidiaries	Subtotal	Non-controlling Interests	Total
Balances at December 31, 2018	**₱ 1,960,000**	**₱ 2,821,000**	**(₱ 2,310,750)**	**₱ 122,062**	**(₱ 1,371,720)**	**₱ 153,866**	**₱ 1,374,458**	**₱ 2,407,960**	**₱ 3,782,418**
Net income (loss) for the period	-	-	-	-	11,119	-	11,119	(4,127)	6,992
Other comprehensive income (loss):	-	-	-	-	-	-	-	-	-
Gain (loss) on translation of foreign subsidiaries	-	-	-	-	-	(4,651)	(4,651)	(1,635)	(6,286)
Total comprehensive income (loss) for the period	-	-	-	-	11,119	(4,651)	6,468	(5,762)	706
Payment of subscription	-	-	1,386,450	-	-	-	1,386,450	-	1,386,450
Effect of Change in Accounting Policy - Leases	-	-	-	-	33	-	33	-	33
Others	-	(2,600)	-	-	-	-	(2,600)	-	(2,600)
Balance at March 31, 2019	**₱ 1,960,000**	**₱ 2,818,400**	**(₱ 924,300)**	**₱ 122,062**	**(₱ 1,360,568)**	**₱ 149,215**	**₱ 2,764,809**	**₱ 2,402,198**	**₱ 5,167,007**

	Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock	Additional paid in capital	Subscription Receivable	Equity Reserves	Retained Earnings (Deficit)	Cumulative Translation Adjustment on Foreign Subsidiaries	Subtotal	Non-controlling Interests	Total
Balances at December 31, 2019	**₱ 1,960,000**	**₱ 2,816,545**	**(₱ 184,300)**	**₱ 122,250**	**(₱ 1,643,864)**	**₱ 87,713**	**₱ 3,158,344**	**₱ 2,358,217**	**₱ 5,516,561**
Net income (loss) for the period	-	-	-	-	(31,963)	-	(31,963)	(8,401)	(40,364)
Other comprehensive income (loss):	-	-	-	-	-	-	-	-	-
Gain (loss) on translation of foreign subsidiaries	-	-	-	-	-	(14,333)	(14,333)	5,072	(9,261)
Total comprehensive income (loss) for the period	-	-	-	-	(31,963)	(14,333)	(46,296)	(3,329)	(49,625)
Balance at March 31, 2020	**₱ 1,960,000**	**₱ 2,816,545**	**(₱ 184,300)**	**₱ 122,250**	**(₱ 1,675,827)**	**₱ 73,380**	**₱ 3,112,048**	**₱ 2,354,888**	**₱ 5,466,936**

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

	For the Period Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before tax	**(₱ 40,365)**	₱ 7,724
Adjustments for:		
Provision for impairment of assets	**20,158**	-
Unrealized foreign exchange loss (gain) - net	**(118)**	1,279
Depreciation and depletion	**1,090**	18,807
Interest income - net	**(247)**	(607)
Operating income (loss) before working capital changes	**(19,482)**	27,203
Decrease (Increase) in:		
Accounts receivable	**3,013**	(23,712)
Inventories	**4,320**	23,778
Other current assets	**(2,591)**	4,730
Increase (Decrease) in:		
Accounts payable and accrued liabilities	**(28,441)**	(1,937)
Provision for losses and other liabilities	**(3,048)**	125
Net cash generated by operations	**(46,229)**	30,187
Interest received	**247**	607
Income tax paid	**-**	(2)
Net cash provided by operating activities	**(45,982)**	30,792
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Deferred oil and gas exploration costs and other non current assets	**(2,998)**	(20,773)
Net cash used in investing activities	**(2,998)**	(20,773)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of advances from related parties	**7**	(1,385,778)
Cash received from collection of subscription from shareholder	**-**	1,383,850
Net cash used in financing activities	**7**	(1,928)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(9,039)**	(18,547)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(58,012)**	(10,456)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**245,954**	342,374
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱ 187,942**	₱ 331,918

PXP ENERGY CORPORATION
(Formerly Philex Petroleum Corporation)
AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLE
March 31, 2020
(In Thousand Pesos)

	0-30 days	31-60 days	61-90 days	over 90 days	Total
The Galoc Production Company	₱ 1,211	₱ -	₱ -	₱ 12,975	₱ 14,186
The Philodrill Corporation	-	-	7,256	-	7,256
Shell Corporation	-	-	-	-	-
Monte Oro Resources & Energy, Inc.	-	-	-	-	-
Others	1,265	17	-	7,779	9,061
	₱ 2,477	₱ 17	₱ 7,256	₱ 20,755	₱ 30,504

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

	March 31, 2020	December 31, 2019
Current Ratio	5.51	4.06
Debt-to-equity Ratio	0.24	0.24
Asset-to-equity Ratio	1.24	1.24
Interest Rate Coverage ratio	n/a	n/a
Net Income Ratio	(6.58)	(0.36)

PXP ENERGY CORPORATION
(Formerly Philex Petroleum Corporation)
AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

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, 2020 and December 31, 2019, and for the three-month period ended March 31, 2020 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, 2019.

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, 2020.

Unless otherwise indicated, adoption of these new standards did not have an impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*
  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. The Group adopted the amendments beginning January 1, 2020.

Effective beginning on or after January 1, 2021

- *PFRS 17, Insurance Contracts*

Deferred effectivity

- *Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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, 2020:

Cash in banks and cash equivalents	
Cash in banks	₱138,449
Short-term deposits	49,490
Accounts receivable	
Trade	21,442
Accrued interest and others	9,061
	₱218,442

The following tables show the credit quality of the Group's financial assets by class as of March, 31, 2020 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	₱138,449	₱–	₱–	₱138,449
Short-term investments	49,490	–	–	49,490
Accounts receivable:				
Trade	–	21,442	–	21,442
Accrued interest and others	–	9,061	–	9,061
Total	₱187,939	₱30,503	₱–	₱218,442

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 2020.

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, 2020:

	On Demand	Less than 3 Months	3 to12 Months	Over 12 Months	Total
Cash on hand	₱3	₱–	₱–	₱–	₱3
Loans and receivables:					
Cash in banks	138,449	–	–	–	138,449
Short-term investments		49,490	–	–	49,490
Accounts receivable	2,493	7,256	20,755	–	30,504
Total undiscounted financial assets	₱140,945	₱56,746	₱20,755	₱–	₱218,446

	On Demand	Less than 3 Months	3 to12 Months	Over 12 Months	Total
Accounts payable and accrued liabilities:					
Trade	₱25,115	₱–	₱–	₱–	₱25,115
Accrued expenses	–	290	–	–	290
Other nontrade liabilities	–	–	9,033	–	9,033
Advances from related parties	–	–	183	–	183
Total undiscounted financial liabilities	₱25,115	₱290	₱9,216	₱–	₱34,621

<u>*Market Risk*</u>

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 ₱382 thousand arising from the translation of these foreign currency-denominated financial instruments were recognized by the Parent Company for the period ended March 31, 2020. As at March 31, 2020, the exchange rate is ₱50.68 to US$1.

The Parent Company's foreign currency-denominated monetary assets as of March 31, 2020 follow:

	US$	Peso Equivalent
Assets		
Cash and cash equivalents	$1,295	₱65,632

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%	₱3,938
Depreciate by (6%)	(3,938)

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, 100% of crude oil production from SC 14 during the first 3 months of 2020 was from the Galoc oil field. Crude oil liftings from the Galoc field were sold to a customer in Thailand.

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, 2020:

	Oil and Gas	**Coal**	**Eliminations**	**Total**
Consolidated Revenue				
External customers	**₱6,139**	**₱–**	**₱–**	**₱6,139**
Results				
EBITDA	**₱ (19,064)**	**(₱13)**	**(₱20,445)**	**(₱39,522)**
Depreciation and depletion	**(1,090)**	**–**	**–**	**(1,090)**
Provision for income tax	**1**	**–**	**–**	**1**
Interest expense - net	**247**	**–**	**–**	**247**
Consolidated net income (loss)	**(₱19,906)**	**(₱13)**	**(₱20,445)**	**(₱40,364)**
Core net loss				**(₱16,887)**
Consolidated total assets	**₱7,854,392**	**₱2,115**	**(₱1,071,989)**	**₱6,784,518**
Consolidated total liabilities	**₱820,454**	**₱37,836**	**(₱240,708)**	**₱1,317,582**

As of March 31, 2019:

	Oil and Gas	**Coal**	**Eliminations**	**Total**
Consolidated Revenue				
External customers	**₱29,711**	**₱–**	**₱–**	**₱29,711**
Results				
EBITDA	**₱25,953**	**(₱16)**	**(₱13)**	**₱25,924**
Depreciation and depletion	**(18,807)**	**–**	**–**	**(18,807)**
Provision for income tax	**(732)**	**–**	**–**	**(732)**
Interest expense - net	**594**	**–**	**13**	**607**
Consolidated net income (loss)	**₱7,008**	**(₱16)**	**–**	**₱6,992**
Core net loss				**(₱12,505)**
Consolidated total assets	**₱7,469,119**	**₱2,153**	**(₱216,619)**	**₱7,254,653**
Consolidated total liabilities	**₱779,821**	**₱737,835**	**₱569,990**	**₱2,087,646**

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, 2020 and 2019.

	2020	2019
Core net loss	**(₱16,887)**	(₱12,505)
Non-recurring items:		
Provision for impairment of assets	**(15,194)**	–
Other income	**–**	25,570
Net foreign exchange gain (loss)	**117**	(1,214)
Net tax effect of aforementioned adjustment	**1**	(732)
Net loss attributable to equity holders of the Parent Company	**(31,963)**	11,119
Net loss attributable to non-controlling interests	**(8,401)**	(4,127)
Consolidated net loss	**(₱40,364)**	₱6,992

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	(₱183)	₱183	Payable on demand	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 common 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 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 FGSECL (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 FGSECL agreed to the conversion of US$11,805 loan to equity, by subscribing to 39,350,920 new common 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 common shares of FEL.

On the same date, PXP and FGSECL 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.

Interest expense incurred for the old loan facility amounted to ₱11,692 in 2017. During the same year, commitment fees incurred amounted to ₱281.

Total drawdown from the new loan facility amounted to US$5,522 as at March 31, 2020 and 2019. Interest expense incurred for the quarter ended March 31, 2020 and 2019 amounted to ₱3,532 and ₱3,824, respectively. The new loan facility does not include an agreement for commitment fee.

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 period ended March 31, 2020 and 2019.

Loans receivable of PXP as at March 31, 2020 and December 31, 2019 amounted to ₱323,516 and ₱279,621, respectively which was eliminated upon consolidation.

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.

In 2018, the Group paid PMC amounting to ₱781,334 while in 2019, PXP fully paid the cash advances from PMC. As a result, the related pledge was extinguished.

As at March 31, 2020 and December 31, 2019, advances from PMC amounted to ₱183 and ₱ nil, respectively.

c. BEMC has significant transactions with related parties involving advances to provide funding for BEMC's exploration and development activities.

On August 5, 2019, a deed of assignment was entered by BEMC and PXP transferring BEMC's advances from PMC to PXP amounting to ₱737,815.

On December 19, 2019, PXP paid the advances from PMC amounting ₱737,815.

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

Basic/diluted earning (loss) per share for the period ended March 31, 2020 and 2019 is computed as follows:

	2020	2019
Net loss attributable to equity holders of the Parent Company	**(₱31,963)**	(₱11,119)
Divided by weighted average number of common shares issued during the period	**1,960,000**	1,960,000
Basic earnings (loss) per share	**(₱0.0163)**	₱0.0057
Diluted earnings (loss) per share	**(₱0.0163)**	₱0.0057

As of March 31, 2020, 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.