

**MINUTES OF THE  
ANNUAL GENERAL STOCKHOLDERS' MEETING  
OF  
PXP ENERGY CORPORATION**

**Held on 21 May 2019 at 2:30 PM  
at Grand Ballroom 3, Grand Hyatt Manila,  
8<sup>th</sup> Avenue corner 35<sup>th</sup> Street,  
Bonifacio Global City, Taguig City**

**Shareholders present:**

In person or represented by proxy: Shareholders holding 70.12% of the Company's outstanding capital stock

**Directors Present:**

Eulalio B. Austin, Jr., *Chairman of the Meeting, Director*

Daniel Stephen P. Carlos, *President*

Oscar S. Reyes, *Director*

Emerlinda R. Roman, *Independent Director; Chairman, Audit Committee*

Benjamin S. Austria, *Independent Director; Chairman, Board Risk & Resource Oversight Committee*

Joseph H.P. Ng, *Director*

**Also Present:**

Barbara Anne C. Migallos, *Corporate Secretary*

Paraluman M. Navarro, *Treasurer*

SyCip Gorres Velayo & Company, *the Company's Independent External Auditors*

Banco de Oro Unibank Corporate Agencies and Stock Transfer Service, *Stock Transfer Agent*

**I. Call to Order**

Engr. Eulalio B. Austin, Jr., acted as Chairman. He called the meeting to order and presided over the same. The Corporate Secretary, Atty. Barbara Anne C. Migallos, recorded the minutes of the proceedings.

The Chairman introduced the Directors present: Mr. Daniel Stephen P. Carlos, the Company's President; Dr. Emerlinda R. Roman, Independent Director and Chairman of the Audit Committee; Dr. Benjamin S. Austria, Independent Director and Chairman of the Board Risk & Resource Oversight Committee; Mr. Oscar S. Reyes, and Mr. Joseph H.P. Ng.

The Chairman acknowledged the presence of representatives of the Company's independent external auditors, SyCip Gorres Velayo & Company and of the Company's stock transfer agent, BDO Stock Transfers.

**II. Proof of Required Notice of the Meeting**

The Corporate Secretary certified that notices of the Annual General Stockholders' Meeting, together with the Agenda and the Information Statement, all duly approved by the

Securities and Exchange Commission (SEC), were released for distribution to the shareholders on 23 April 2019, and within the periods prescribed under applicable rules and consistent with corporate governance best practices. She reported that the Notice with Agenda was published in two major newspapers of general circulation on 08 May 2019. The Corporate Secretary presented a notarized certification that she executed to attest to these facts.

### **III. Certification of Quorum**

The Corporate Secretary certified that there were present, in person or represented by proxy, shareholders holding **1,374,286,513** shares or **70.12%** of the outstanding capital stock of the Company and that there was a quorum to transact business for the meeting.

#### ***Voting Procedure***

At the request of the Chairman, the Corporate Secretary explained the voting procedures and general protocol for the meeting, as follows:

1. The required quorum for meetings of shareholders is the presence in person or by proxy of stockholders representing at least a majority of the outstanding capital stock. There are no items on the Agenda that require a higher quorum under the Corporation Code. In the election of directors, the candidates receiving the highest number of votes shall be declared elected.
2. Only the items on the Agenda and in the Definitive Information Statement will be voted upon. Items that are not on the Agenda cannot be submitted to a vote by the shareholders.
3. Voting is by balloting. Shareholders present were given ballots upon registration. Where a shareholder submitted a proxy prior to the meeting, the proxy designated by the stockholder was provided with a ballot for casting in accordance with the stockholders' instructions, as indicated in the proxy.
4. The proxy forms were distributed together with the Information Statement for use by the shareholders for the meeting. The proxy form contains every item on the Agenda requiring a vote, with spaces provided for Yes, No or Abstain. In the case of the election of directors, the names of each of the nominees are stated in the proxy with three options: Vote for All, Withhold for All, and Withhold for Certain Nominees, with spaces provided for the names of the nominees not being voted for. The votes are cast and counted in accordance with the shareholders' instructions, as reflected in the proxies.
5. The Company's transfer agent, Banco de Oro (BDO) Stock Transfers, tabulated the proxies and the ballots.
6. The votes cast for each of the items on the Agenda will be announced when the particular item on the Agenda is taken up by the body and will be posted on the Company's website.
7. A shareholder who wishes to ask a question during the open forum are requested to state their names and confirm for the record that he/she is a shareholder. The name of

the shareholder, the question raised, and the response thereto will be reflected in the Minutes as required under corporate governance best practices.

**IV. Reading and Approval of the Minutes of the June 1, 2018 Annual Stockholders' Meeting and Action Thereon**

With legal notices sent and a quorum present, the Chairman of the meeting proceeded to the reading and approval of the Minutes of the Annual General Stockholders' Meeting held on 01 June 2018.

A shareholder moved that the reading of the Minutes of the Annual General Stockholders' Meeting held on 01 June 2018 be dispensed with and that the said Minutes be approved. This motion was by duly seconded by another shareholder.

At the Chairman's request, the Corporate Secretary informed the body that, as reflected in the tally prepared by BDO, shareholders holding **1,374,283,122** shares, representing **70.12%** of the outstanding capital stock of the Company, voted YES to the approval of the Minutes of the Annual General Stockholders' Meeting held on 01 June 2018. There were nil NO votes and nil ABSTAIN votes. The Chairman declared the motion carried. The Minutes of the Annual General Stockholders' Meeting held on 01 June 2018 are approved.

**V. Presentation of the Annual Report and the Audited Financial Statements for the Year Ended December 31, 2018 and Action Thereon**

The next item on the agenda was the presentation of the Annual Report and the Audited Financial Statements of the Company for the year ended 31 December 2018. The Annual Report contains the Company's Audited Financial Statements and Notes thereto for the year ended 31 December 2018 which were examined by the Company's independent auditors, SGV. Shareholders were previously provided copies of the Annual Report and the Audited Financial Statements, together with the Notice and Agenda for the meeting.

The Chairman of the meeting requested Mr. Daniel Stephen P. Carlos, President of the Company, to present the highlights of the Annual Report and the Audited Financial Statements for the year 2018.

**2018 Operations Highlights**

Mr. Carlos started his report by presenting the PXP Group asset portfolio. He reported that the Company currently has thirteen (13) service contracts in the Philippines and an exploration block in Peru that are held directly and indirectly, through its major subsidiaries Forum Energy Limited (Forum Energy), a 78.98% owned subsidiary, and Pitkin Petroleum Limited (Pitkin), a 53.43% owned subsidiary.

Proceeding with the 2018 operational highlights, Mr. Carlos reported that the Company is among the few Filipino corporations that are operating several petroleum service contracts in the country. The Company also remains firmly committed in advancing its exploration and production efforts, especially in the four service contracts it is operating, namely Service

Contract 72 in Recto Bank, Service Contracts 75 and 74 in Northwest Palawan, and Service Contract 40 in Northern Cebu.

On Service Contract 72, Mr. Carlos reported that the block is the site of the Sampaguita Gas Field, which is estimated to contain about 2.6 trillion cubic feet of gas. The Company's subsidiary, Forum Energy, operates the block with a 70% participating interest in the same. While SC72 remains under Force Majeure, Forum Energy is currently undertaking the reprocessing of the Sampaguita 3D data set to improve the quality of the seismic data obtained in 2011 through the use of modern technology which was not available at the time. The data reprocessing is expected to be completed in June 2019 and will be followed by a re-interpretation work that will further define the Sampaguita Gas Field. The re-interpretation will also update the resource estimates for the said field and determine the optimum location for the appraisal wells which are intended to be drilled once the government allows the resumption of exploration work in the block. Apart from activities in the Sampaguita Gas Field, further work is being planned on the North Bank Prospect, which is located 70 kilometers northeast of the Sampaguita Gas Field. The immediate program is a 2,600 square kilometer 3D seismic survey that is aimed at further evaluating the prospect prior to the drilling of an exploratory well. Management is in constant communication with the Philippine Government with the goal of resuming exploration activities in the block, more particularly the drilling of two (2) appraisal wells over the Sampaguita Field, in fulfillment of the Company's commitment under the Second Sub-Phase of exploration in SC72.

Mr. Carlos also said that the Memorandum of Understanding on Cooperation on Oil and Gas development between the Philippines and China (the "MOU") was signed last November 2018. The MOU will have a positive impact on SC72 and will pave the way for the creation of an inter-governmental Steering Committee and one or more inter-entrepreneurial Working Groups that will work out a program of cooperation, which may eventually lead to joint exploration in certain areas of the West Philippine Sea. The Steering Committee will be co-chaired by the Philippine Secretary of Foreign Affairs and the Chinese Foreign Minister, and co-vice chaired by the vice ministries, with the participation of the relevant agencies of the two (2) governments. The Working Groups will consist of representatives authorized by the two countries. China has appointed the China National Offshore Oil Corporation ("CNOOC") as its representative. The Philippines will authorize other enterprises with service contracts which, in the case of SC72, will be Forum Energy. The two governments will endeavor to agree on the cooperation arrangement within twelve (12) months from the signing of the MOU. The Company, through Forum Energy, looks forward to the creation of the said working groups and the negotiations for the block's cooperation agreement.

On Service Contract 75, Mr. Carlos reported that the MOU will also have an effect on the block which also remains under Force Majeure. SC75 was awarded in December 2013 and is being operated by the Company with a 50% participating interest. The remaining 50% interest is being held by PNOC Exploration Corporation ("PNOC EC") and PetroEnergy Resources Corporation. He said that the work commitment under the First Sub-Phase of SC 75 has been completed and includes the acquisition and interpretation of 2D seismic data from which a number of leads have been identified. Further exploration work is required in order to upgrade said leads to prospect status. Once the force majeure is lifted, the Company plans to acquire a 3D seismic survey over the best leads identified. The proposed survey will have an area of at least 1,000 square kilometers which will fulfill the minimum work program for the Second Sub-Phase of the block.

On Service Contract 74, Mr. Carlos reported that the Company became the operator of the block in 2016 and that the same is currently under the Third Sub-Phase of exploration, which began in December 2017. In terms of level of exploration, SC74 is considered a frontier area. To further evaluate its hydrocarbon potential, the Company and its partners, Philodrill Corporation and PNOEC are conducting a number of geological and geophysical activities. In 2018, the fieldwork in the Calamian Islands was completed with the cooperation of the National Institute of Geological Sciences of the University of the Philippines in Diliman. The interpretation of the block's marine gravity and magnetic data is also being continued. Finally, the Rock Physics and Quantitative Interpretation Study on Linapacan A and B fields as well as the West Linapacan A & B Fields located in the adjacent SC 14C2 Block, wherein Forum Energy is also a participant, have commenced. The main objective of the Quantitative Interpretation study is to predict the rock type, the fluid content and composition, and the flow characteristics of the oil and gas bearing limestone reservoirs in the Linapacan and West Linapacan areas. The said study is targeted to be completed by the third quarter of 2019.

On Service Contract 14C1 or the Galoc Block, Mr. Carlos reported that the consortium, led by Galoc Production Company, continues to implement measures to maintain commerciality of the oil producing Galoc Field in view of the normal decline in production of the existing wells. Tamarind Resources ("Tamarind"), a Singapore-based Company which acquired operatorship of the block last July 2018, is leading the measures to optimize oil production and reduce operating expenses to ensure the continued viability of the block to produce oil and extend its economic life beyond 2021. The Galoc Field has produced 21 Million barrels of oil since the start of production in October 2008. He noted that the price of Dubai Oil, which is the price reference for Galoc Oil, has gradually improved during the past three (3) years. Although crude oil price went down below US\$60 per barrel last December 2018, it has since gone up beginning February 2019 and continues to average at around US\$65 to US\$70 per barrel up to the present date.

On Peru Block Z-38, Mr. Carlos reported that its subsidiary, Pitkin, holds 25% interest in the block, which is located in offshore Peru. The block is being operated by Karoon Energy Australia ("Karoon"). He said that in January 2018, the Company reported on the farm in of Tullow Oil Plc ("Tullow"), a UK company. Tullow's entry to the block's consortium reduced Karoon's participating interest to 40%, however, Pitkin's interest remains at 25%. Perupetro, the governing body in Peru, approved the lifting of Block Z-38's Force Majeure status effective 12 September 2018. The block is currently under the Third Exploration Period, with a two (2) well commitment, that will expire on 01 July 2020. Preparations are underway for the implementation of a drilling program in 2020 that will complete the Consortium's well obligations under the Third Exploration Period. He noted that, under a separate farm-in agreement signed with Karoon in 2009, Pitkin is carried on the cost of the first well, Marina-1X well, and of a second well, which will be identified later.

### 2018 Financial Results Highlights

Proceeding with the financial highlights for 2018, Mr. Carlos reported that gross revenues rose to Php108 Million, compared to the Php104 Million in 2017, despite a 24% decline in crude oil production in Service Contract 14C-1 Galoc Field. He said that the average crude oil price increased by 35% in 2018 at US\$74 per barrel, compared to the US\$55 per barrel in the previous year. Cost and expenses increased to Php 221 Million in 2018, compared to Php 158 Million in 2017 due to (a) the decommissioning of the old Libro and Tara production wells located in SC 14 Northwest Palawan; and (b) a higher non-cash depletion cost incurred for

SC14C-1 Galoc Field. As a result, the Company incurred a higher net loss of Php 96 Million in 2018, compared to the net loss of Php 57 Million in 2017. The increase was due to the offset of foreign exchange gain by the said decommissioning costs of the old Libro and Tara production wells and higher non-cash depletion cost.

### 2019 First Quarter Financial Highlights

For the first quarter of 2019, Mr. Carlos reported that oil revenues slightly depressed by 3%, from Php 31 Million in the first quarter of 2018 to Php 30 Million in 2019. The decrease is due to the fact that the 12.5% higher volume of oil lifted from the Galoc Field was offset by the dip in crude oil price from US\$69.6 per barrel during the first quarter of 2018, to US\$ 61.4 during the same period of 2019. Meanwhile, cost and expenses stood at Php 47 Million for the first quarter of 2019, as against Php 41 Million during the same period in 2018. The increase is partially attributable to the higher non-cash depletion cost related to the higher oil volume lifted in 2019. However, other income increased to Php 24 Million during the first quarter of 2019 as against the Php 2 Million in 2018. As a result, the Company recorded a net income of Php 7 Million for the first quarter of 2019, as compared to the Php 8 Million loss during the previous year.

To conclude his report, Mr. Carlos said that the Company will continue to manage its existing assets prudently as encouraging political developments in the West Philippine Sea slowly unfold and as the industry steadily recovers from the 2014 oil price collapse. The Company will continue to engage with the Department of Energy in the lifting of the force majeure status of Service Contracts 72 and 75 to enable it to proceed with the work programs for the two blocks. In Service Contract 74 and in other non-operated blocks in Northwest Palawan, the Company will endeavor to complete the various activities, aimed at evaluating the blocks' potential to contain commercial oil and gas fields, before the end of the year. On the other hand, it is expected that the Galoc Field will continue to produce profitably over the next few years, amidst the normal decline in output associated with its maturity. Meanwhile, exploration activities in Service Contract 40 Northern Cebu aimed at identifying a prospect that can be drilled within the next one to two years will continue. In Peru, the Company, through Pitkin, will continue its participation in the offshore Block Z-38. Management is optimistic that the recent addition of an international company in the consortium would eventually lead to the drilling of the first exploration well in the block in early 2020.

### **Open Forum**

The Chairman then invited questions from the shareholders.

There being no questions from the shareholders, there was a motion for the adoption of the following resolution:

**“RESOLVED**, that the Company’s Annual Report, together with the Audited Financial Statements and the Notes thereto for the year ended 31<sup>st</sup> December 2018, prepared by the Company’s external auditors, SyCip Gorres Velayo & Company be, as they are hereby, approved, ratified and confirmed.”

The motion was duly seconded by another shareholder. At the request of the Chairman, the Corporate Secretary informed the body of the voting results on the fifth item on the Agenda,

which is the shareholders' action on the Annual Report and the Audited Financial Statements for the year ended 31 December 2018.

The Corporate Secretary informed the body that shareholders holding **1,373,883,122** shares, representing **70.10%** of the outstanding capital stock of the Company, have voted YES to the approval of the Annual Report and the Audited Financial Statements for the year ended 31 December 2018, and the Notes thereto. There were nil NO votes and 400,000 ABSTAIN votes.

The Chairman declared the motion carried. The Annual Report, the Audited Financial Statements and the Notes thereto for the year ended 31 December 2018 has been approved, ratified and confirmed.

#### **VI. Ratification and Approval of the Acts of the Board of Directors and Officers During the Year 2018**

The Chairman said that the next item on the Agenda is the ratification and approval of the acts of the Board of Directors and the Officers of the Company during the year 2018.

A shareholder moved for the adoption of the following resolution:

**“RESOLVED**, that all acts made or taken by the Board of Directors and/or the officers of the Corporation during the past year and/or all acts and proceedings performed or taken pursuant thereto, be, as it is hereby ratified, approved and confirmed.”

The motion was duly seconded.

At the request of the Chairman, the Corporate Secretary informed the body of the voting results for this item of the Agenda. The Corporate Secretary certified that shareholders holding **1,373,881,039** shares, representing **70.10%** of the outstanding capital stock of the Company voted YES to the approval, ratification and confirmation of all acts made or taken by the Board of Directors and Officers of the Company during the past year. There were nil NO votes and 400,000 ABSTAIN votes.

The Chairman declared the motion carried. All acts made or taken by the Board of Directors and/or the officers of the Corporation during the past year are approved and ratified.

#### **VII. Appointment of Independent Auditors**

The Chairman then proceeded to the appointment of independent external auditors of the Company for the year 2019. The Chairman said that the Audit Committee had recommended, and the Board approved, the appointment of SyCip Gorres Velayo and Company as independent external auditors of the Company for the year 2019. A shareholder moved for the adoption of the following resolution:

**“RESOLVED**, that the accounting firm of SyCip Gorres Velayo & Company be appointed, as they are hereby appointed, as the independent external auditors of the Company for 2019 and until their successors are duly appointed.”

The motion was duly seconded. At the request of the Chairman, the Corporate Secretary informed the body of the voting results for this item of the Agenda.

The Corporate Secretary certified that shareholders holding **1,374,283,513** shares, representing **70.12%** of the outstanding capital stock of the Company, voted YES to the appointment of SyCip Gorres Velayo & Company as the independent auditors of the Company for 2019. There were nil NO votes and nil ABSTAIN votes.

The Chairman declared the motion carried. SyCip Gorres Velayo & Company are appointed as the independent auditors of the Company for 2019.

### **VIII. Election of Directors**

The Chairman then proceeded to the election of directors for the ensuing year. The Chairman said that there are nine (9) seats to be filled, and two (2) of the directors must be independent directors. The Corporate Secretary was requested to read the names of the nominees.

The Corporate Secretary announced that there were nine (9) nominees for the nine (9) seats on the Company’s Board of Directors. Two (2) of the nominees were nominees for independent director. The Nominations Committee screened the nine (9) nominees and prepared a final list of candidates, which was incorporated in the Definitive Information Statement distributed to the shareholders, together with the Notice and Agenda, before the meeting. The following are the nine (9) nominees for election to the Board:

1. Manuel V. Pangilinan
2. Daniel Stephen P. Carlos
3. Eulalio B. Austin, Jr.
4. Marilyn A. Victorio-Aquino
5. Oscar S. Reyes
6. Diana V. Pardo-Aguilar
7. Joseph H.P. Ng
8. Benjamin S. Austria (Independent Director)
9. Emerlinda R. Roman (Independent Director)

The Chairman then requested the Corporate Secretary to advise the body of the votes cast in favor of the nominees for election to the Company’s Board of Directors. The Corporate Secretary informed the body that each of the nine (9) nominees for the nine (9) seats on the Board received sufficient votes to elect them as Director of the Company. Consistent with corporate governance best practices, the voting results will be posted on the Company’s website.



Thereafter, the Chairman declared that the following had been elected as directors of the Company, to serve as such for the ensuing year and until their successors have been duly elected and qualified:

1. Manuel V. Pangilinan
2. Daniel Stephen P. Carlos
3. Eulalio B. Austin, Jr.
4. Marilyn A. Victorio-Aquino
5. Oscar S. Reyes
6. Diana V. Pardo-Aguilar
7. Joseph H.P. Ng
8. Benjamin S. Austria (Independent Director)
9. Emerlinda R. Roman (Independent Director)

#### **IX. Adjournment**

The Chairman inquired whether there were other matters to be taken up at the meeting.

Mr. Justo Sy, a stockholder, asked if the Company is going bankrupt. Mr. Carlos responded in the negative and said that the Company will have enough cash for the next five (5) years if no new capital expenditure is incurred. However, additional funds will have to be raised in the event that the Force Majeure status of SC72 and SC75 are lifted and the Philippine Government allows the resumption of exploration activities over the said blocks. Management is carefully studying all available fund-raising options in case of such event.

Mr. Sy further inquired if the Chinese military bases located in the Spratly Islands are a cause of concern. Mr. Carlos again responded in the negative and explained that SC72 is situated far from the areas where the Chinese bases are located. In fact, the entirety of SC72 is located underwater and there are no islands within the block. Mr. Sy then suggested that management should consider a possible agreement with China to utilize the latter's facilities, such as its airports, near the service contract areas. He added that the Company should also explore other potential business opportunities, such as real estate and tourism.

There being no other business to transact, the Chairman entertained the motion made by a shareholder that the meeting be adjourned. Upon such motion duly seconded, the Chairman declared the meeting adjourned.

*Prepared By:*

**BARBARA ANNE C. MIGALLOS**  
*Corporate Secretary*

*Attest:*

**EULALIO B. AUSTIN, JR.**  
*Chairman of the Meeting*

**Minutes of the Annual General Stockholders' Meeting**  
**PXP Energy Corporation; Tuesday, 21 May 2019 at 2:30 P.M.**