



PXP ENERGY CORPORATION
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PRESS RELEASE

AUDITED FINANCIAL AND OPERATING HIGHLIGHTS
FOR THE YEAR ENDED DECEMBER 31, 2018

- FY 2018 Consolidated Net Loss Attributable to Equity Holders of the Parent Company at P78.9 million (FY 2017: P39.1 million). Reported consolidated net loss at P96.4 million (FY 2017: P57.1 million).

Consolidated petroleum revenues 3.3% higher at P107.9 million (FY 2017: P104.4 million) resulting from the 35% improvement in crude oil price offset by 24.3% decline in volume.

Consolidated cost and expenses 40.0% higher at P221.4 million (FY 2017: P158.2 million) brought about by higher depletion cost in Galoc and the decommissioning of Tara and Libro wells in Service Contract 14; Group overhead higher by P11.3 million due to a one-time other charge of P11.9 million.

Net loss of P96.4 million (FY 2017: P57.1 million) due to lower oil production, higher depletion cost and decommissioning cost, other overhead charge of P11.9 million; offset by a Forex gain of P18.7 million.

- On January 10, 2018, Karoon Gas Australia Ltd (“Karoon”) announced that it has executed a Farm-in Agreement with Tullow Peru Limited, a wholly owned subsidiary of Tullow Oil plc (‘Tullow’), wherein Tullow will acquire a 35% interest in the Peru Block Z-38 under the following terms:
 1. Fund 43.75% of the cost of the first exploration well, capped at US\$27.5 million (at 100%), beyond which Tullow will pay its 35% share.
 2. Pay US\$2 million to Karoon, upon completion of the first exploration well referred to above, with a further US\$7 million payable upon declaration of commercial discovery and submission of a development plan to Perupetro.

The Agreement remains subject to the satisfaction of certain licensing conditions and regulatory approvals in Peru. Following completion of the farm-out well, Tullow will have an option to assume operatorship of the block.

Following the farm-in of Tullow, the resulting participating interests in Z-38 are as follows:

	From	To
Karoon	70%	40%
Tullow	nil	35%
Pitkin Petroleum Limited (“Pitkin”)	25%	25%

- On September 21, 2018, Karoon announced that it has been positively impacted by recent changes to the hydrocarbon law in Peru, which has resulted in the force majeure being lifted from Block Z-38. Karoon added that it has been actively working with the Peruvian authorities with this outcome in mind, and considers these changes as a step forward for exploration in Peru.

Karoon and its new farm-in partner (subject to regulatory approval), Tullow are moving forward to drill the Marina-1X exploration well during early 2020.

Pitkin, a 53.43% owned subsidiary, is carried in the cost of the Marina-1X, plus another future well under a separate Farm-In Agreement that Pitkin signed with Karoon in 2009.

- On October 26, 2018, PXP and Dennison Holdings Corporation (Dennison) signed a Subscription Agreement wherein the latter subscribed to 340,000,000 common shares of PXP at Php11.85 per share or an aggregate amount of Php4.03 billion (the “Subscription Price”). The Subscription Price shall be payable in two tranches. In addition, as a substantial consideration for the Company agreeing to the subscription by Dennison, Dennison shall cause its affiliate or related party, Phoenix Petroleum Philippines, Inc. (“Phoenix Petroleum”), subject to its board approval and consent of China National Offshore Oil Corporation (“CNOOC”), to grant certain preferential rights to the Company or to any of its affiliates to acquire up to 49% of the equity, interest or participation of Phoenix Petroleum and/or its affiliates in the contemplated joint venture or related agreement with CNOOC for the construction, development, and operation of a liquified natural gas terminal and gas fired power plant in the Philippines. Following the subscription to the shares, Dennison shall be entitled to at least one (1) seat in the Board who will then be nominated as Vice Chairman of the Board.

Furthermore, Philex Mining Corporation (“Philex”) also signed the Subscription Agreement for 260,000,000 common shares of PXP at Php11.85 per share or an aggregate amount of Php3.081 billion payable in two tranches. The total subscription of 600,000,000 shares (the “Private Placement Shares”) with Dennison and Philex will be issued out of its unissued capital stock of 5.1 billion. PXP intends to use the proceeds from the Private Placement Shares to fund its exploration activities and other oil assets within the Philippines and in Peru, and to repay advances from Philex.

- On December 27, 2018, Philex has paid its 25% downpayment or P770.25 million in connection to the Company’s announcement last October 26, 2018, of the signing and execution of a Definitive Subscription Agreement.
- On February 13, 2019, Philex has paid an additional P1.386 billion in relation to its subscription to new shares of PXP. Following the payment, Philex’s total paid subscription increased from P770.25 million to P2.157 billion, representing 70% of its total subscription in PXP.

- On November 20, 2018, a Memorandum of Understanding on oil and gas development between the Philippines and China was signed by the DFA Secretary Teodoro Locsin, Jr. and Chinese Foreign Minister Wang Yi. This will pave the way for the creation of an inter-governmental Steering Committee that will work out a program of cooperation that could lead to joint exploration, and the creation of one or more Inter-Entrepreneurial Working Groups. The Steering Committee will be co-chaired by the DFA Secretary and the Chinese Foreign Minister, and co-vice chaired by the vice ministries with the participation of relevant agencies of the two governments (the DOE in the case of the Philippines). The Working Groups would consist of representatives authorized by China and Philippines for the inter-entrepreneurial, technical and commercial aspects. China has appointed China National Offshore Oil Corporation (CNOOC), while the Philippines will authorize other enterprises with service contracts or the Philippine National Oil Company (PNOC). The two governments will endeavor to agree on the cooperation arrangements endeavor within 12 months after signing of the MOU. All discussions, negotiations, and activities of the two governments, or the authorized enterprises under or pursuant to this MOU will be without prejudice to the respective legal positions of both governments. The MOU also does not create rights or obligations under international or domestic law.

The DOE Secretary said the DOE and DFA are closely working on the lifting of moratorium on exploration activities involving SC 72. He assured that, whatever the outcome of the MOU, the rights of existing Service Contract holders will be protected.

- PXP, through Forum Energy Limited, a 78.98% owned subsidiary, will take guidance from the Philippine Government in respect of any future activity in SC 72 and SC 75. The Company is mindful that the Malampaya gas resource, which supplies about 40% of Luzon's power requirements, could be exhausted within the next decade; in that light, resumption of exploration in SC 72 is of national interest. The Company, therefore, remains hopeful that the force majeure imposed on SC 72 and SC 75 will be lifted by the Department of Energy soon for the Company to be able to resume exploration works in these SCs.

About PXP Energy Corporation

PXP is an upstream oil and gas company incorporated in the Philippines whose shares are listed on the Philippine Stock Exchange. The Company directly and indirectly owns oil and gas exploration and production assets located in the Philippines, and indirectly owns an exploration asset located in offshore Peru.

For further information, please contact:

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PXP ENERGY CORPORATION
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AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value per Share and Number of Equity Holders)

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	P342,374	P450,039
Trade and other receivables - net	40,741	41,585
Inventories - net	32,398	21,727
Other current assets	13,351	12,408
Total Current Assets	428,864	525,759
Noncurrent Assets		
Property and equipment - net	230,798	261,883
Deferred oil and gas exploration costs - net	5,310,477	5,168,368
Deferred income tax assets	35,003	31,651
Goodwill	1,238,583	1,238,583
Other noncurrent assets	3,629	2,368
Total Noncurrent Assets	6,818,490	6,702,853
TOTAL ASSETS	P7,247,354	P7,228,612
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	P33,957	P19,410
Advances from related parties	2,125,184	2,906,490
Income tax payable	433	30
Total Current Liabilities	2,159,574	2,925,930
Noncurrent Liabilities		
Deferred income tax liabilities	1,113,448	1,109,853
Other noncurrent liabilities	191,914	190,713
Total Noncurrent Liabilities	1,305,362	1,300,566
Total Liabilities	3,464,936	4,226,496
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - P1 par value		
Authorized - 6,800,000,000 common shares		
Issued and subscribed - 1,960,000,000 common shares in 2018;		
1,700,000,000 common shares in 2017	1,960,000	1,700,000
Additional paid-in capital	2,821,000	—
Subscription receivable	(2,310,750)	—
Equity reserves	122,062	122,062
Deficit	(1,371,720)	(1,294,692)
Cumulative translation adjustment on foreign subsidiaries	153,866	76,258
	1,374,458	603,628
Non-controlling interests	2,407,960	2,398,488
Total Equity	3,782,418	3,002,116
TOTAL LIABILITIES AND EQUITY	P7,247,354	P7,228,612

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CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Loss per Share)

	Years Ended December 31		
	2018	2017	2016
PETROLEUM REVENUES	₱107,924	₱104,445	₱101,579
COSTS AND EXPENSES			
Petroleum production costs	130,973	108,851	115,405
General and administrative expenses	90,417	49,376	55,415
	221,390	158,227	170,820
OTHER INCOME (CHARGES)			
Interest income	2,796	3,749	3,316
Foreign exchange gains - net	18,685	(146)	13,341
Interest expense	(76)	(130)	(120)
Reversal of (provision for) impairment and loss on write-off of assets - net	—	(4,578)	4,748
Others - net	—	—	(748)
	21,405	(1,105)	20,537
LOSS BEFORE INCOME TAX	(92,061)	(54,887)	(48,704)
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	1,103	106	73
Deferred	3,267	2,150	(12,390)
	4,370	2,256	(12,317)
NET LOSS	(₱96,431)	(₱57,143)	(₱36,387)
NET LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent Company	(₱77,028)	(₱39,125)	(₱22,362)
Non-controlling interests	(19,403)	(18,018)	(14,025)
	(₱96,431)	(₱57,143)	(₱36,387)
BASIC/ DILUTED LOSS PER SHARE	(₱0.045)	(₱0.023)	(₱0.013)