

## SUBSCRIPTION AGREEMENT

This Subscription Agreement (the "**Agreement**") is entered into on 26 October 2018 in the City of Makati, by and between:

**PXP ENERGY CORPORATION**, a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at 2/F, LaunchPad Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila (hereinafter referred to as "**PXP**" or the "**Issuer**");

- and -

**PHILEX MINING CORPORATION**, a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at 2/F, LaunchPad Reliance corner Sheridan Streets, Mandaluyong City (the "**PX**" or the "**Subscriber**").

(The Issuer and PX shall each be referred to as a "**Party**", and collectively as the "**Parties**".)

### WHEREAS:

- (A) The Issuer is raising a total of about Php7.11 Billion through: (i) a private placement with Dennison Holdings Corporation ("**Dennison**" or the "**Strategic Investor**") to partially fund its work programs under its various service contracts with the Republic of the Philippines and/or other foreign countries, and which are more particularly described in **Schedule 1** hereto (the "**Service Contracts**"); (ii) an additional subscription by PX proceeds of which to be utilized for the repayment of certain shareholder advances owing to PX (the "**Shareholder Advances**"); and (iii) a contemplated stock rights offering (the "**Stock Rights Offering**") to raise the balance of the funding for the work obligations under the Service Contracts;
- (B) The Issuer has an authorized capital stock of Php6,800,000,000.00 divided into 6,800,000,000 Common Shares with a par value of Php1.00 per share, out of which: (i) a total of 1,700,000,000 Common Shares comprise the total issued and outstanding capital stock of the Issuer, and are listed on the Philippine Stock Exchange ("**PSE**"), and (ii) a total of 5,100,000,000 Common Shares comprise the remaining unissued capital stock of the Issuer; and
- (C) PX is willing to subscribe to and acquire a total of 260,000,000 Common Shares to be issued out of the unissued authorized capital stock of the Issuer (the "**PX Subscribed Shares**") at the Subscription Price, and the Issuer is willing to issue the PX Subscribed Shares under the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the foregoing premises and of the covenants hereinafter set forth, the Parties hereby agree as follows:

### 1. DEFINITIONS AND INTERPRETATION

#### 1.1 Defined Terms

When used in this Agreement, unless the contrary intention or a different meaning is called for in the context of another provision in this Agreement, the following capitalized terms shall have the respective meanings ascribed to such terms below, unless the context otherwise requires otherwise or as they are expressly assigned a different meaning:



"*Agreement*" means this Subscription Agreement, as the same may be amended or supplemented by the Parties in writing.

"*Common Shares*" means, as the context requires, any or all of the common shares of the capital stock of the Issuer.

"*Designated Account*" shall mean the account designated by the Issuer to PX in writing where payment of the Subscription Price will be remitted by PX in accordance with the terms of this Agreement.

"*Downpayment*" shall have the meaning ascribed to it in Section 2.2(b)(i).

"*DST*" means documentary stamp tax.

"*Encumbrance*" means, with respect to any property or assets, any lien, claim, charge, mortgage, pledge, levy, or other encumbrance in respect of such property or asset.

"*Issuer*" or "*PXP*" means PXP Energy Corporation.

"*PSE*" means the Philippine Stock Exchange, Inc.

"*SEC*" means the Philippine Securities and Exchange Commission.

"*Signing Date*" means 26 October 2018, or the date of execution of this Agreement.

"*Stock Rights Offering*" shall have the meaning ascribed to it in Recital (A).

"*Subscription Payable*" means Php2,310,750,000.00 or the amount corresponding to 75.0% of the total Subscription Price.

"*Subscription Price*" means Php3,081,000,000.00 or the total amount of the subscription price for the PX Subscribed Shares as provided in Section 2.2(a).

## 1.2 Construction and Interpretation

- (a) References to Recitals, Articles, Sections, Clauses, and Schedules are, unless otherwise stated, to recitals, articles, sections, clauses, and schedules of and to this Agreement. Section headings are for convenience only and shall not affect the construction of this Agreement. The terms and conditions set out in the Recitals and Schedules are incorporated into and form part of this Agreement. References to this Agreement shall include the Recitals and Schedules. In construing this Agreement, the singular shall include the plural and vice versa. Reference to any statute or statutory provision shall include any statute or statutory provision which amends or replaces, or has amended or replaced it and shall include any subordinate legislation made under the relevant statute.
- (b) Any reference to a date or a time of day is reference to Philippine Standard time.
- (c) The following schedules attached to this Agreement shall form integral parts hereof:

Schedule 1: List of Service Contracts

## 2. **SUBSCRIPTION TO AND ISSUANCE OF PX SUBSCRIBED SHARES**

### 2.1 Subscription to PX Subscribed Shares

Subject to the terms and conditions of this Agreement, the Issuer hereby agrees to issue to PX,

  
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and PX hereby agrees to subscribe to, the PX Subscribed Shares consisting of a total of **260,000,000 Common Shares** to be issued out of the existing unissued portion of the authorized capital stock of the Issuer as of the Signing Date, representing 11.30% of the total issued and outstanding capital stock of the Issuer on a fully-diluted basis at the time of the issuance thereof, thereby increasing PX's ownership interest in PXP from 19.76% to 25.91% of the total issued and outstanding capital stock of the Issuer on a fully-diluted basis. The PX Subscribed Shares shall be issued at the Subscription Price provided in Section 2.2(a).

2.2 Subscription Price and Consideration

(a) Subscription Price

The subscription price for the PX Subscribed Shares shall be the aggregate amount of **Php3,081,000,000.00**, or a subscription price per share of **Php11.85** (the "**Subscription Price**"), representing a discount of 20.0% to the 90-day volume weighted average price ("**VWAP**") of the Issuer's shares for the period ending 22 October 2018.

(b) Terms and Manner of Payment

The Subscription Price shall be payable by PX to the Issuer as follows:

- (i) the amount of **Php770,250,000.00** equivalent to 25.0% of the total Subscription Price (the "**Downpayment**") shall be paid in cash and remitted by PX in clear and immediately available funds to the Designated Account within 60 calendar days from the Signing Date; and
- (ii) the remaining balance in the amount of **Php2,310,750,000.00** equivalent to 75.0% of the total Subscription Price (the "**Subscription Payable**"), shall be payable upon the earlier of: (a) the call of the Board of Directors of the Issuer for the payment of the Subscription Payable, or (b) the date of the full payment of the subscription obligations under the Stock Rights Offering. In each case, the Subscription Payable shall be paid in cash and remitted by PX in clear and immediately available funds to the Designated Account.
- (iii) Notwithstanding the foregoing, the Downpayment and the Subscription Payable may, at the option of PX, be settled in cash or such other manner as would allow the settlement or offsetting a portion of the Shareholder Advances equivalent to such partial payment, within 60 calendar days from the Signing Date.

3. **OTHER COVENANTS AND UNDERTAKINGS OF THE PARTIES**

3.1 Documentary Stamp Tax and Listing Fees

- (a) Within a reasonable period following the execution of this Agreement, and in any case within the period required under relevant tax regulations, the Issuer shall cause the payment of Documentary Stamp Tax ("**DST**") on the original issuance of the PX Subscribed Shares. The DST shall be for the account of the Issuer.
- (b) All fees and expenses on the listing of the PX Subscribed Shares, including the listing fee and processing fee payable to the PSE, shall be for the account of the Issuer.

3.2 Stock Certificates and Listing of the PX Subscribed Shares

- (a) As soon as practicable after the full payment of the Subscription Price for the PX Subscribed Shares, the Issuer shall, without need for any further notice or demand from the PX, cause the recording of the PX Subscribed Shares with the Issuer's stock transfer agent and secure and deliver the stock certificate(s) representing the PX Subscribed Shares in the name of PX.

  
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- (b) Subject to the performance by PX of its obligations and undertakings under this Agreement, and after the full payment of the Subscription Price and issuance of the stock certificates covering the PX Subscribed Shares, the Issuer shall, within five (5) trading days from the full payment of the Subscription Price, file with the PSE an application for the listing of the PX Subscribed Shares in accordance with the applicable rules of the PSE and the Securities and Exchange Commission ("SEC").
- (c) The issuance and listing of the PX Subscribed Shares shall be subject to all the necessary regulatory requirements of the SEC and the PSE. For this purpose, PX agrees to cooperate with the Issuer, and will execute and/or deliver any and all documents as may be necessary or appropriate for the issuance and listing of the PX Subscribed Shares.

#### 4. REPRESENTATIONS AND WARRANTIES

##### 4.1 Representations and Warranties of PX

PX hereby represents and warrants to the Issuer as follows:

- (a) PX is a corporation duly organized and existing under the laws of the Philippines with full power and authority to subscribe and purchase or otherwise acquire the PX Subscribed Shares under terms and conditions set out in this Agreement, and has all funds necessary to pay for the same and consummate the transactions contemplated by this Agreement.
- (b) PX has the requisite power and authority to enter into and perform its obligations under this Agreement. All necessary corporate and/or legal actions for the execution and performance of this Agreement, including the subscription to the PX Subscribed Shares, have been duly taken and remain valid and in full force and effect. This Agreement constitutes a legal, valid and binding obligation of PX, and is enforceable in accordance with its terms.
- (c) The execution, delivery and performance by PX of this Agreement do not and will not: (i) violate in any respect any provision of, or result in the breach of, or result in the termination of, or constitute a default under, its Articles of Incorporation and By-laws (or any amendments thereof), or any agreement, contract, instrument or undertaking to which PX is a party, or which is binding upon it or any of its properties or assets; or (ii) constitute a violation of any statute, rule or regulation, order or judgment or decree of any court, administrative body or authority applicable to the PX or any of its properties or assets.
- (d) There is no legal, administrative, or arbitral action, suit or proceeding pending against or affecting PX which relates to this Agreement, or enjoins the execution, delivery or performance of this Agreement, or will cause or result in the termination, suspension or revision hereof.
- (e) All the information disclosed and provided by PX to the Issuer in relation to the execution, delivery, and performance by PX of this Agreement is true and correct.

##### 4.2 Representations and Warranties of the Issuer

The Issuer hereby represents and warrants to PX as follows:

- (a) The Issuer is a corporation duly organized and validly existing under the laws of the Philippines with full power and authority to issue the PX Subscribed Shares under terms and conditions set out in this Agreement.
- (b) The Issuer has the requisite power and authority to enter into and perform its obligations under this Agreement. All necessary corporate and/or legal actions for the execution and performance of this Agreement, and the issuance by the Issuer of the PX Subscribed Shares have been duly taken and remain valid and in full force and effect. This Agreement constitutes

[Redacted Signature]



a legal, valid and binding obligation of the Issuer, and is enforceable in accordance with its terms.

- (c) The execution, delivery and performance by the Issuer of this Agreement does not and will not: (i) violate in any respect any provision of, or result in the breach of, or result in the termination of, or constitute a default under the constitutive documents of the Issuer (or any amendments thereof) or any agreement, contract, instrument or undertaking to which the Issuer is a party, or which is binding upon it or any of its properties or assets; or (ii) constitute a violation of any statute, rule or regulation, order or judgment or decree of any court, administrative body or authority applicable to the Issuer or any of its properties or assets.
- (d) The PX Subscribed Shares will be duly and validly issued from the existing unissued portion of the authorized capital stock of the Issuer as of the Signing Date. The PX Subscribed Shares, when issued and delivered in accordance with the terms of this Agreement. The PX Subscribed Shares will rank equally with the issued and outstanding Common Shares of the Issuer upon issuance and delivery thereof. Upon issuance and delivery of the PX Subscribed Shares, PX shall become the legal, beneficial and registered owner of the PX Subscribed Shares, which shares shall be free from all Encumbrances, except for the limitations, restrictions and qualifications provided in the Articles of Incorporation of the Issuer and the Subscription Payable due thereon.
- (e) There is no legal, administrative, or arbitral action, suit or proceeding pending against or affecting the Issuer which relates to this Agreement, or enjoins the execution, delivery or performance of this Agreement, or will cause or result in the termination, suspension or revision hereof.

#### 4.3 Survival of Representations and Warranties

- (a) Each of the representations and warranties of PX and the Issuer is deemed to be a separate representation and warranty, and each Party has placed complete reliance thereon in agreeing to the issuance and subscription to the PX Subscribed Shares, and in entering into this Agreement.
- (b) The representations and warranties of PX and the Issuer shall survive the execution of this Agreement, and while PX Subscribed Shares remain outstanding, provided, that any claim notified in writing to the other Party by the Party seeking to be indemnified shall survive until such claim is finally and fully resolved.
- (c) The representations and warranties of PX and the Issuer shall be true and correct as of the Signing Date.

#### 5. INDEMNIFICATION

Each party who commits a breach of any of its representations and warranties or fails or refuses to perform its obligations, covenants or undertakings, or otherwise fails to comply with any act or deed required of it, under or pursuant to this Agreement ("**Breaching Party**") will indemnify and hold harmless the other party ("**Offended Party**") for: (i) any and all damages, including cost and expenses, liabilities, losses incurred or suffered or otherwise for which the Offended Party is or may be held liable, payable, or accountable, arising, directly or indirectly, from or in connection with any such breach of representations and warranties, or failure or refusal to perform its obligations or covenants, or failure to comply with any requirements imposed on it, or (ii) any loss, damages, injury caused to any third party by virtue of any act or omission of the Breaching Party; or (iii) any act or omission of either party which causes loss or damages to the other party.

  
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6. MISCELLANEOUS PROVISIONS

6.1 Notices

All notices and other communications required or permitted to be given hereunder shall be given in writing (and for this purpose shall include fax transmission), and shall be addressed to the appropriate party at the address indicated below, or at such other address as such party may designate subsequently in writing.

Issuer:

**PXP ENERGY CORPORATION**

Address: 2/F, LaunchPad Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila  
Telephone No.: +632 631 1381  
Fax No.: +632 570 0686  
Attention: The President

Subscriber:

**PHILEX MINING CORPORATION**

Address: 2/F, LaunchPad Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila  
Telephone No.: +632 631 1381  
Fax No.: +632 634 441  
Attention: The Chief Finance Officer

6.2 Governing Law

This Agreement shall be construed and enforced in accordance with and shall be governed by the laws of the Republic of the Philippines.

6.3 Entire Agreement

This Agreement, the documents that may be executed by the Parties contemporaneously herewith or pursuant hereto or in connection herewith, constitute the entire understanding of the Parties with respect to the subject hereof, and shall supersede any prior expressions of intent or understanding with respect to the transactions contemplated hereunder.

6.4 Amendments

No amendment, modifications, waiver, change or addition hereto shall be effective and binding on any of the Parties unless the same is in writing and signed by the Parties.

6.5 Assignment

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns. PX may not assign this Agreement or any of its rights and obligations under this Agreement without the prior written consent of the Issuer.

6.6 Waiver

The failure of any Party at any time to require performance by the other Party of any provision of this Agreement shall not affect the right of such Party to require performance by the other Party of that provision, and any waiver by any Party of any breach of any provision of this





Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of such provision or a waiver of any right under this Agreement.

6.7 Severability

In case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement which shall continue in full force and effect. In such event, the Parties shall consult each other as to the manner in which their original intention can be fulfilled as closely as possible, and they will amend this Agreement accordingly.

6.8 Counterparts

This Agreement may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. Any Party may enter into this Agreement by signing any such counterpart. The execution date of this Agreement shall be the date when all counterparts of this Agreement have been signed by all the Parties hereto.

- SIGNATURE PAGE FOLLOWS -

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*Execution Copy*

IN WITNESS WHEREOF, the Parties have signed this Agreement on the date first above written.

**SUBSCRIBER:**

**PHILEX MINING CORPORATION**

**By:**



\_\_\_\_\_  
Name: EULALIO B. AUSTIN, JR.  
Designation: President and CEO

**ISSUER:**

**PXP ENERGY CORPORATION**

**By:**

\_\_\_\_\_  
Name: MANUEL V. PANGILINAN  
Designation: Chairman

SIGNED IN THE PRESENCE OF:

\_\_\_\_\_

\_\_\_\_\_



**ACKNOWLEDGMENT**

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY, METRO MANILA ) S.S.

BEFORE ME, this 26 OCT 2018 in the City of Makati personally appeared:

<u>Name</u>	<u>Identification No.</u>	<u>Date/Place of Issue</u>
Eulalio B. Austin, Jr.	[REDACTED]	[REDACTED]

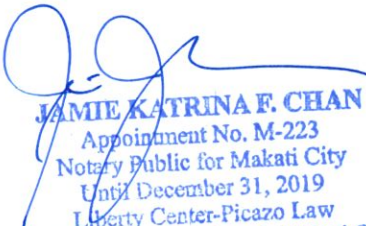
**PHILEX MINING CORPORATION**

Represented by:  
EULALIO B. AUSTIN, JR.

known to me and to me known to be the same persons who executed the foregoing Subscription Agreement, which consists of \_\_\_\_\_ pages including this page on which the acknowledgment appears, and who admitted to me that the same is their free and voluntary act and deed and those of the corporations that they represent.

WITNESS MY HAND AND SEAL on the date and at the place first written above.

Doc. No. 5;  
Page No. 2;  
Book No. 11;  
Series of 2018.

  
**JAMIE KATRINA F. CHAN**  
Appointment No. M-223  
Notary Public for Makati City  
Until December 31, 2019  
Liberty Center-Picazo Law  
104 H.V. dela Costa Street, Makati City  
Roll No. 70089  
PTR No. 6619503/Makati City/01-05-2018  
IBP No. 020684/PPLM/01-03-2018

IN WITNESS WHEREOF, the Parties have signed this Agreement on the date first above written.

**SUBSCRIBER:**

**PHILEX MINING CORPORATION**

**By:**

\_\_\_\_\_  
Name: EULALIO B. AUSTIN, JR.  
Designation: President and CEO

**ISSUER:**

**PXP ENERGY CORPORATION**

**By:**

\_\_\_\_\_  
Name: MANUEL V. PANGILINAN  
Designation: Chairman

SIGNED IN THE PRESENCE OF:

\_\_\_\_\_

\_\_\_\_\_



**ACKNOWLEDGMENT**

REPUBLIC OF THE PHILIPPINES) **26 OCT 2018**  
MAKATI CITY, METRO MANILA ) S.S.


BEFORE ME, this \_\_\_\_\_ in the City of Makati personally appeared:

<u>Name</u>	<u>Identification No.</u>	<u>Date/Place of Issue</u>
<b>PXP ENERGY CORPORATION</b> Represented by: <b>MANUEL V. PANGILINAN</b>	[REDACTED]	[REDACTED]

known to me and to me known to be the same persons who executed the foregoing Subscription Agreement, which consists of \_\_\_\_\_ pages including this page on which the acknowledgment appears, and who admitted to me that the same is their free and voluntary act and deed and those of the corporations that they represent.

WITNESS MY HAND AND SEAL on the date and at the place first written above.

Doc. No. 9;  
Page No. 1;  
Book No. VI;  
Series of 2018.

  
**JAMIE KATRINA F. CHAN**  
Appointment No. M-223  
Notary Public for Makati City  
Until December 31, 2019  
Liberty Center-Picazo Law  
104 H.V. dela Costa Street, Makati City  
Roll No. 70089  
PTR No. 6619503/Makati City/01-05-2018  
IBP No. 020684/PPLM/01-03-2018

**SCHEDULE 1**  
Service Contracts of PXP Energy Corporation

<b>Service Contract ("SC")</b>	<b>Ownership</b>
PXP Energy Corporation Parent company	
SC 75 (NW Palawan)	50.00%
SC 74 (Linapacan)	70.00%
SC 6A (Opton)	5.56%
Forum Energy Limited and subsidiaries	
SC 72 (Recto Bank)	70.00%
SC 40 (North Cebu)	100.00%
SC 14A (Nido)	8.468%
SC 14B (Matinloc)	12.406%
SC 14B-1 (North Matinloc)	19.463%
SC 14C-1 (Galoc)	2.27575%
SC 14C-2 (West Linapacan)	9.103%
SC 14D (Retention Block)	8.168%
SC 14 (Tara)	10.00%
SC 6A (Opton)	5.56%
SC 6B (Bonita)	8.182%
Pitkin Petroleum Limited and subsidiaries	
Block Z-38 (Offshore Peru)	25.00%

