COVER SHEET

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SEC Registration Number

P H I L E X   P E T R O L E U M   C O R P O R A T I O N

(Company's Full Name)

2 7   B R I X T O N   S T R E E T

P A S I G   C I T Y

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

Mark H. Rilles

(Contact Person)

631-1381 to 88

(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

S T A M P S

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 **June 30, 2015**

2. Commission identification number: **CS200719819** 3. BIR Tax Identification No.: **006-940-588-000**

4. Exact name of issuer as specified in its charter: **PHILEX PETROLEUM 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: **27 Brixton Street, Pasig City** Postal Code: **1600**

8. Issuer's telephone number, including area code: **(632) 631-1381**

9. Former name, former address and former fiscal year, if changed since last report: **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	**1,700,000,000**
Debt	**₱3,157,745,133**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [/] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange **Common shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [/] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [/] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Consolidated Financial Statements as of and for the six-month period ended June 30, 2015 are hereto attached.

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

Consolidated operating revenues dropped to ₱83.5 million for the period (2014: ₱198.2 million) consisting solely of revenues from petroleum (2014: petroleum of ₱195.0 million and coal of ₱3.2 million).

The lower petroleum revenue was mainly due to less oil liftings of four (4) [2014: six (6) liftings] and lower average crude oil prices of $58 per barrel (2014: $110 per barrel) during the current period. The revenue was contributed by Forum Energy Plc ("FEP"), a 67.19% directly and indirectly owned subsidiary, from its participating interests in the oil fields of Galoc, Nido, Matinloc and North Matinloc, and from its gas field in Libertad.

Production data from oil and gas and shipment of coal for the six-month period ended June 30, 2015 and 2014 were as follows:

	6 months	
	2015	2014
Revenues (In millions ₱)		
Oil and gas	**P83.5**	P195.0
Coal	–	3.2
Production		
Oil (barrels)	**35,577**	46,834
Gas (mmBTU)	**7,035**	27,974
Shipment		
Coal (metric tons)	–	3,655

Costs and expenses totaled ₱179.3 million (2014: ₱250.1 million) for the period. Production costs amounted to ₱54.1 million for petroleum (2014: ₱87.6 million) and nil for coal (2014: ₱3.2 million), which was due to lower oil output. General and administrative expenses decreased to ₱125.1 million (2014: ₱158.8 million), resulting from management's continuing cost reduction efforts.

Under other income (charges), lower net interest income of ₱1.8 million (2014: ₱3.5 million) was recorded due to lower cash balance during the period. A foreign exchange gain of ₱1.7 million (2014: loss of ₱3.5 million) was realized due to a stronger peso-dollar exchange rate. In addition, a gain on recovery on the impairment of assets, following the sale of Brixton assets, amounted to ₱7.0 million (2014: ₱18.4 million).

A higher consolidated net loss of ₱86.0 million (2014: ₱40.7 million) was incurred primarily due to depressed crude oil prices coupled with lower production from SC 14C1 Galoc. As such, net loss attributable to equity holders of the Parent amounted to ₱48.7 million (2014: ₱11.9 million), with basic/diluted loss per share amounting to ₱0.0286 (2014: ₱0.0070). Core net loss for the period amounted to ₱57.5 million (2014: ₱28.2 million).

During the second quarter of this year, consolidated operating revenues fell to ₱45.8 million (2014: ₱ 96.5 million) coming exclusively from petroleum (2014: petroleum of ₱96.0 million and coal of ₱0.5 million). The lower petroleum revenue was attributed to fewer oil liftings of two (2) [2014: three (3) liftings], and the drop in average crude oil prices to $64 per barrel (2014: $110 per barrel) in the three-month period.

Production data from oil and gas and shipment of coal for the second quarter ended June 30, 2015 and 2014 were as follows:

	Second quarter (3 months)	
	2015	2014
Revenues (In millions ₱)		
Oil and gas	**P45.8**	P96.0
Coal	**–**	0.5
Production		
Oil (barrels)	**17,891**	23,882
Gas (mmBTU)	**7,035**	9,240
Shipment		
Coal (metric tons)	**–**	500

Costs and expenses in the second quarter alone totaled ₱97.9 million (2014: ₱152.8 million). Production costs for petroleum were lower at ₱30.0 million (2014: ₱55.3 million for petroleum and ₱ 0.5 million for coal) resulting basically from the drop in oil output. General and administrative expenses declined to ₱67.9 million (2014: ₱96.9 million), attributed to management's continued cost containment initiatives.

In terms of other income (charges), a foreign exchange gain of ₱1.9 million was recorded (2014: loss of ₱5.0 million) due to the weaker local currency vis-à-vis the US dollar. In addition, a gain on recovery on the impairment of assets, following the sale of Brixton assets, amounted to ₱7.0 million (2014: ₱2.2 million).

A consolidated net loss of ₱41.8 million (2014: ₱66.4 million loss) was incurred primarily as result of lower crude oil prices and lower production from SC 14C1 Galoc.

As at June 30, 2015, the Company's total assets was reduced to ₱7.406 billion as against ₱8.497 billion as at December 31, 2014. Total current assets decreased to ₱927.3 million from ₱2.061 billion, primarily due to a reduction in cash and cash equivalents by ₱1.131 billion. This was attributed to: (1) Pitkin's share buyback transaction worth $30 million and (2) partial repayment of advances with Philex Mining Corporation ("PMC") of $5 million.

Noncurrent assets slightly rose to ₱6.479 billion from ₱6.436 billion, largely arising from the increase in deferred exploration costs to ₱4.871 billion from ₱4.831 billion. Such increase was related to exploration activities in SC 75, SC 53 and SC 74.

Current liabilities as at the end of the period were slightly lower at ₱3.171 billion from ₱3.487 billion as at December 31, 2014. This was primarily a result of the reduction in advances from related parties to ₱3.158 billion from ₱3.422 billion, as PXP partially paid its outstanding debt to PMC, and in addition, a decrease in accounts payable and accrued expenses, from ₱64.1 million to ₱13.4 million, was recorded due to payments made by the Group to its trade creditors.

As at end of the period in review, total noncurrent liabilities decreased to ₱1.314 billion from ₱1.338 billion due to a decrease in other liabilities following the payment of benefits to retired employees. Total liabilities were reduced by ₱339.8 million from the end of the prior year following the reduction in current liabilities by ₱315.5 million and in non-current liabilities by ₱24.3 million.

As of June 30, 2015, total equity fell by ₱751.1 million to ₱2.922 billion from ₱3.673 billion as of December 31, 2014. This was a result of the decrease in non-controlling interest by ₱765.6 million following Pitkin's share buyback transaction, combined with increases in: (1) Deficit, following the net loss incurred during the period and (2) the cumulative translation adjustment on foreign currency subsidiaries related to changes in foreign currency translation; offset by an increase in equity reserves, corresponding to Pitkin's share buyback transaction and PXP's acquisition of Forum minority shareholders during a tender offer made in June of the current year.

Net Cash Used in Operating Activities for the period amounted to ₱153.7 million (2014: net inflow of ₱47.5 million) resulting from the lower petroleum revenues compared with last year and payment of retirement benefits, as well as that of trade creditors and suppliers. Net Cash from Investing Activities resulted in a net outflow of ₱714.8 million (2014: net outflow of ₱172.2 million), following Pitkin's $30 million share buyback transaction, offset with the lower net cash outflow associated with the slowdown in exploration expenses during the current period in assets nearing the end of its Sub-Phase 1 exploration stage (PXP's SC75 and SC74). Net Cash used in Financing Activities amounted to ₱264.1 million (2014: ₱62.0 million) mainly arising from the $5 million partial payment of PMC's Advances to the Company. During the same period last year, cash was used primarily to pay the current portion of FEP's long term loan and was offset by inflows from cash advances made by PMC to PXP.

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 ongoing exploration and appraisal activities in 2015 include: (a) partner discussions on the resolution of force majeure conditions in Peru Block Z-38 (Pitkin 25%); (b) evaluation of the remaining exploration prospects in SC14C1 Galoc (Forum 2.27%); and (c) completion of the seismic exploration program in SC 75 (PXP 50%).

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.

Key changes to the asset portfolio during the first half of 2015 include the DOE approval of the assignment of Coal Operating Contract 130 ("COC 130") in Zamboanga Sibugay to Grace Coal Mining and Development; the increase in Forum and PXP's interest in SC6A Octon following the exit of Pitkin; and the increase in Forum's interest in SC14 C2 following the exit of Pitkin and RMA.

3) Control of Costs and Expenses

The minimization of costs and expenses by the Company and its subsidiaries would consequently result in improved net income and better financial stability for the Company.

General and administrative expenses in 2015 decreased by ₱33.6 million or 21%, primarily as a result of management's cost reduction initiatives. To further reduce General and Administrative Expenses, management continuously monitors opportunities to rationalize and share the resources within the Company and its subsidiaries.

4) Financial Management

Prudent and well-implemented financial management will prolong the Company's ability to finance its activities and thus its corporate life.

PMC provided cash advances for working capital of the Company, its exploration activities and for acquisition of assets. These advances are covered by a Pledge agreement, approved by the shareholders in August 11, 2015, whereby such advances shall be payable within 9 months from the date of demand. It is not known as to when PMC will be making a repayment demand. Thus, it is important for the Company to develop sources of cash for its funding needs, to the extent possible.

5) Health, Safety and Environment

A commitment to undertake activities without endangering the environment and the health and safety of people is key to maintaining the Company's license to operate.

No lost-time injuries, fatalities, or environment incidents were recorded by the Company and its subsidiaries during the year.

KNOWN TRENDS, EVENTS OR UNCERTAINTIES

On August 11, 2015, during a Special Shareholders' Meeting, the Pledge of PXP's shareholdings in subsidiaries to PMC, as earlier disclosed, has been approved by PXP's shareholders, representing at least 2/3 of its outstanding shares.

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.

CARLO S. PABLO
President

MARK H. RILLES
Finance Controller

Date: August 14, 2015

PHILEX PETROLEUM CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED
CONDENSED INTERIM
FINANCIAL STATEMENTS
June 30, 2015

PHILEX PETROLEUM CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

ASSETS		JUNE 30, 2015 (UNAUDITED)		DECEMBER 31, 2014 (AUDITED)
Current Assets				
Cash and cash equivalents	P	777,500	P	1,908,365
Accounts receivable - net		105,061		91,787
Inventories - net		11,229		18,550
Other current assets -net		33,486		42,634
Total Current Assets		927,276		2,061,336
Noncurrent Assets				
Property, Plant and Equipment - net		319,159		316,430
Goodwill		1,238,583		1,238,583
Deferred oil and gas exploration costs - net		4,871,146		4,831,363
Deferred income tax assets		22,382		22,302
Other noncurrent assets		27,768		27,157
Total Noncurrent Assets		6,479,038		6,435,835
TOTAL ASSETS	P	7,406,314	P	8,497,171
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	P	13,353	P	64,077
Advances from related parties		3,157,745		3,421,836
Income tax payable		-		653
Total Current Liabilities		3,171,098		3,486,566
Noncurrent Liabilities				
Deferred income tax liabilities - net		1,111,954		1,111,937
Other liabilities		201,664		225,977
Total Noncurrent Liabilities		1,313,618		1,337,914
Total Liabilities		4,484,716		4,824,480
Equity				
Capital Stock - P1 par value		1,700,000		1,700,000
Equity reserves		124,222		48,970
Deficit		(1,198,649)		(1,145,665)
Cumulative translation adjustment on foreign subsidiaries		(64,791)		(57,018)
		560,782		546,287
Non-controlling Interests		2,360,816		3,126,404
Total equity		2,921,598		3,672,691
TOTAL LIABILITIES AND EQUITY	P	7,406,314	P	8,497,171

PHILEX PETROLEUM CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, except Earnings or Loss Per Share)

	Six-Month Period Ended June 30	
	2015	2014
REVENUE		
Petroleum	**P 83,452**	P 195,045
Coal	**-**	3,197
	83,452	198,242
COSTS AND EXPENSES		
Petroleum production costs	**54,124**	87,558
Cost of coal sales	**-**	3,197
General and administrative expenses	**125,141**	158,774
Mine product royalties	**-**	606
	179,265	250,135
OTHER INCOME (CHARGES)		
Interest income - net	**1,804**	3,524
Foreign exchange gains (losses) - net	**1,679**	(3,458)
Others - net	**6,302**	18,427
	9,785	18,493
LOSS BEFORE TAX	**(86,028)**	(33,400)
PROVISION FOR INCOME TAX (BENEFIT FROM)		
Current	**1**	284
Deferred	**(36)**	7,030
	(35)	7,314
NET LOSS	**(P 85,993)**	(P 40,714)
Net Loss Attributable to:		
Equity holders of the Parent Company	**(P 48,702)**	(P 11,880)
Non-controlling interests	**(37,291)**	(28,834)
	(P 85,993)	(P 40,714)
BASIC/DILUTED LOSS PER SHARE	**(P 0.0286)**	(P 0.0070)

PHILEX PETROLEUM CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, except Earnings Per Share)

	2nd Quarter Ended June 30, 2015	2014
REVENUE		
Petroleum	**P 45,836**	P 96,031
Coal	**-**	488
	45,836	96,519
COSTS AND EXPENSES		
Petroleum producion costs	**30,007**	55,294
General and administrative expenses	**67,871**	96,930
Cost of coal sales	**-**	488
Mine product royalties	**-**	80
	97,878	152,792
OTHER INCOME (CHARGES)		
Foreign exchange gains (losses)	**1,907**	(5,004)
Others	**6,847**	2,182
	8,754	(2,822)
LOSS BEFORE INCOME TAX	**(43,288)**	(59,095)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**1**	284
Deferred	**(1,532)**	7,030
	(1,531)	7,314
NET LOSS	**P (41,757)**	(P 66,409)

PHILEX PETROLEUM CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Six-Month Period Ended June 30	
	2015	2014
NET LOSS	**(P 85,993)**	(P 40,714)
OTHER COMPREHENSIVE INCOME		
Items to be reclassified to profit or loss in subsequent periods:		
Gain (Loss) on translation of foreign subsidiaries	**(13,174)**	(83,509)
Item not to be reclassified to profit or loss in subsequent periods		
Re-measurement losses on defined benefit plans	**(4,282)**	4,635
	(17,456)	(78,874)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(P 103,449)**	(P 119,588)
Total Comprehensive Income (Loss) Attributable to:		
Equity holders of the Parent Company	**(60,757)**	(46,543)
Non-controlling interests	**(42,692)**	(73,045)
	(P 103,449)	(P 119,588)

PHILEX PETROLEUM CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amount in Thousands)

		Six-Month Period Ended June 30		
		2015		2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	**P**	**(86,028)**	P	(33,400)
Adjustments for:				
Unrealized foreign exchange gains - net		**(1,679)**		3,458
Gain on reversal of impairment loss		**(7,000)**		(18,122)
Interest expense		**-**		3,270
Depreciation and depletion		**8,982**		36,962
Interest income		**(2,988)**		(6,794)
Operating income (loss) before working capital changes		**(88,713)**		(14,626)
Decrease (Increase) in:				
Accounts receivable		**(16,585)**		19,468
Inventories		**7,072**		14,857
Other current assets		**15,109**		(1,874)
Increase (Decrease) in:				
Accounts payable and accrued liabilities		**(45,928)**		21,688
Provision for losses and other liabilities		**(28,594)**		12,283
Net cash used in operations		**(157,639)**		51,796
Interest paid		**-**		(7,379)
Interest received		**4,610**		6,972
Income tax paid		**(653)**		(3,930)
Net cash provided by (used in) operating activities		**(153,682)**		47,459
CASH FLOWS FROM INVESTING ACTIVITIES				
Equity transaction with owners		**(647,550)**		-
Additions to:				
Deferred oil and gas exploration costs, and other noncurrent assets		**(59,923)**		(174,772)
Property, plant and equipment		**(7,300)**		(15,531)
Proceeds from sale of assets		**-**		18,122
Net cash used in investing activities		**(714,773)**		(172,181)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments to related parties		**(264,090)**		-
Advances from related parties		**-**		48,040
Payments to current portion of long term loans		**-**		(110,033)
Net cash used in financing activities		**(264,090)**		(61,993)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,679**		(3,458)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,130,866)**		(190,173)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**1,908,366**		2,621,474
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P**	**777,500**	P	2,431,301

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	Equity Reserves	Retained Earnings (Deficit)	Cumulative Translation Adjustment on Foreign Subsidiaries	Subtotal	Non-controlling Interests	Total
Balances at December 31, 2013	**P 1,700,000**	**P (123)**	**P (919,383)**	**P (61,000)**	**P 719,494**	**P 3,785,894**	**P 4,505,388**
Net Income for the period			(11,880)		(11,880)	(28,834)	(40,714)
Other comprehensive income (loss):							
Loss on transalation of foreign subsidiaries	-	-	-	(39,298)	(39,298)	(44,211)	(83,509)
Items not to be reclassified to profit or loss in subsequent periods:							
Re-measurements of net defined benefit losses	-	-	4,635	-	4,635	-	4,635
Total comprehensive income (loss) for the period	-	-	(7,245)	(39,298)	(46,543)	(73,045)	(119,588)
Balance at June 30, 2014	**P 1,700,000**	**P (123)**	**P (926,628)**	**P (100,298)**	**P 672,951**	**P 3,712,849**	**P 4,385,800**

	Equity Attributable to Equity Holders of the Parent Company						
	Capital Stock	Equity Reserves	Retained Earnings (Deficit)	Cumulative Translation Adjustment on Foreign Subsidiaries	Subtotal	Non-controlling Interests	Total
Balances at December 31, 2014	**P 1,700,000**	**P 48,970**	**P (1,145,665)**	**P (57,018)**	**P 546,287**	**3,126,404**	**3,672,691**
Net income (loss) for the period			(48,702)		(48,702)	(37,291)	(85,993)
Other comprehensive income (loss):							
Loss on transalation of foreign subsidiaries	-	-	-	(7,773)	(7,773)	(5,401)	(13,174)
Items not to be reclassified to profit or loss in subsequent periods:							
Re-measurements of net defined benefit losses	-	-	(4,282)	-	(4,282)	-	(4,282)
Total comprehensive income (loss) for the period	-	-	(52,984)	(7,773)	(60,757)	(42,692)	(103,449)
Effects of transactions with owners	-	75,252	-	-	75,252	(722,896)	(647,644)
Balance at June 30, 2015	**P 1,700,000**	**P 124,222**	**P (1,198,649)**	**P (64,791)**	**P 560,782**	**2,360,816**	**2,921,598**

PHILEX PETROLEUM CORPORATION AND SUBSIDIARIES

#27 Brixton St., Pasig City

SCHEDULE OF BANK LOANS PAYABLE

June 30, 2015

(In thousand Pesos)

Total	nil

SCHEDULE OF SHORT-TERM LOAN

June 30, 2015

(In thousand Pesos)

Total	nil

PHILEX PETROLEUM CORPORATION AND SUBSIDIARIES
#27 Brixton St., Pasig City

AGING OF ACCOUNTS RECEIVABLE
June 30, 2015
(In Thousand Pesos)

	0-30 days	31-60 days	61-90 days	over 90 days	Total
The Galoc Production Company	P 36,706	-	-	-	P 36,706
The Philodrill Corporation	17,425	-	762	2,745	20,932
Resources Management Associates	-	3,213	13,629	20,914	37,756
Forum Pacific, Inc.	-	-	-	3,739	3,739
Desco	473				473
Others	(1,047)	1,356	1,549	3,597	5,455
	P 53,556	P 4,570	P 15,940	P 30,995	P 105,061

PHILEX PETROLEUM CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

	JUNE 30, 2015 (UNAUDITED)	DECEMBER 31, 2014 (AUDITED)
Current Ratio	0.29	0.59
Debt-to-equity Ratio	1.54	1.31
Asset-to-equity Ratio	2.54	2.31
Interest Rate Coverage ratio	n/a	(86.70)
Net Income Ratio	(1.03)	(1.45)

1. **Summary of Significant Accounting Policies and Financial Reporting Practices**

Basis of Preparation
The unaudited interim condensed consolidated financial statements of Philex Petroleum Corporation and Subsidiaries (the Group) as at June 30, 2015 and December 31, 2014 and for the six-month period ended June 30, 2015 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, 2014.

The unaudited interim condensed 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 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.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations [based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations] which became effective in 2015. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  a. A performance condition must contain a service condition
  b. A performance target must be met while the counterparty is rendering service
  c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  d. A performance condition may be a market or non-market condition
  e. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted).

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements

will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group shall consider these amendments for future acquisitions of interests in joint operations.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the consolidated statement of financial position and present movements in these account balances as separate line items in the consolidated statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its consolidated financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments - Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk

on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA. The Group shall consider the effects of this amendment in its future hedging transactions.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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, deposit, AFS financial assets, short-term bank loans, accounts payable and accrued liabilities, long-term loan and advances from related parties. The main purpose of these financial instruments is to provide financing for the Group's operations.

Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

Financial Risks

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The market risk exposure of the Group can be further be classified to foreign currency risk and equity price risk. The BOD reviews and approves policies for managing these risks.

Credit risk

Credit risk is such risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. The Group manages credit risk by doing business mostly with affiliates and recognized creditworthy third parties.

With respect to credit risk arising from the financial assets of the Group, which comprise of cash in banks and cash equivalents, receivables, deposit and AFS financial assets, the Group's exposure to credit risk could arise from the default of the counterparty, having a maximum exposure equal to the carrying amount of the instrument.

The table below summarizes the Group's maximum exposure to credit risk for the Group's financial assets as of June 30, 2015:

Cash in banks and cash equivalents	
Cash in banks	₱641,994
Short-term deposits	135,408
Accounts receivable	
Trade	96,483
Accrued interest	1,167
Others	7,411
	₱882,463

The following tables show the credit quality of the Group's financial assets by class as of June 30, 2015 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	₱641,994	₱–	₱–	₱641,994
Short-term investments	135,408	–	–	135,408
Accounts receivable:				
Trade	–	96,483	–	96,483
Accrued interest	–	1,167	–	1,167
Others	–	7,411	866	8,277
Total	₱777,402	105,061	₱866	₱883,329

Credit quality of cash and cash equivalents, and AFS financial assets is based on the nature of the counterparty and the Group's evaluation process.

High-grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience. Standard-grade credit quality financial assets include quoted and unquoted equity investments that can be readily sold to a third party.

Aside from above, the Group has no past due but not impaired financial assets as of June 30, 2015.

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 PMC, the ultimate parent.

The following tables summarize the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contractual undiscounted repayment obligations (including interest) as of June 30, 2015:

	On Demand	Less than 3 Months	3 to12 Months	Over 12 Months	Total
Cash on hand	₱98	₱–	₱–	₱–	₱98
Loans and receivables:					
Cash in banks	641,994	–	–	–	641,994
Short-term investments	–	135,408	–	–	135,408
Accounts receivable	53,556	20,510	6,342	24,653	105,061
Total undiscounted financial assets	₱695,648	₱155,918	₱6,342	₱24,653	₱882,561

	On Demand	Less than 3 Months	3 to12 Months	Over 12 Months	Total
Accounts payable and accrued liabilities:					
Trade	₱1,645	₱–	₱–	₱–	₱1,645
Accrued expenses	3,686	–	–	–	3,686
Other nontrade liabilities	8,022	–	–	–	8,022
Advances from related parties	3,157,745	–	–	–	3,157,745
Total undiscounted financial liabilities	₱3,171,098	₱–	₱–	₱–	₱3,171,098

<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 gains amounting to ₱7,743 arising from the translation of these foreign currency-denominated financial instruments were recognized by the Parent Company for the quarter ended June 30, 2015. As at June 30, 2015, the exchange rate is ₱ 45.09 to US$1.

The Parent Company's foreign currency-denominated monetary assets and monetary liabilities as of June 30, 2015 follow:

	US$	Peso Equivalent
Assets		
Cash and cash equivalents	$10,668	₱ 481,001

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%	₱28,860
Depreciate by (6%)	(28,860)

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, over 91% of crude oil production from SC 14 during the first half of 2015 was from the Galoc oil field and the balance from the Nido, Matinloc and North Matinloc fields. Crude oil liftings from the Galoc field were sold to customers in Japan and South Korea, while all crude oil liftings from the Nido Matinloc and North Matinloc fields were sold to a customer in the Philippines. For the Group's gas production in SC 40 - Libertad, a GE Jenbacher Turbine rated at 1MW has been installed and the power generated from the 1MW facility is sold by Desco to the local grid through Cebu II Electric Cooperative under a power supply agreement.

Revenues from oil and gas activities amounted to: (a) Galoc oil field amounting to US$1,703 and US$4,020 (b) Nido at US$58 and US$142; (c) Matinloc at US$69 and US$196; (d) North Matinloc at US$32 and US$42 and; (d) Libertad at nil and US$42, respectively.

The following tables present revenue and profit, including the computation of EBITDA as derived from the consolidated net income, and certain asset and liability information regarding the Group's operating segments.

As of June 30, 2015:

	Oil and Gas	Coal	Eliminations	Total
Consolidated Revenue				
External customers	**₱ 83,452**	**₱–**	**₱–**	**₱83,452**
Results				
EBITDA	**(₱80,114)**	**₱7,000**	**(₱5,735)**	**(₱78,849)**
Depreciation and depletion	**(8,983)**			**(8,983)**
Benefit from income tax	**35**			**35**
Interest expense - net	**1,804**			**1,804**
Consolidated net income (loss)	**(₱87,258)**	**₱7,000**	**(₱5,735)**	**(₱85,993)**
Core net loss				**(₱57,493)**
Consolidated total assets	**₱6,715,235**	**₱6,781**	**₱684,298**	**₱7,406,314**
Consolidated total liabilities	**₱3,516,174**	**₱739,559**	**₱228,983**	**₱4,484,716**

As of June 30, 2014:

	Oil and Gas	Coal	Eliminations	Total
Consolidated Revenue				
External customers	₱195,045	₱3,197	₱–	₱198,242
Results				
EBITDA	(₱26,699)	₱15,138	₱11,599	₱34,165
Depreciation and depletion	(36,962)	–	–	(36,962)
Benefit from income tax	(7,313)	–	–	(7,313)
Interest expense - net	3,518	5	–	3,523
Consolidated net income (loss)	(₱67,456)	₱15,143	₱11,599	(₱40,714)
Core net loss				(₱28,224)
Consolidated total assets	₱9,249,475	₱20,068	(₱21,092)	₱9,248,451
Consolidated total liabilities	₱3,819,923	₱759,360	₱283,368	₱4,862,651

The table below shows the Group's reconciliation of core net income (loss) to the consolidated net income (loss) for the six-month period ended June 30, 2015 and 2014.

	2015	2014
Core net income (loss)	**(₱57,493)**	(₱28,224)
Non-recurring items:		
Recovery for impairment of assets	**7,000**	18,122
Net foreign exchange gain (loss)	**1,756**	(1,778)
Net tax effect of aforementioned adjustments	**35**	–
Net (income) loss attributable to equity holders of the Parent Company	**(48,702)**	(11,880)
Net (income) loss attributable to non-controlling interests	**(37,291)**	(28,834)
Consolidated net income (loss)	**(₱85,993)**	(₱40,714)

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
Ultimate parent - PMC				
Advances: increase (decrease)				
PPC	(₱264,090)	₱ 3,157,745	On demand; non-interest bearing	Unsecured, no impairment
BEMC	–	737,815	On demand; non-interest bearing	Unsecured, no impairment

a. On November 24, 2010, 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 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 sub-phase work program over SC 72. Obligations arising from funds drawn under this facility agreement are not convertible into FEP's or FPHL's ordinary shares.

   In June 2012, an amendment to the original loan agreement has been made to extend the loan facility to US$15,000.

   On November 21, 2013, PMC assigned its rights and obligations under the facility agreement to the Parent Company. On the same date, the loan facility was increased to US$18,000 and has been extended for an additional three (3) years. Total draw down on the loan as at June 30, 2015 amounted to US$15,500.

b. PMC made cash advances to be used as additional working capital of the Parent Company and acquisition of investments. In 2013, PMC and the Parent Company have agreed that the settlement of the outstanding US dollar-denominated advances amounting to US$45,375 or ₱ 1,858,594 will be settled in Peso. As at June 30, 2015, advances from PMC consisted of Peso-denominated advances amounting to ₱2,419,131.

c. BEMC has significant transactions with related parties involving advances to provide funding on BEMC's exploration and development activities. As at June 30, 2015, the non-interest-bearing advances from PMC amounted to ₱737,815. The advances are payable on demand.

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

Basic/diluted loss per share for the period ended June 30, 2015 and 2014 is computed as follows:

	2015	2014
Net loss attributable to equity holders of the Parent Company	**(₱48,702)**	(₱11,880)
Divided by weighted average number of common shares issued during the quarter	**1,700,000**	1,700,000
Basic/diluted income per share	**(₱0.0286)**	(₱0.0070)

As of June 30, 2015, 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.