

COVER SHEET

C S 2 0 0 7 1 9 8 1 9

S.E.C. Registration Number

P X P E N E R G Y C O R P O R A T I O N

(Company's Full Name)

P H I L E X B U I L D I N G , B R I X T O N A N D F A I R L A N E S T S . P A S I G C I T Y

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

Atty. Barbara Anne C. Migallos Contact Person

899-2123/8969357 to 59 Telephone Number of the Contact Person

1 2 3 1 Month Day Fiscal Year

SEC 20-IS Definitive Information Statement (Annual Stockholders' Meeting) FORM TYPE

Third Tuesday of May Month Day Annual Meeting

N/A

Secondary license Type, If Applicable

M S R D

Dept. Requiring this Doc.

N/A Amended Articles Number/Section

Total Amount of Borrowings Total No. of Stockholders Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

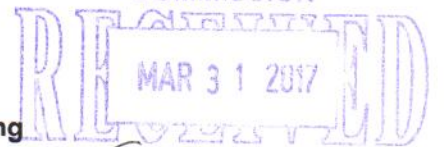
LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes



**PXP ENERGY CORPORATION**  
**(formerly Philex Petroleum Corporation)**  
**Notice of Annual General Stockholders' Meeting**

TO OUR STOCKHOLDERS:


Please be informed that the **Annual General Stockholders' Meeting** of **PXP ENERGY CORPORATION (formerly Philex Petroleum Corporation)** (the "Company") will be held on **Tuesday, May 16, 2017**, at **2:30 P.M.** at **Ballroom B, Crowne Plaza Manila Galleria, Ortigas Ave. corner Asian Development Bank Ave., Ortigas Center, Quezon City 1100** (the "Annual General Stockholders' Meeting" or "Meeting"). The order of business thereat will be as follows:

1. Call to Order;
2. Proof of required notice of the meeting;
3. Certification of quorum;
4. Reading and approval of the Minutes of the May 17, 2016 annual stockholders' meeting and action thereon;
5. Presentation of annual report and audited financial statements for the year ended December 31, 2016 and action thereon;
6. Amendment of Article Third of the Company's Articles of Incorporation to change the Company's principal address;
7. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2016;
8. Appointment of independent auditors;
9. Election of directors, including independent directors;
10. Other matters;
11. Adjournment.

A brief statement of the rationale and explanation for each Agenda item which requires shareholders' approval is contained in Annex "A" of this Notice. The Definitive Information Statement accompanying this Notice contains more detail regarding the rationale and explanation for each of such Agenda items.

Stockholders of record at the close of business on March 14, 2017 are entitled to notice of, and to vote at, this year's Meeting. Registration will commence at **1:00 p.m.** on May 16, 2017 at the venue of the Meeting. To facilitate registration, please bring some form of identification such as driver's license or company I.D.

Any stockholder who cannot attend the Meeting in person and desires to be represented thereat is requested to accomplish and sign the enclosed proxy form and submit the same to the Office of the Corporate Secretary at the Company's offices located at 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila, on or before **May 5, 2017**, the deadline for submission of proxies. Proxy validation will be on **May 9, 2017** at **10:30 a.m.** at the Company's offices indicated above.

  
**BARBARA ANNE C. MIGALLOS**  
Corporate Secretary

**Rationale and Explanation for each Agenda item requiring shareholders' approval is attached to this Notice.**

**The Information Statement with proxy, Management Report, and 2016 Audited Financial Statements accompany this Notice.**

**EXPLANATION AND RATIONALE**

**For each item on the Agenda of the 2017 Annual General Stockholders' Meeting of PXP Energy Corporation requiring the vote of stockholders**

**AGENDA**

**1. Call to Order**

The Chairman will formally open the 2017 Annual General Stockholders' Meeting. The Directors and Officers of the Company will be introduced.

**2. Proof of required notice of the meeting**

The Corporate Secretary will certify that copies of this Notice and the Information Statement with its accompanying documents have been duly sent to stockholders of record as of March 14, 2017.

**3. Certification of quorum**

The Corporate Secretary will attest whether a quorum is present for the meeting.

**4. Reading and approval of the Minutes of the May 17, 2016 annual stockholders' meeting and action thereon**

Stockholders' may examine the Minutes of the May 17, 2016 Annual General Stockholders' Meeting in accordance with Sec. 74 of the Corporation Code. The Minutes are also available on the Company's website.

**Resolution to be adopted:** Stockholders will vote for the adoption of a resolution approving the Minutes of the May 17, 2016 Annual General Stockholders' Meeting.

**5. Presentation of annual report and audited financial statements for the year ended 31 December 2016 and action thereon**

The annual report and the financial statements of the Company, audited by the Company's external auditors, Sycip Gorres Velayo & Company, will be presented. The report will include the Audited Financial Statements, a copy of which accompanies this Notice and the Definitive Information Statement. Copies of the Information Statement and the Audited Financial Statements for 2016 will be made available on the Company's website (<http://www.pxpenergy.com.ph/>).

There will be an **OPEN FORUM** after the presentation. Stockholders may raise questions or express comments that are relevant to the corporation.

**Resolution to be adopted:** Stockholders will vote for the adoption of a resolution approving the annual report and audited financial statements for the year ended 31 December 2016.

**6. Amendment of Article Third of the Company's Articles of Incorporation to change the Company's principal address**

On February 28, 2017, the Board of Directors approved the amendment of Article Third of the Company's Articles of Incorporation to reflect the change in the Company's principal address from "27 Brixton Street, Pasig City, Philippines" to "2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila". The approval of stockholders owning at least 2/3 of the outstanding capital stock will

be sought at the Meeting. Information about the change in principal address is contained in the Information Statement.

**Resolution to be adopted:** Stockholders will vote for the adoption of a resolution approving the amendment of Article Third of the Company's Articles of Incorporation to change the principal address from "27 Brixton Street, Pasig City, Philippines" to "2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila".

**7. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2016**

The actions taken by the Board and the officers to be ratified and approved by stockholders are summarized in the Information Statement and referred to in the Management Report.

**Resolution to be adopted:** Stockholders will vote for the adoption of a resolution ratifying and approving the acts of the Board of Directors and Officers.

**8. Appointment of independent auditors**

The Audit Committee has endorsed the appointment of Sycip Gorres Velayo & Company as the Company's independent external auditors for the year 2017.

**Resolution to be adopted:** Stockholders will vote on a resolution for the appointment of Sycip Gorres Velayo & Company as independent external auditors of the Company for 2017.

**9. Election of directors, including independent directors**

The Final List of Candidates for election as directors, as prepared by the Nominations Committee in accordance with the Company's By-Laws, the Manual on Corporate Governance, the Securities Regulation Code, and its Implementing Rules and Regulations and SEC guidelines for the election of independent directors, will be presented to the stockholders, and the elections will be held.

**10. Other matters**

Matters that are relevant to and appropriate for the Annual General Stockholders' Meeting may be taken up. No resolution, other than the resolutions explained in the Notice and Information Statement, will be submitted for voting by the stockholders.

**11. Adjournment**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter: PXP ENERGY CORPORATION (formerly Philex Petroleum Corporation)
3. Metro Manila, Philippines  
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number: CS200719819
5. BIR Tax Identification Code: 006-940-588-000
6. 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila, <sup>1</sup> 1550  
 Address of principal office Postal Code
7. Registrant's telephone number, including area code: +63 2 6311381
8. Date, time and place of the meeting of security holders:  

Date	:	May 16, 2017
Time	:	2:30 p.m.
Place	:	Ballroom B, Crowne Plaza Manila Galleria, Ortigas Ave. corner Asian Development Bank Ave., Ortigas Center, Quezon City 1100.
9. Approximate date on which the Information Statement is first to be sent or given to security holders: April 18, 2017 (28 days prior to the Meeting)
10. In case of Proxy Solicitations:  

Name of Person Filing the Statement/Solicitor:	<u>PXP ENERGY CORPORATION</u>
Address and Telephone Number:	<u>2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila (623) 631-1381 to 88</u>
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):  

Common Stock Issued	<u>1,700,000,000</u>
Debt Outstanding	<u>P 2,931,700,743 (as of 31 December 2016)</u>
12. Are any or all of registrant's securities listed in a Stock Exchange?  
 Yes  No   
 If so, disclose the name of Exchange: Philippine Stock Exchange, Inc.

<sup>1</sup> As stated on the Company's Articles of Incorporation, the Company's principal office is at **27 Brixton Street, Pasig City, Philippines**. The Agenda of the Annual General Stockholders' Meeting includes the amendment of the Company's Articles of Incorporation to change the principal address to "2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila".

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. Date, Time and Place of Meeting of Security Holders**

The Annual General Stockholders' Meeting of PXP Energy Corporation (*formerly Philex Petroleum Corporation*), a corporation organized and existing under the laws of the Philippines with office address at 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila<sup>2</sup> will be held on **Tuesday, May 16, 2017 at 2:30 p.m.** at **Ballroom B, Crowne Plaza Manila Galleria, Ortigas Ave. corner Asian Development Bank Ave., Ortigas Center, Quezon City 1100** (the "Annual General Stockholders' Meeting" or the "Meeting"). The Agenda of the Annual General Stockholders' Meeting, as indicated in the accompanying Notice of Annual General Stockholders' Meeting, is as follows:

1. Call to Order;
2. Proof of required notice of the meeting;
3. Certification of quorum;
4. Reading and approval of the Minutes of the May 17, 2016 annual stockholders' meeting and action thereon;
5. Presentation of annual report and audited financial statements for the year ended December 31, 2016 and action thereon;
6. Amendment of Article Third of the Company's Articles of Incorporation to change the Company's principal address;
7. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2016;
8. Appointment of independent auditors;
9. Election of directors, including independent directors;
10. Other matters;
11. Adjournment.

Shareholders who cannot attend the Meeting may accomplish the attached Proxy Form. Please indicate your vote (Yes, No, Abstain) for each item in the attached form, and submit the same on or before **May 5, 2017** to the Office of the Corporate Secretary at the Company's offices.

Proxies will be tabulated by the Company's stock transfer agent, BDO-Stock Transfer (15<sup>th</sup> Floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City, 0726 Philippines) ("BDO"), and such tabulation will be subject to review by the Company's external auditors, Sycip Gorres Velayo & Company. Proxies will be voted as indicated by the shareholder in the proxy and applicable rules. The Special Committee of Inspectors, constituted by the Company's Board of Directors, shall validate the proxies on May 9, 2017 at 10:30 a.m. at the Company's offices

As in previous years, there will be an **OPEN FORUM** before the approval of the Annual Report and Audited Financial Statements for the year ended December 31, 2016 is submitted to the vote of the shareholders. Questions will likewise be entertained for other items in the agenda as appropriate and consistent with orderly proceedings.

---

<sup>2</sup> As stated on the Company's Articles of Incorporation, the Company's principal office is at **27 Brixton Street, Pasig City, Philippines**. The Agenda of the Annual General Stockholders' Meeting includes the amendment of the Company's Articles of Incorporation to change the principal address to "2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila".

The Management Report and the Audited Financial Statements for the year ended December 31, 2016 are attached to this Information Statement. The Annual Report under Securities Exchange Commission (“SEC”) Form 17-A will be made available on the Company’s website not later than April 17, 2017. Upon written request of a shareholder the Company shall furnish such shareholder with a copy of the said Annual Report on SEC Form 17-A, as filed with the SEC free of charge. The contact details for obtaining such copy are on Page 24 of this Information Statement.

Voting procedures are contained in Item 19 (page 23) of this Information Statement and will be stated at the start of the Meeting. Cumulative voting is allowed; please refer to Item 4, page 4 and Item 19, page 23 for an explanation of cumulative voting.

Further information and explanation regarding specific agenda items, where appropriate, are contained in various sections of this Information Statement. This Information Statement constitutes notice of the resolutions to be adopted at the Meeting.

This Information Statement and Proxy Form shall be sent to security holders not later than April 18, 2017 (28 days before the Meeting), after the approval of the Definitive Information Statement by the SEC.

## **Item 2. Dissenters' Right of Appraisal**

There are no corporate matters or action to be taken during the Meeting on May 16, 2017 that will entitle a stockholder to a Right of Appraisal as provided in Title X of the Corporation Code of the Philippines (Batas Pambansa [National Law] No. 68).

For the information of stockholders, any stockholder of the Company shall have a right to dissent and demand payment of the fair value of his shares in the following instances, as provided in the Corporation Code of the Philippines:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code (Section 81);
3. In case of merger or consolidation (Section 81); and
4. In case of investments in another corporation, business or purpose (Section 42).

The Corporation Code of the Philippines (at Section 82) provides that the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares: provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made; provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

### **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

No incumbent director has informed the Company in writing of an intention to oppose any action to be taken at the meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

As of March 14, 2017, there are 1,700,000,000 outstanding and issued common shares of the Company. The holders of the 1,700,000,000 outstanding shares are entitled to vote such shares. Out of the outstanding capital stock of the Company, 28.97% or 492,549,371 common shares are owned by foreigners. The Company does not have any class of shares other than common shares.

All stockholders of record as of **March 14, 2017** are entitled to notice and to vote at the Annual General Stockholders' Meeting.

A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy.

Cumulative voting may be adopted in the election of directors as allowed by the Corporation Code of the Philippines. On this basis, each registered stockholder as of March 14, 2017 may vote the number of shares registered in his name for each of the nine (9) directors to be elected; or he may multiply the number of shares registered in his name by nine (9), the number of the Company's directors as provided in its Articles of Incorporation, and cast the total of such votes for one (1) director. A stockholder may also distribute his votes among some or all of the nine (9) directors to be elected.



**Security Ownership of Certain Record and Beneficial Owners**

The following stockholders own more than five percent (5%) of the Company's stock as of March 14, 2017:

<b>Title of Class</b>	<b>Name and Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>% of Total Outstanding Shares</b>
Common	PCD Nominee Corporation	See Note 1.	Filipino	<u>403,299,995</u> (excludes shares of Philex Mining and SSS held through PCD Nominee)	<u>23.724%</u>
Common	Philex Mining Corporation Philex Building Brixton Street, Pasig City, Philippines	Philex Mining Corporation (PCD Nominee)  See Note 1.	Filipino	335,864,728	19.757%
Common	Asia Link B.V. PrinsBernhardplein 200, 1097 JB Amsterdam, The Netherlands	First Pacific Company, Ltd.  See Note 2.	Non-Filipino	284,470,725	16.734%
Common	Social Security System c/o Loan and Investment Office, 7/F SSS Building, Diliman, Quezon City	Social Security System (Direct and through PCD Nominee)  See Note 3.	Filipino	<u>214,916,804</u>	<u>12.642%</u>
Common	Two Rivers Pacific Holdings Corp. 10/F MGO Building, Legaspi cor. Dela Rosa Sts., Legaspi Village, Makati City	Two Rivers Pacific Holdings Corporation	Filipino	<u>125,608,156</u>	<u>7.389%</u>
Common	PCD Nominee Corporation	See Note 1.	Non-Filipino	<u>106,056,921</u>	<u>6.239%</u>

(1) PCD Nominee Corporation ("PCD"), the nominee of the Philippine Depository & Trust Corp., is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owners of such

shares are PCD's participants who hold the shares on their own behalf or in behalf of their clients. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines. Philex Mining Corporation, whose shares are held through PCD, owns 335,864,728 shares or 19.757% of the outstanding shares of the Company, as indicated above.

- (2) Asia Link B.V. is a wholly owned subsidiary of First Pacific Company, Ltd. ("First Pacific"). Kirtman Limited, part of the First Pacific Group, is the registered shareholder of 34,970,598 shares or 2.057% of the outstanding shares of the Company. Maxella Limited, also part of the First Pacific Group, is the registered shareholder of 34,604,846 shares or 2.036% of the outstanding shares of the Company.
- (3) Ms. Diana Pardo-Aguilar is a Commissioner of the Social Security Commission, the governing body of the Social Security System ("SSS"). She currently represents SSS in the Company as a member of the Board of Directors.

Proxies of the foregoing record owners for the Annual General Stockholders' Meeting on May 16, 2017 have not yet been submitted. The deadline set by the Board of Directors for submission of proxies is on **May 5, 2017**.

#### **Security Ownership of Management**

The beneficial ownership of the Company's directors and executive officers as of March 14, 2017, is as follows:

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Citizenship</b>	<b>% of Class</b>
Common	Manuel V. Pangilinan	1,603,466 (Direct)	Filipino	0.094%
Common	Daniel Stephen P. Carlos	766 (Direct)	Filipino	0.000%
Common	Eulalio B. Austin, Jr.	378,341 (Direct)	Filipino	0.022%
Common	Robert C. Nicholson	348 (Direct)	British	0.000%
Common	Diana Pardo-Aguilar	1 (Direct)	Filipino	0.000%
Common	Barbara Anne C. Migallos	71,678 (Direct)	Filipino	0.004%
Common	Benjamin S. Austria	191 (Direct)	Filipino	0.000%
Common	Emerlinda R. Roman	1 (Direct)	Filipino	0.000%
Common	Marilyn A. Victorio-Aquino	76,529 (Direct)	Filipino	0.005%
Common	Paraluman M. Navarro	2,431 (Direct)	Filipino	0.000%
Directors and Executive Officers as a Group		2,133,752		0.125%

#### **Voting Trust Holders/Changes in Control**

There are no voting trust holders of 5% or more of the Company's stock. There are no arrangements that may result in a change of control of the Company.

## Item 5. Directors and Executive Officers

### Directors

The names of the incumbent directors of the Company, their respective ages, citizenship, period of service, directorships in other companies and positions are as follows:

- 1) **MANUEL V. PANGILINAN** – 70, Filipino citizen; first elected Director of the Company on December 8, 2009; Chairman of the Board since December 8, 2009; last re-elected on May 17, 2016.

#### Academic background

Mr. Pangilinan graduated cum laude from the Ateneo de Manila University with a Bachelor of Arts degree in Economics. He received his Master of Business Administration degree from Wharton School of the University of Pennsylvania in 1968.

#### Business and Professional Background/Experience

Mr. Pangilinan founded First Pacific Company Limited, a corporation listed on the Hong Kong Stock Exchange, in May 1981. He served as Managing Director of First Pacific since its founding in 1981 until 1999. He was appointed Executive Chairman until June 2003, after which he was named Managing Director and Chief Executive Officer. Mr. Pangilinan is the President and CEO of Philippine Long Distance Telephone Company (PLDT), the country's dominant telecom company and Smart Communications Incorporated - the largest mobile phone operator in the Philippines, and continues to serve as their Chairman concurrently.

In May 2006, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula, rank of Komandante, in recognition of his contributions to the country. He was named Management Man of the Year 2005 by the Management Association of the Philippines. Mr. Pangilinan was awarded Honorary Doctorates in Science by Far Eastern University in 2010; in Humanities by Holy Angel University in 2008; by Xavier University in 2007; and by San Beda College. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School. He is a member of the ASEAN Business Advisory Council.

#### Directorships

Mr. Pangilinan has been a Director of Philex Mining Corporation (Philex Mining) and Philex Gold Philippines, Inc. (PGPI) since November 2008. He also serves as Chairman of Manila Electric Company (MERALCO), Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation, and of non-listed companies including Beacon Electric Asset Holdings Inc., PLDT Communications and Energy Ventures Inc. (formerly Piltel), Maynilad Water Services Corporation (Maynilad), Mediaquest Incorporated, Associated Broadcasting Corporation (TV5), Landco Pacific Corporation, Makati Medical Center, Cardinal Santos Medical Center, Our Lady of Lourdes Hospital, Asian Hospital Incorporated, Central Luzon Doctor's Hospital, De Los Santos Medical Center, Manila Doctors Hospital, Jesus Delgado Memorial Hospital, Marikina Valley Medical Center, Sacred Heart of Malolos (Bulacan), Davao Doctors Incorporated, Riverside Medical Center Incorporated (Bacolod), West Metro Medical Center Hospital (Zamboanga), and Megaclinic,. In 2012, he was appointed as Vice Chairman of Roxas Holdings, Incorporated which owns and operates the largest sugar milling operations in the Philippines.

Listed companies of which Mr. Pangilinan is presently a director

**Philippines**

1. PXP Energy Corporation
2. Philex Mining Corporation
3. Philippine Long Distance Telephone Company
4. Metro Pacific Investments Corporation
5. Metro Pacific Tollways Corporation
6. Roxas Holdings, Incorporated
7. Manila Electric Company

**Hong Kong**

8. First Pacific Co. Ltd.

- 2) **DANIEL STEPHEN P. CARLOS** – 53, Filipino citizen; first elected Director on August 16, 2015; last re-elected on May 17, 2016.

Academic Background

Mr. Carlos obtained his Bachelor of Science degree in Geology from the University of the Philippines (1984) and holds a Master of Science degree in Petroleum Geoscience from the Norwegian University of Science and Technology or NTNU (2002). He also has a Diploma in Petroleum Exploration and Reservoir Evaluation from the University of Trondheim, now NTNU (1988). He placed 3rd in the 1985 Geologist Licensure Examination.

Business and Professional Background/Experience

He was with the Department of Energy (1985–1991), Basic Energy Corporation, PNOC Exploration Corporation, Forum Pacific, Inc., and CGG. In February 2007, he joined Forum Energy Philippines Corporation as Vice President for Exploration and was appointed President in July 2013. He is also the Resident Agent in the Philippines of Forum (GSEC 101) Ltd, which operates Service Contract 72 or Recto Bank. He is also the President of Forum Energy Philippines Corporation and Forum Exploration, Inc.

Listed companies of which Mr. Carlos is presently a director

**Philippines**

1. PXP Energy Corporation

- 3) **EULALIO B. AUSTIN, JR.** – 55, Filipino citizen; first elected May 18, 2010; last re-elected May 17, 2016.

Academic background

Mr. Austin graduated from the St. Louis University-Baguió City, with a Bachelor of Science degree in Mining Engineering and placed eighth at the 1982 Professional Board Examination for mining engineers. He took his Management Development Program at the Asian Institute of Management in 2005 and his Advanced Management Program at the Harvard Business School in 2013.

Business and Professional Background/Experience

Mr. Austin has been a Director of the Company since May 17, 2012. He is also a Director of Philex Mining and PGPI since June 29, 2011. He became President and Chief Operating Officer of Philex Mining on January 1, 2012

and President and Chief Executive Officer on April 3, 2013. He previously served Philex Mining as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President and Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998. Mr. Austin concurrently serves as Chairman and Director of Silangan Mindanao Mining Co., Inc. He likewise sits on the Board of Directors of the Philippine Society of Mining Engineers (PSEM), and was Founding President of PSEM's Philex Chapter. He was awarded as the CEO of the year on Mining by The Asset last December 14, 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

Listed companies of which Mr. Austin is presently a director

**Philippines**

1. PXP Energy Corporation
2. Philex Mining Corporation

- 4) **ROBERT C. NICHOLSON** – 61, British citizen; first elected February 23, 2011; last re-elected May 17, 2016.

Academic background

Mr. Nicholson is a graduate of the University of Kent and is qualified as a solicitor in England and Wales and in Hong Kong.

Business and Professional Background/Experience

Mr. Nicholson has been a Director of the Company since February 23, 2011. He has been a Director of the Philex Mining and PGPI since November 28, 2008. He is the Chairman of Goodman Fielder Pty Limited (since March 2015), a Commissioner of PT Indofood Sukses Makmur Tbk and a Director of Metro Pacific Investments Corporation, Philex Mining Corporation, PXP Energy Corporation, PacificLight Power Pte. Ltd. and Forum Energy Limited, all of which are First Pacific Group subsidiaries, associates or joint venture.

Mr. Nicholson is also an Independent Non-executive Director of Pacific Basin Shipping Limited and Lifestyle Properties Development Limited. Previously, he was a senior partner of Reed Smith Richards Butler from 1985 to 2001 where he established the corporate and commercial department, and was also a senior advisor to the board of directors of PCCW Limited between August 2001 and September 2003.

Mr. Nicholson has wide experience in corporate finance and cross border transactions, including mergers and acquisitions, regional telecommunications, debt and equity capital markets, corporate re-organizations and privatizations in China. Mr. Nicholson joined First Pacific's Board in 2003.

Listed companies of which Mr. Nicholson is currently a director

**Philippines**

1. PXP Energy Corporation
2. Philex Mining Corporation
3. Metro Pacific Investments Corporation

***Hong Kong and Indonesia***

4. First Pacific Co. Ltd.
5. Pacific Basin Shipping Limited
6. Lifestyle Properties Development Limited
7. PT Indofood Sukses Makmur Tbk

- 5) **BARBARA ANNE C. MIGALLOS** – 62, Filipino citizen; first elected December 27, 2007 to June 11, 2008; director since May 18, 2010 to the present; last re-elected May 17, 2016.

***Academic background***

Ms. Migallos received her Bachelor of Arts degree in Political Science from the University of the Philippines and graduated cum laude. She obtained her Bachelor of Laws from the University of the Philippine College of Law, graduating cum laude and Class Salutatorian, and ranked 3<sup>rd</sup> in the 1979 Bar Examinations.

***Business and Professional Background/Experience***

Ms. Migallos has been a Director of the Company from December 27, 2007 to June 11, 2008, and from May 18, 2010 to the present. She is also the Company's Corporate Secretary. Ms. Migallos has been a Director of Philex Mining and PGPI since June 26, 2013. She is also a Director of Mabuhay Vinyl Corporation since 2000, Philippine Resins Industries since 2001, and Forum Energy Philippines Corporation since 2013. She is the Corporate Secretary of Philex Mining since July 1998, PGPI, Silangan Mindanao Mining Co., Inc., Eastern Telecommunications Philippines Inc. since 2005, Nickel Asia Corporation since 2010, Emerging Power Inc. since 2015, Cordillera Exploration Co., Inc., Forum Energy Philippines Corporation since 2013, and Alliance Select Foods International, Inc. since 2015. She is a professorial lecturer in Corporations Law, Insurance, Securities Regulation, Credit Transactions, and Mergers and Acquisitions at the De La Salle University College of Law. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006. She is the Managing Partner of the Migallos & Luna Law Offices.

***Listed companies of which Ms. Migallos is currently a director.***

***Philippines***

1. PXP Energy Corporation
2. Philex Mining Corporation
3. Mabuhay Vinyl Corporation

- 6) **BENJAMIN S. AUSTRIA – Independent Director**; 71, Filipino citizen; first elected Independent Director on August 4, 2011; last re-elected on May 17, 2016.

***Academic background***

Dr. Austria received his Bachelor of Science degree in Geology from the University of the Philippines in 1965. He earned his Master and Doctorate degrees in Geology from Harvard University in 1968 and 1975, respectively. He is a registered Geologist and was recognized as the Outstanding Professional in the Field of Geology for 2001 by the Professional Regulation Commission of the Philippines.

*Business and Professional Background/Experience*

Dr. Austria is the Chairman of the Committee on Energy & Power of the Philippine Chamber of Commerce & Industry. He is Senior Adviser of Trans-Asia Petroleum Corporation. He is Executive Director of the Philippine Petroleum Association of the Upstream Industry (Oil & Gas), Inc. and Vice President (Earth Sciences & Geography)/Director of the Philippine Association for the Advancement of Science & Technology, both of which are non-stock, non-profit corporations. Dr. Austria is a registered Geologist and was recognized as the Outstanding Professional in the Field of Geology for 2001 by the Professional Regulation Commission of the Philippines. He is currently a Member of the Board of Geology of the Professional Regulation Commission.

*Listed corporations of which Dr. Austria is currently a director*

***Philippines***

1. PXP Energy Corporation (Independent Director)

- 7) **EMERLINDA R. ROMAN – Independent Director**; 67, Filipino citizen; first elected Independent Director August 4, 2011; last re-elected May 17, 2016.

*Academic Background*

Dr. Roman received her Bachelor of Science degree in Agriculture at the University of the Philippines Los Baños in 1972. She earned her Master's Degree in Agribusiness Management in 1977 and her Doctor of Business Administration (DBA) degree in 1989 from the College of Business Administration of the University of the Philippines Diliman.

*Business and Professional Background/Experience*

Dr. Roman is the first woman president of the University of the Philippines where she is now Professor Emeritus at the Cesar E.A. Virata School of Business. She has held various administrative positions in UP – served as three-time Chancellor of the University's flagship campus – UP Diliman, Vice-President, Secretary of the Board of Regents and finally its President. Dr. Roman was President when the University celebrated its centennial at which time the university went on an aggressive fundraising campaign raising more than P6 Billion.

Dr. Roman also served as Chair of the Board of Trustees of the International Rice Research Institute, President of the UP Foundation, Chair of the Friends of UP in America Foundation, and Chair of the UP Provident Fund.

She sits on the boards of Smart Communications, Inc., Digital Telecommunications Philippines, Inc., Redondo Peninsula Energy, and One Meralco Foundation. She is also Chair of the Board of Advisers of Manila Tytana Colleges and Chair of the Board of the Angara Center for Law and Economics.

*Listed companies of which Dr. Roman is currently a director:*

***Philippines***

1. PXP Energy Corporation (Independent Director)

- 8) **MARILYN A. VICTORIO-AQUINO** - 61, Filipino citizen; first elected April 18, 2013; last re-elected on May 19, 2015.

*Academic Background*

Ms. Aquino graduated cum laude (class salutatorian) from the University of the Philippines College of Law in 1980 and placed second in the Philippine Bar Examinations.

*Business and Professional Background/Experience*

Ms. Aquino's practice focused on banking, finance and securities, construction and infrastructure, investments, mergers and acquisitions, and mining and natural resources.

Ms. Aquino was elected as Director of the Company on April 18, 2013. She has been a Director of Philex Mining and PGPI since December 7, 2009 and was re-elected on June 26, 2013. She is an Assistant Director of First Pacific Co. Ltd. since July 2012 and was appointed as Chief Risk Officer in August 2016, following her 32-year law practice at SyCip Salazar Hernandez and Gatmaitan Law Offices, where she was Partner from 1989 to 2012. She is the President and Chief Executive Officer of MetroPac Movers Inc., the logistics company of MetroPacific Investments Corporation. She is also a Director of First Coconut Manufacturing Inc., Silangan Mindanao Mining Company Inc. since January 2013, Silangan Mindanao Exploration Company, Inc. since January 2013, Lepanto Consolidated Mining Company since October 2012, Light Rail Manila Corporation since July 2014, and Maynilad Water Services, Inc. since December 2012.

*Listed companies of which Ms. Aquino is currently a director*

***Philippines***

1. PXP Energy Corporation
2. Philex Mining Corporation
3. Lepanto Consolidated Mining Company

***Hong Kong***

4. First Pacific Co. Ltd.

- 9) **DIANA PARDO-AGUILAR** – 53, Filipino citizen; first elected May 19, 2015; last reelected May 17, 2016.

*Academic Background*

Ms. Pardo Aguilar holds a Masters degree in Business Administration major in International Business and Finance from Pepperdine University, California (1988) and a Bachelor of Science in Computer Studies from De La Salle University (1985).

*Business and Professional Background/Experience*

Ms. Pardo Aguilar was appointed as Commissioner of the state-owned Social Security System in August 2010 and was reappointed in the current administration on November 2016. She is one the nine members of the Social Security Commission and the Chairperson of the Information Technology Committee; member of Investment Oversight, Risk Management and Coverage and Collection Committees. She was appointed as Senior Advisor to the Board of Security Bank Corporation since July 26, 2016. She was also appointed as Chairperson of SB Capital Investment Corporation since August 2016. Recently, she was elected as one of the members of the Board of Governors of the Employers Confederation of the Phils., since



January 2017. She is a Member of the Board of Directors of Ionics Inc., since December 2016, Consultant and Senior Advisor to the Board of Philippine Seven Corporation since January 2015, Board Member of Capital Markets Development Board since 2013, Director of Electronic Commerce Payment Networks, Inc., since 2004, Treasurer of De la Salle Santiago Zobel School since 2004, Director of Wenphil Corporation since 1998, and Director of Gate Distribution Enterprise, Inc. since 1997. She was a Director of Security Bank Corporation from November 2010 to April 2016, Director of Phoenix Petroleum Philippines, Inc. from 2010 to 2013, and CLSA Exchange Capital Corporation from 2001 to 2002. She was a member of the Board of Trustees of De La Salle Santiago Zobel School from 2004 to 2010, and Vice President for Corporate Finance of Jardine Fleming Exchange Capital Corporation Group Inc. from 1988 to 2001.

*Listed companies of which Ms. Pardo-Aguilar is currently a director*

***Philippines***

1. PXP Energy Corporation
2. Ionics, Inc.

There is no director who has resigned or declined to stand for re-election to the board of directors since the May 17, 2016 Annual General Stockholders' Meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices. No director has furnished the Company with a letter describing such disagreement and requesting that the matter be disclosed.

***Process and Criteria for Selection of Nominees for Directors***

The Board of Directors set March 17, 2017 as the deadline for the submission of nominations to the Board of Directors. The deadline was duly announced and disclosed on February 28, 2017.

The Nominations Committee composed of Manuel V. Pangilinan (Chairman), Robert C. Nicholson and Benjamin S. Austria (Independent Director) screened the nominees for election to the Board of Directors in accordance with the Company's Manual on Corporate Governance and assessed the candidates' background, educational qualifications, work experience, expertise and stature as would enable them to effectively participate in the deliberations of the Board. In the case of the independent directors, the Committee reviewed their business relationships and activities to ensure that they have all the qualifications and none of the disqualifications for independent directors as set forth in the Company's Manual of Corporate Governance, the Securities Regulation Code ("SRC"), and the SRC Implementing Rules and Regulations.

***Nominees for Election at Annual Stockholders' Meeting on May 16, 2017***

The Nominations Committee screened the nominees to determine whether they have all of the qualifications and none of the disqualifications for election to the Company's Board of Directors, and prepared the Final List of Candidates for election to the Board of Directors at the Annual General Stockholders' Meeting. The following have been nominated for election to the Company's Board of Directors:

1. Manuel V. Pangilinan
2. Daniel Stephen P. Carlos
3. Robert C. Nicholson
4. Eulalio B. Austin, Jr.
5. Marilyn A. Victorio-Aquino

6. Barbara Anne C. Migallos
7. Benjamin S. Austria (Independent Director)
8. Emerlinda R. Roman (Independent Director)
9. Jose Gabriel M. La Viña

The experience and background of Messrs. Pangilinan, Carlos, Austin, Nicholson, and Austria, and of Meses. Aquino, Migallos, and Roman are contained in pages 7 to 12 of this Information Statement.

The qualifications and background information of Mr. La Viña, who is not an incumbent director, are as follows:

**JOSE GABRIEL M. LA VIÑA – 59, Filipino citizen.**

**Academic Background**

Mr. La Viña holds a Master in Entrepreneurship degree from the Asian Institute of Management and a Bachelor of Arts degree in Philosophy from Ateneo de Manila University, where he graduated magna cum laude. He is a director of the Alumni Association of Asian Institute of Management. In his college years, he was the Chairman of the College Editors Guild of the Philippines.

**Business and Professional Background/Experience**

Mr. La Viña was appointed as Commissioner of the state-owned Social Security Commission (“SSC”), the governing board of the Social Security System, last November 2016. He currently chairs the SSC Audit Committee and is a member of its Investment Oversight and Risk Management Committees. He served as Social Media Director of the 2016 Presidential Campaign of now President Rodrigo R. Duterte and is currently a member of its Media Central and Communications Group. He has 32 years of experience as founder and chief executive officer in various industries, which includes home mortgage brokerage, real estate, cooperative banking, technology, auto sales, supply chain management, hospitality, and music entertainment. He served as treasurer and trustee of AFS Intercultural Services, which sends around 30 to 40 Filipino Muslim Youth scholars to the United States every year under the Kennedy-Lugar Youth Exchange and Study program funded by the U.S. State Department. He is a well-regarded composer. He is a director of Philex Mining Corporation since February 2017. He was elected last February 2016 to the Board of Directors of the Alumni Association of the Asian Institute Management.

**Listed companies of which Mr. La Viña is currently a director**

**Philippines**

1. Philex Mining Corporation

The Company complied with the guidelines on the nomination and election of independent directors prescribed in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code (“SRC”). On June 29, 2011, the SEC approved the amendment of the Company’s By-laws to incorporate the requirement of independent directors pursuant to SRC Section 38, the definition of independent directors consistent with SRC Implementing Rule 38, and the guidelines for election under relevant SEC guidelines.

Dr. Austria and Ms. Roman were nominated by Mr. Manuel V. Pangilinan upon consultation with the Company’s Board of Directors. Both nominees have accepted their nominations in

writing. There are no relationships between the foregoing nominees for independent director and the persons who nominated them.

### **Executive Officers**

The following persons are the present executive officers of the Company:

**MANUEL V. PANGILINAN** – 70, Filipino citizen. Mr. Pangilinan graduated cum laude from the Ateneo de Manila University with a Bachelor of Arts degree in Economics. He received his Master of Business Administration degree from Wharton School of the University of Pennsylvania in 1968.

Mr. Pangilinan has been Chairman of the Board since December 8, 2009. Mr. Pangilinan has been a Director of Philex Mining and PGPI since November 2008, and was re-elected on June 26, 2013. He also serves as Chairman of Manila Electric Company (MERALCO), Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation, and of non-listed companies including Beacon Electric Asset Holdings Inc., PLDT Communications and Energy Ventures Inc. (formerly Piltel), Maynilad Water Services Corporation (Maynilad), Mediaquest Incorporated, Associated Broadcasting Corporation (TV5), Landco Pacific Corporation, Makati Medical Center, Cardinal Santos Medical Center, Our Lady of Lourdes Hospital, Asian Hospital Incorporated, Central Luzon Doctor's Hospital, De Los Santos Medical Center, Manila Doctors Hospital, Jesus Delgado Memorial Hospital, Marikina Valley Medical Center, Sacred Heart of Malolos (Bulacan), Davao Doctors Incorporated, Riverside Medical Center Incorporated (Bacolod), West Metro Medical Center Hospital (Zamboanga), and Megaclinic,. In 2012, he was appointed as Vice Chairman of Roxas Holdings, Incorporated which owns and operates the largest sugar milling operations in the Philippines.

**DANIEL STEPHEN P. CARLOS** – 53, Filipino citizen. Mr. Carlos obtained his Bachelor of Science degree in Geology from the University of the Philippines (1984) and holds a Master of Science degree in Petroleum Geoscience from the Norwegian University of Science and Technology or NTNU (2002). He also has a Diploma in Petroleum Exploration and Reservoir Evaluation from the University of Trondheim, now NTNU (1988). He placed 3rd in the 1985 Geologist Licensure Examination.

Mr. Carlos is the Company's President. He was with the Department of Energy (1985–1991), Basic Energy Corporation, PNOG Exploration Corporation, Forum Pacific, Inc., and CGG. In February 2007, he joined Forum Energy Philippines Corporation as Vice President for Exploration and was appointed President in July 2013. He is also the Resident Agent in the Philippines of Forum (GSEC 101) Ltd, which operates Service Contract 72 or Recto Bank. He is also the Chairman of the board of directors of Forum Energy Philippines Corporation and Forum Exploration, Inc.

**PARALUMAN M. NAVARRO** – 48, Filipino citizen. Ms. Navarro is the Company's Treasurer. She is also Division Manager for Corporate Finance of Philex Mining. She has been with Philex Mining since 1990. She graduated cum laude from Saint Louis University, Baguio City, Bachelor of Science in Commerce, major in Accounting, in 1990.

**BARBARA ANNE C. MIGALLOS** – 62, Filipino citizen. Ms. Migallos received her Bachelor of Arts degree in Political Science from the University of the Philippines and graduated cum laude. She also graduated cum laude and

Class Salutatorian from the U.P. College of Law, with a Bachelor of Laws degree. She ranked 3<sup>rd</sup> in the 1979 Bar Examinations.

Ms. Migallos is the Company's Corporate Secretary. Ms. Migallos has been a Director of the Company from December 27, 2007 to June 11, 2008, and from May 18, 2010 to the present. Ms. Migallos has been a Director of Philex Mining and PGPI since June 26, 2013. She is also a Director of Mabuhay Vinyl Corporation since 2000, Philippine Resins Industries since 2001, and Forum Energy Philippines Corporation since 2013. She is the Corporate Secretary of Philex Mining since July 1998, PGPI, Silangan Mindanao Mining Co., Inc., Eastern Telecommunications Philippines Inc. since 2005, Nickel Asia Corporation since 2010, Emerging Power Inc. since 2015, Cordillera Exploration Co., Inc., Forum Energy Philippines Corporation since 2013, and Alliance Select Foods International, Inc. since 2015. She is a professorial lecturer in Corporations Law, Insurance, Securities Regulation, Credit Transactions, and Mergers and Acquisitions at the De La Salle University College of Law. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006. She is the Managing Partner of the Migallos & Luna Law Offices.

### **Significant Employees**

No single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

### **Family Relationships**

There are no family relationships up to the fourth civil degree either of consanguinity or affinity among any of the directors, executive officers and persons nominated or chosen to become directors or executive officers.

### **Involvement in Certain Legal Proceedings**

None of the directors, nominees for election as a director, executive officers or control persons of the Company have been involved in any legal proceeding, including without limitation being the subject of any:

- a. bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- b. conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- c. order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities commodities or banking activities; and
- d. order or judgment of a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization finding him/her to have violated a securities or commodities law or regulation,

for the past five (5) years up to the latest date, that is material to the evaluation of ability or integrity to hold the relevant positions in the Company.

### **Certain Relationships and Related Transactions**

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:

- a. On November 24, 2010, Forum Philippines Holdings Limited ("FPHL") entered into a US\$10 million loan facility agreement with Philex Mining. 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.

In June 2012, an amendment to the original loan agreement was made to extend the loan facility to US\$15 million.

On November 21, 2013, Philex Mining assigned its rights and obligations under the facility agreement to PXP Energy Corporation (*formerly Philex Petroleum Corporation*) (the "Company"). On the same date, the loan facility was increased to US\$18 million and extended for an additional three (3) years. As at December 31, 2016, drawdown on the loan amounted to US\$15.5 million. The loans receivable from FPHL and loan payable to Philex Mining recorded in the Company amounted to ₱674.8 million as at December 31, 2013.

In 2015, a transfer agreement was entered into by FPHL (the "Original Borrower") and Forum GSEC 101 - Jersey (the "New Borrower"). This states that all the rights and obligations under the Finance Documents of the Original Borrower will be transferred by way of novation to the New Borrower and the Original Borrower will be released from its obligations and will cease to own any rights under the Facility Agreement.

Interest expense amounted to ₱43.8 million, ₱38.0 million and ₱32.2 million in 2016, 2015 and 2014, respectively. In the same years, commitment fees amounted to ₱1.2 million, ₱1.1 million and ₱1.1 million, respectively. The interest expense and commitment fees were recorded under 'Interest expense and other charges' in the consolidated statements of income and were eliminated upon consolidation for the year ended December 31, 2016, 2015 and 2014.

Loans receivable of the Company as at December 31, 2016 and 2015 amounted to ₱ 770.7 million and ₱729.4 million.

Philex Mining made cash advances to be used as additional working capital of the Company and for acquisition of investments. In 2013, Philex Mining and the Company agreed that the settlement of the outstanding US dollar-denominated advances will be in Philippine Pesos.

On June 26, 2015, the Board of Directors of the Company approved the pledge of the Company's shares in its subsidiaries, Pitkin Petroleum Plc ("Pitkin") and Forum Energy Limited ("Forum"), in favor of Philex Mining to secure the balance of the loan. On August 11, 2015, the Company's shareholders holding at least 2/3 of the outstanding capital stock approved the pledge. The pledge agreement between Philex Mining and the Company was executed on August 17, 2015 with advances from Philex Mining amounting to US\$50 Million, or ₱2.2 billion. As at December 31, 2016 and 2015, advances from Philex Mining amounted to ₱2.193 billion and ₱2.194 billion, respectively.

- b. Brixton Energy & Mining Corporation ("BEMC") has significant transactions with related parties involving advances to provide funding on BEMC's exploration and development

activities. As at December 31, 2016 and 2015, the non-interest-bearing advances from Philex Mining amounted to ₱737.8 million.

- c. The compensation of key management personnel pertaining to short-term employee benefits and retirement benefits amounted to ₱8.7 million, ₱12.1 million and ₱3.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Note 18 of the Notes to the Consolidated Financial Statements as of December 31, 2016, attached hereto, on Related Party Transactions, is incorporated by reference.

#### Item 6. Compensation of Directors and Executive Officers

At present, only independent directors receive per diems of ₱30,000 per board meeting and ₱20,000 per committee meeting attended. Directors other than the independent directors do not receive per diems. While the Company's By-Laws provide that the directors shall, at the Board's discretion, receive as compensation a share in the Company's net income before tax, but not to exceed one and a half (1 ½%) percent, the Company has not paid its directors any fees under this provision since its incorporation in 2007. There are no other arrangements as regards directors' compensation.

Officers of the Company receive such remuneration as the Board may determine upon recommendation of the Compensation Committee.

The following table shows the compensation of the directors and officers for the past three completed fiscal years and estimated to be paid for the ensuing fiscal year.

<b>SUMMARY OF COMPENSATION TABLE</b> (In Millions)			
<b>DIRECTORS</b>			
	<u>Year</u>	<u>Directors' Fee</u>	
	2017 (Estimated)	P0.67	
	2016	0.67	
	2015	0.60	
	2014	0.51	
<b>OFFICERS</b>			
	<u>NAME</u>	<u>POSITION</u>	
	Manuel V. Pangilinan	Chairman	
	Daniel Stephen P. Carlos	President	
	Paraluman M. Navarro	Treasurer	
	Barbara Anne C. Migallos	Corporate Secretary, Compliance Officer and Corporate Governance Officer	
		<u>Total Officers'</u>	
	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>
	2017 (Estimated)	P8.7	NIL
	2016	8.7	NIL
	2015	12.1	NIL
	2014	3.8	NIL

**ALL DIRECTORS & OFFICERS AS A GROUP**

<u>Year</u>	<u>Total Amount</u>
2017 (Estimated)	P9.4
2016	9.4
2015	12.7
2014	4.3

**Compensation of Directors**

There are no other arrangements under which the Company's directors and officers were compensated, or are to be compensated, directly or indirectly, since the Company's incorporation in December 2007, except as described above.

**Employment Contracts**

There are no special employment contracts between the Company and its named executive officers.

**Warrants and Options Outstanding**

None of the Company's directors and executive officers hold any warrants or options in the Company.

**Item 7. Independent Public Auditor**

The appointment, approval or ratification of the Company's independent public auditor will be submitted to the shareholders for approval at the Annual Stockholders' Meeting on May 16, 2017.

The Audit Committee has recommended, and the Board of Directors has approved, the reappointment of the accounting firm of Sycip Gorres Velayo & Co ("SGV & Co"). SGV & Co has been the Company's independent auditor since its incorporation in December 2007. The Audit Committee has recommended their reappointment for the current year. The recommended audit engagement partner for the ensuing year is Mr. Alexis C. Zaragosa.

The Company's Audited Financial Statements for 2016 was certified by Mr. Jose Pepito Zabat III of SGV & Co, the audit engagement partner for the 2016 audit, and is attached to this Information Statement as an Exhibit to the Annual Report. The Company has been advised that the SGV & Co auditors assigned to render audit-related services have no shareholdings in the Company, or a right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, consistent with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

Representatives of SGV & Co will be present at the scheduled stockholders meeting. They will have the opportunity to make a statement should they desire to do so and will be available to respond to appropriate questions.

**External Audit Fees and Services****Audit and Audit-Related Fees**

For 2016, 2015 and 2014, independent auditors were engaged to express an opinion on the consolidated and stand-alone financial statements of the Company and its Subsidiaries (the "Group"), and to assist in the preparation of the income tax returns of the Group. A regular

audit was carried out based on Philippine Standards on Auditing. The audit fees for these services were for P4.9 million for 2016, P5.0 million for 2015 and P11.2 million for 2014.

There were no non-regular audit conducted during the years 2016, 2015 and 2014.

### **Tax Fees**

There were no tax-related services rendered by the independent auditors other than the assistance rendered in the preparation of the income tax returns which formed part of the regular audit engagement.

### **All Other Fees**

There were no other professional services rendered by the independent auditors.

### **Audit Committee's Approval Policies and Procedures**

The Company constituted an Audit Committee in accordance with its Manual on Corporate Governance, which discloses the Audit Committee's terms of reference/governance. The Audit Committee is composed of Emerlinda R. Roman (Chairman and Independent Director), Robert C. Nicholson and Benjamin S. Austria (Independent Director).

On September 24, 2012, the Audit Committee adopted its Audit Committee Charter, which sets forth in detail the Committee's purpose, authority, duties and responsibilities, as well as its structure and procedures. A copy of the Audit Committee Charter is available on the Company's website.

The Audit Committee's approval policies and procedures for external audit fees and services are stated in the Manual on Corporate Governance.

The Audit Committee performs oversight functions over the Company's external auditors. Prior to the commencement of audit work, the independent auditors present their audit program and schedule to the Audit Committee, including a discussion of anticipated issues on the audit work to be done.

After audit work, the independent auditors present their comprehensive report discussing the work carried out, areas of interest and their key findings and observations to the Audit Committee. The Company's audited financial statements for the year are presented by to independent auditors to the Audit Committee for their endorsement to the Board and the Board's final approval.

The independent auditors also prepare reports based on agreed upon procedures on the Company's quarterly financial results. The reports are presented to the Audit Committee for their approval and endorsement to the Board of Directors.

### **Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

There has been no change in the Company's independent auditors since the Company's incorporation in 2007, except for a change in audit engagement partners: Mr. Aldrin M. Cerrado (2007 to 2011 audit), Mr. Jose Pepito E. Zabat (2012 to 2016 audit), and Mr. Alexis C. Zaragosa (recommended for the 2017 audit). There have been no unresolved disagreements with the independent auditors.



## **D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports**

Action is to be taken on the reading and approval of the following:

#### **1. Minutes of the Previous Stockholders' Meeting**

The Minutes of the Annual Stockholders' Meeting held on May 17, 2016 are available for inspection by stockholders at the principal offices of the Company. Copies thereof are also posted on the Company's website. Copies of said minutes will also be available upon request at the venue of the next annual stockholders' meeting.

Matters taken up during the 2016 Annual Stockholders' Meeting were the: (i) reading and approval of the Minutes of the May 19, 2015 annual stockholders' meeting and the August 11, 2015 special stockholders' meeting; (ii) presentation and approval of the Annual Report including the Audited Financial Statements for 2015; (iii) approval of the amendment of Article First of the Company's Articles of Incorporation to change the corporate name from "Philex Petroleum Corporation" to "PXP Energy Corporation"; (iv) ratification and approval of the acts of the Board and Officers and Executive Officers for 2015 and up to the date of the 2016 Stockholders' Meeting; (v) appointment of Sycip, Gorres Velayo & Co. as external auditors; and (vi) election of Directors of the Company for 2016.

#### **2. Management Reports**

The Company's Management Report, which includes the Audited Financial Statements for 2016, will be submitted for approval by the stockholders. A copy of the Management Report is attached to this Information Statement. Upon written request, shareholders shall be provided with a copy of the Company's Annual Report on SEC Form 17-A free of charge (please see page 24).

### **Item 17. Amendment of Charter**

On 28 February, 2017, the Board of Directors approved the amendment of Article Third of the Company's Articles of Incorporation to change the principal address of the Company from "27 Brixton Street, Pasig City, Philippines" to "2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila". The Company moved to new offices located at 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila and will no longer be staying in Pasig City.

The resolution to be adopted will be the amendment of Article Third of the Company's Articles of Incorporation to change the Company's principal address to "2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila".

### **Item 18. Other Proposed Action**

Action is to be taken on the ratification and approval of the acts of the Board of Directors and executive officers for the corporate year 2016 to 2017.

All acts, contracts, proceedings, elections and appointments made or taken by the Board of Directors and/or the officers of the Company during the past corporate year will be submitted for ratification and approval of shareholders. These refer to the actions taken by the Board of Directors at its meetings held on 14 January 2016, 24 February 2016, 9 March 2016, 27 April 2016, 27 July 2016, 26 October 2016, 18 November 2016, and 28 February 2017. The acts of officers referred to are those that implemented the actions taken by the Board.

At these meetings, principal matters discussed included the presentation of detailed operations and financial reports. Operations reports included production, Service Contract and business development updates. Financial reports included consolidated and per segment figures on revenue, costs and expenses, other income and charges, income or loss before tax, net income or loss, balance sheet and statements of cash flows.

A summary of significant actions of the Board, as set forth in the Minutes of meetings, is provided below.

During its meeting on January 14, 2016, the Board approved the offer of Mindoro-Palawan Oil & Gas, Inc. to purchase the 70% interest of Pitkin in Service Contract 53 for USD 100,000.

At the meeting held on February 24, 2016, the Board approved the Company's Audited Financial Statements for 2015 and scheduled the Company's 2016 Annual Stockholders' Meeting on May 17, 2016 at 2:30 p.m. The record date set and approved by the Board is March 10, 2016.

At the same meeting, the Board approved the assignment of the undivided participating interest of Pitkin in, and the rights of Pitkin under, Service Contract 74 dated August 13, 2014 and the assignment by Pitkin to the Company of all the rights and obligations under the Joint Operating Agreement dated May 8, 2014 covering Service Contract 74.

During its meeting on March 9, 2016, the Board approved the change in corporate name from "Philex Petroleum Corporation" to "PXP Energy Corporation" and the corresponding amendment to the Company's Articles of Incorporation and By-laws. The change in corporate name is consistent with the Company's primary purpose of engaging in businesses related to petroleum and other sources of energy.

At the meeting held on April 27, 2016, the Board approved Company's Financial Statements for the 1<sup>st</sup> quarter of 2016. The Board also approved a donation of Php 1 Million for medical facilities to Camp General Artemio Ricarte Station Hospital and WesCom Dispensary. The said beneficiaries are hospitals of the Armed Forces of the Philippines located in Puerto Princesa, Palawan.

During its meeting on July 27, 2016, the Board approved the Company's Financial Statements for the first semester of 2016.

At the meeting held on October 26, 2016, the Board approved the Company's Financial Statements as of September 30, 2016.

At the meeting held on November 18, 2016, the Board approved the Company's budget for the succeeding year. At the same meeting, the Board also approved a share buyback in Pitkin where the Company will sell 12.98% of its Pitkin shares and receive approximately USD\$ 2.1 Million. Minority shareholders of Pitkin will also sell 12.98% of their shares. The Company's 53.43% interest in Pitkin will remain the same following the transaction. The transaction closed on March 7, 2017. The Company's interest in Pitkin remains at 53.43%.

At the meeting held on February 28, 2017, the Board approved the Company's Audited Financial Statements for 2016 and scheduled the Company's 2017 Annual Stockholders' Meeting on May 16, 2017 at 2:30 p.m. The record date set and approved by the Board is March 14, 2017.

At the same meeting, the Board approved the subscription to new shares of its subsidiary, Forum, increasing its direct shareholdings from 48.8% to 69.5%, through conversion of the

Company's advances to a subsidiary of Forum, Forum (GSEC101) Limited. This increases the Company's total direct and indirect interest in Forum from 67.5% to 77.5%.

### **Item 19. Voting Procedures**

Stockholders as of March 14, 2017 may vote at the Annual General Stockholders' Meeting on May 16, 2017. Stockholders have the right to vote in person or by proxy.

Stockholders who cannot attend the Meeting may accomplish the enclosed proxy form. The proxy form contains each item on the Agenda that requires stockholders to vote "YES", "NO", or "ABSTAIN". In the case of election of directors, the names of each of the nominees are listed in the proxy form with space for the stockholder to indicate his or her vote for or against each of the nominees. Stockholders are given until May 5, 2017 to submit the proxies to the Office of the Corporate Secretary at the Company's offices. Proxies will be validated by the Special Committee of Inspectors on May 9, 2017 at 10:30 a.m. at the Company's offices

The amendment of Article Third of the Company's Articles of Incorporation to change the Company's principal address from "27 Brixton Street, Pasig City, Philippines" to "2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila" will require the affirmative vote of shareholders holding at least 2/3 of the outstanding capital stock. All other matters requiring approval of stockholders as set forth in the Agenda and this Information Statement will require only the affirmative vote of the stockholders owning at least a majority of the outstanding voting capital stock.

In the election of directors, cumulative voting may be adopted. On this basis, each stockholder as of March 14, 2017 may vote the number of shares registered in his name for each of the nine (9) directors to be elected, or he may multiply the number of shares registered in his name by nine (9) and cast the total of such votes for one (1) director, or he may distribute his votes among some or all of the nine (9) directors to be elected. The nine (9) nominees with the greatest number of votes will be elected directors.

Voting at the Meeting will be by balloting. Stockholders who are present and did not submit proxies before the Meeting will be given ballots upon registration. In the case of proxy forms submitted prior to the meeting, the proxies designated by the stockholders to represent them will be provided with ballots for casting in accordance with the stockholders' instructions, as indicated in the proxy forms.

Ballots shall be tabulated by the Company's stock transfer agent, BDO, under the guidance and supervision of the Company's external auditors. Results of the voting by shareholders will be announced for each item on the Agenda requiring the vote of shareholders. The tabulation and results of the voting shall be duly disclosed and shall be made available on the Company's website on the business day following the meeting.

The voting procedure will be announced at the start of the meeting.

<b>PART II.</b>
-----------------

**(PLEASE SEE SEPARATE PROXY FORM)**

**PART III.**

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on March 31, 2017.

By:

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

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A, AS FILED WITH THE SEC FREE OF CHARGE. ANY WRITTEN REQUEST SHALL BE ADDRESSED TO:

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

**For any questions or concerns, please contact:**

**Mark H. Rilles**  
*Finance Controller*  
Tel. No. +632 631-1381

Office Address:  
**PXP ENERGY CORPORATION**  
2/F LaunchPad, Reliance corner Sheridan  
Streets, Mandaluyong City, Metro Manila

**PROXY**

The undersigned stockholder of **PXP ENERGY CORPORATION (formerly Philex Petroleum Corporation)** (the "Company") hereby appoints \_\_\_\_\_ or in his absence, the Chairman of the meeting, as its attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her name as proxy of the undersigned stockholder, at the **Annual General Stockholders'** of the Company to be held at **Ballroom B, Crowne Plaza Manila Galleria, Ortigas Ave. corner Asian Development Bank Ave., Ortigas Center, Quezon City 1100, on May 16, 2017 at 2:30PM** and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of annual stockholders' meeting held on May 17, 2016  
 Yes       No       Abstain
2. Approval of annual reports and Audited Financial Statements for the year ending 2016  
 Yes       No       Abstain
3. Approval of the amendment of Article Third of the Company's Articles of Incorporation to change the Company's principal address  
 Yes       No       Abstain
4. Ratification and approval of the acts of the Board of Directors and executive officers  
 Yes       No       Abstain
5. Appointment of Sycip, Gorres, Velayo & Co. as independent auditors  
 Yes       No       Abstain
6. Election of Directors  
 Vote for all nominees listed below:  
Manuel V. Pangilinan                      Barbara Anne C. Migallos  
Daniel Stephen P. Carlos                  Jose Gabriel M. La Viña  
Robert C. Nicholson                        Benjamin S. Austria (Independent Director)  
Eulalio B. Austin, Jr.                        Emerlinda R. Roman (Independent Director)  
Marilyn A. Victorio-Aquino  
  
 Withhold authority for all nominees listed above  
  
 Withhold authority to vote for the nominees listed below:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
7. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name of Stockholder

\_\_\_\_\_  
Signature of Stockholder/ Authorized Signatory

Proxy solicitation is made by or on behalf of the Company. This proxy should be received by the Corporate Secretary on or before **May 5, 2017**, the deadline for submission of proxies. Proxies will be validated by the Special Committee of Inspectors.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted "for" the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.

A proxy submitted by a corporation should be accompanied by a Corporate Secretary's Certificate quoting the board resolution designating a corporate officer to execute the proxy. Proxies executed by brokers must be accompanied by a certification under oath stating that the broker has obtained the written consent of the account holder.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person. This proxy shall be valid for five (5) years from the date hereof unless otherwise indicated in the box herein provided.

This solicitation is primarily by mail; however, incidental personal solicitation may also be made by the officers, directors, and regular employees of the Company whose number is not expected to exceed fifteen and who receive no additional compensation therefor. The Company bears the cost, estimated not to exceed P3 Million, of preparing and mailing this proxy form and other materials furnished to stockholders in connection with this proxy solicitation and the expenses of brokers who may mail such materials to their customers.

No director or executive officer, nominee for election as director, or associate of such director, executive officer of nominee of the Company, at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

## CERTIFICATE OF INDEPENDENT DIRECTOR

I, **EMERLINDA R. ROMAN**, Filipino, of legal age, with address at 47 Kalaw Street, Miranila Homes, Tandang Sora, Quezon City hereby declare that:

1. I am a nominee for independent director of **PXP Energy Corporation** (the "Company") and have been its independent director since 2011.

2. I was a Professor of Business Administration at the University of the Philippines from 1974 to 2016, and am now Professor Emeritus at the Cesar E.A. Virata School of Business.

3. I am affiliated with the following companies or organizations:

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
Manila Tytana Colleges, Inc.	Chairman, Board of Advisers	2011 to present
Development Center for Finance, Inc.	Member, Board of Advisers	2011 to present
Angara Centre for Law and Economics	Chair, Board of Trustees	2012 to present
Redondo Peninsula Energy, Inc.	Member, Board of Directors	2012 to present
SMART Communications, Inc.	Member (Independent), Board of Directors	2013 to present
Digital Telecommunications Phils., Inc.	Member (Independent), Board of Directors	2013 to present
One Meralco Foundation	Member, Board of Directors	2012 to present

4. I possess all of the qualifications and none of the disqualifications to serve as an Independent Director of PXP Energy Corporation as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other SEC issuances.

5. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders.

6. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.

8. I shall inform the Corporate Secretary of the Company of any change in the abovementioned information within five (5) days from its occurrence.


Signed this 23<sup>st</sup> day of March 2017.

  
**EMERLINDA R. ROMAN**  
*Independent Director*

**SUBSCRIBED AND SWORN** to before me this 23<sup>st</sup> day of March 2017, affiant exhibiting to me her Philippine Passport No. EC4337432 issued at DFA Manila on 6 June 2015 bearing her photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 112 ;  
Page No.: 24 ;  
Book No.: I ;  
Series of 2017.

C2351 PXP Certificate of Independent Director ROMAN rev2/kci24-jo

  
**LISELLE ANGELA I. BASCARA**  
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI  
APPOINTMENT NO. M-490 (2016-2017)  
COMMISSION EXPIRES ON DECEMBER 31, 2017  
7<sup>th</sup> Floor, The PHINMA Plaza, 39 Plaza Drive  
Rockwell Center, Makati City 1210  
PTR No. 5913971; Makati City; 1/05/17  
IBP O.R. No. 1061057; Quezon City; 1/10/17  
TIN 453-501-052  
Attorney's Roll No. 86886, JUNE 2016

## CERTIFICATE OF INDEPENDENT DIRECTOR

I, **BENJAMIN S. AUSTRIA**, Filipino, of legal age, with address at 10 J. Bocobo St., Xavierville Subd., Loyola Heights, Quezon City, Philippines hereby declare that:

1. I am a nominee for independent director of **PXP Energy Corporation** (the "Company") and have been its independent director since 2011.

2. I am affiliated with the following companies or organizations:

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
Professional Regulation Commission	Member of the Board of Geology	March 2016 to present
Philippine Chamber of Commerce & Industry	Chairman of the Committee on Energy & Power	February 2014 to present
Trans-Asia Petroleum Corporation	Senior Adviser	March 2013 to present
Phil. Association for the Advancement of Science & Technology	Vice President (Earth Sciences and Geography) and Director	September 2001 to present
Philippine Petroleum Association of the Upstream Industry (Oil & Gas)	Executive Director	October 2014 to present

3. I possess all of the qualifications and none of the disqualifications to serve as an Independent Director of PXP Energy Corporation as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other SEC issuances.

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I hereby undertake to secure the written consent from the head of the Professional Regulation Commission to be an independent director of the Company, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

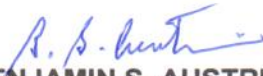
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of the Company of any change in the abovementioned information within five (5) days from its occurrence.

*N*



Signed this 23<sup>rd</sup> day of March 2017.

  
**BENJAMIN S. AUSTRIA**  
*Independent Director*

**SUBSCRIBED AND SWORN** to before me this 23<sup>rd</sup> day of March 2017, affiant exhibiting to me his GSIS ID No. 460129-0034-1 bearing his photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: III ;  
Page No.: 24 ;  
Book No.: I ;  
Series of 2017.

  
**LISELLE ANGELA I. BASCARA**  
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI  
APPOINTMENT NO. M-490 (2016-2017)  
COMMISSION EXPIRES ON DECEMBER 31, 2017  
7<sup>th</sup> Floor, The PHINMA Plaza, 39 Plaza Drive  
Rockwell Center, Makati City 1210  
PTR No. 5913971; Makati City; 1/05/17  
IBP O.R. No. 1061057; Quezon City; 1/10/17  
TIN 453-501-052  
Attorney's Roll No. 66666, JUNE 2016

Republic of the Philippines )  
Makati City )S.S.

**CERTIFICATION**

I, **BARBARA ANNE C. MIGALLOS**, of legal age, Filipino, and with office address at the 7<sup>th</sup> Floor, The PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City after having been sworn to in accordance with law, hereby certify that:

1. I am the Corporate Secretary of **PXP ENERGY CORPORATION** (the "Company"), a corporation organized and existing under Philippine law, with office address at 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila.

2. The following incumbent Directors of the Company are not connected with any government agency or instrumentality:

- 2.1 Manuel V. Pangilinan
- 2.2 Eulalio B. Austin, Jr.
- 2.3 Robert C. Nicholson
- 2.4 Marilyn A. Victorio-Aquino
- 2.5 Daniel Stephen P. Carlos
- 2.6 Emerlinda R. Roman (Independent)
- 2.7 Barbara Anne C. Migallos

3. Dr. Benjamin S. Austria, an incumbent Independent Director, is a member of the Board of Geology of the Professional Regulation Commission.

4. Ms. Diana Pardo-Aguilar, an incumbent Director, is a Commissioner of the Social Security Commission ("SSC"), the governing body of the Social Security System (the "SSS"). SSS is a shareholder of the Company.

5. Mr. Jose Gabriel M. La Viña, the nominee of the SSS for the 2017 elections, has the consent of the SSC as shown in the attached letter.


6. I hereby undertake to submit the written consent of the Professional Regulation Commission to the election of Dr. Austria as soon as available.

  
**BARBARA ANNE C. MIGALLOS**  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this 31<sup>st</sup> day of March 2017, affiant exhibiting to me her Community Tax Certificate No. 25010154 issued on 5 January 2017 at Makati City, and her Passport No. EC0356963 issued on 20 February 2014 at DFA Manila, expiring on 19 February 2019 bearing her photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 121 ;  
Page No.: 26 ;  
Book No.: I ;  
Series of 2017.

C2551 PXP - certification non-govtbcn/kci24-jo

  
**LISELLE ANGELA I. BASCARA**  
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI  
APPOINTMENT NO. M-490 (2016-2017)  
COMMISSION EXPIRES ON DECEMBER 31, 2017  
7<sup>th</sup> Floor, The PHINMA Plaza, 39 Plaza Drive  
Rockwell Center, Makati City 1210  
PTR No. 5913971; Makati City; 1/05/17  
IBP O.R. No. 1061057; Quezon City; 1/10/17  
TIN 453-501-052  
Attorney's Roll No. 68866, JUNE 2016



Republic of the Philippines  
**SOCIAL SECURITY COMMISSION**  
12th Floor, SSS Makati Building  
6782 Ayala Avenue Corner V.A. Rufino St., Makati City  
Tel. Nos. 813-4297; 813-4898; 813-4294 / Fax No. 813-4316

28 March 2017

**PXP ENERGY CORPORATION**  
(formerly Philex Petroleum Corporation)  
2<sup>nd</sup> Floor, LaunchPad  
Reliance corner Sheridan Streets  
Mandaluyong City

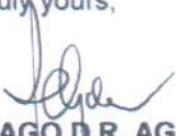
**Attention: ATTY. BARBARA ANNE C. MIGALLOS**  
Corporate Secretary

Dear Corporate Secretary Migallos:

Please be advised that the Social Security Commission, under its Resolution No. 240-s.2017 dated 27 March 2017, copy attached, has approved the nomination of Jose Gabriel M. La Viña as SSS' representative to the PXP Energy Corporation Board of Directors, replacing Diana Pardo Aguilar.

Thank you.

Very truly yours,

  
**SANTIAGO D.R. AGDEPPA**  
Commission Secretary/  
Executive Clerk of the Commission

att.: a/s



Republic of the Philippines  
**SOCIAL SECURITY COMMISSION**  
12th Floor, SSS Makati Building  
6782 Ayala Avenue Corner V.A. Rufino St., Makati City  
Tel. Nos. 813-4297; 813-4898; 813-4294 / Fax No. 813-4316

Referendum  
27 March 2017

**RESOLUTION NO. 240-s.2017**

RESOLVED, That the Commission approve and confirm, as it hereby approves and confirms, the nomination by Chairman Amado D. Valdez of Commissioner Jose Gabriel M. La Viña as SSS Nominee-Director for PXP Energy Corporation, formerly Philex Petroleum Corporation, replacing Commissioner Diana Pardo Aguilar.

CERTIFIED BY:

**SANTIAGO D.R. AGDEPPA**  
Commission Secretary/  
Executive Clerk of the Commission

REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY ) S.S.

**UNDERTAKING**

I, **BARBARA ANNE C. MIGALLOS**, of legal age, with office address at the 7<sup>th</sup> Floor, The PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, being the duly elected and incumbent Corporate Secretary of **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 (the "Company"), do hereby undertake to do the following:

1. Upload a copy of the Company's Interim Unaudited Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations or SEC Form 17-Q as of 30 March 2017 (the "First Quarter 17-Q") to the Company's website at least five (5) days before the 2017 Annual General Stockholders' Meeting to be held on 16 May 2017 (the "2017 AGM"); and

2. Provide copies of the First Quarter 17-Q, free of charge, to the Company's stockholders upon written request of said stockholders.

3. Publish in two (2) newspapers of general circulation, at least five (5) days before the 2017 AGM, a notice to the Company's stockholders that the First Quarter 17-Q is available on the Company's website and copies will be provided upon written request of the Company's stockholders.


**IN WITNESS WHEREOF**, I have hereunto signed this Undertaking this 31<sup>st</sup> day of March 2017 at Makati City.

  
**BARBARA ANNE C. MIGALLOS**  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this 31<sup>st</sup> day of March 2017, affiant exhibiting to me her Community Tax Certificate No. 25010154 issued on 5 January 2017 at Makati City, and her Passport No. EC0356963 issued on 20 February 2014 at DFA Manila, expiring on 19 February 2019 bearing her photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 120 ;  
Page No.: 25 ;  
Book No.: 1 ;  
Series of 2017.

C2351 Undertaking 17Q/kci24-jo

  
**LISELLE ANGELA I. BASCARA**  
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI  
APPOINTMENT NO. M-490 (2016-2017)  
COMMISSION EXPIRES ON DECEMBER 31, 2017  
7<sup>th</sup> Floor, The PHINMA Plaza, 39 Plaza Drive  
Rockwell Center, Makati City 1210  
PTR No. 5913971; Makati City; 1/05/17  
IBP O.R. No. 1061057; Quezon City; 1/10/17  
TIN 453-501-052  
Attorney's Roll No. 66688, JUNE 2016

## PXP ENERGY CORPORATION

### MANAGEMENT REPORT

#### I. Consolidated Audited Financial Statements

The Consolidated Financial Statements of PXP Energy Corporation (formerly Philex Petroleum Corporation) (“PXP” or “the Company”) and its subsidiaries for the year ended December 31, 2016, in compliance with SRC Rule 68, as amended, are attached to the Information Statement and are incorporated by reference.

#### II. Information on Independent Accountants and Other Related Matters

##### **EXTERNAL AUDIT FEES AND SERVICES**

###### **Audit and Audit-Related Fees**

For 2016, 2015 and 2014, independent auditors were engaged to express an opinion on the consolidated and stand-alone financial statements of the Company and its Subsidiaries (the “Group”), and to assist in the preparation of the income tax returns of the Group. A regular audit was carried out based on Philippine Standards on Auditing. The audit fees for these services were for P4.9 million for 2016, P5.0 million for 2015 and P11.2 million for 2014.

There were no non-regular audit conducted during the years 2016, 2015 and 2014.

###### **Tax Fees**

There were no tax-related services rendered by the independent auditors other than the assistance provided in the preparation of the income tax returns which formed part of the regular audit engagement.

###### **All Other Fees**

There were no other professional services rendered by the independent auditors.

###### **Audit Committee’s Approval of Policies and Procedures**

Prior to the commencement of audit work, the independent auditors present their audit program and schedule to the Company’s Audit Committee, which includes a discussion of anticipated issues. The Group’s audited consolidated financial statements for the year are presented by the external auditors to the Audit Committee for their endorsement to the Board and the Board’s final approval. Prior to endorsement by the Audit Committee, the independent auditors present a comprehensive report discussing the work carried out, areas of interest and their key findings and observations.

The independent auditors also provide limited review to the Group’s quarterly financial reports. This, together with the financial reports, is then presented to the Audit Committee for their endorsement to the Board of Directors for final approval and subsequent filing with the Securities and Exchange Commission.

## **CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There has been no change in the Company's independent accountants since the Company's incorporation in 2007, except for a change in the audit engagement partners: Mr. Aldrin M. Cerrado (2007 to 2011 audit), Mr. Jose Pepito E. Zabat (2012 to 2016 audit), and Mr. Alexis C. Zaragosa (recommended for the 2017 audit). There have been no unresolved disagreements.

### **Management Discussion and Analysis of Financial Position and Results of Operations FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

Information on the Group's results of operations and financial position presented in the 2016 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements are incorporated hereto by reference.

Consolidated operating revenues amounted to P101.6 million in 2016 (2015: P172.3 million; 2014: P307.9 million) consisting solely of revenues from petroleum (2014: P304.7 for petroleum million and P3.2 million for coal).

The lower petroleum revenue was mainly due to (1) the decline in average crude oil prices to \$43.4 per barrel (2015: \$54.0 per barrel; 2014: \$105.8 per barrel) during the years in review and; (2) the normal decline in the oil production of Service Contract 14 C-1 Galoc, yielding a gross volume of 1.7 million barrels of oil (2015: 2.4 million barrels; 2014: 2.8 million barrels) equivalent to 5 liftings (2015: 7 liftings; 2014: 9 liftings). The revenues were contributed by Forum Energy Limited ("Forum"), 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 during the year were as follows:

	2016	2015	2014
Revenues (In millions P)			
Oil and gas	<b>P101.6</b>	P172.3	P304.7
Coal	-	-	3.2
	<b>P101.6</b>	<b>P172.3</b>	<b>P307.9</b>
Sales			
Oil (barrels)*	<b>49,585</b>	69,646	81,158
Gas (mmBTU)	-	15,549	41,503
Coal (metric tons)	-	-	3,655

\*sale of petroleum, net to Forum

Costs and expenses totaled P170.8 million (2015: P326.8 million; 2014: P436.1 million). Petroleum production costs were lower at P115.4 million (2015: P98.0 million; 2014: P156.2 million), resulting from lesser oil output. General and administrative expenses decreased to P55.5 million (2015: P228.8 million; 2014: P279.3 million), resulting from management's continuing cost reduction plan and rationalization of business portfolio. This included the delisting of Forum, the rightsizing of manpower complement, the reduction in the number of directors in Forum and the sharing of resources between subsidiaries.

Net other income of P20.5 million was recorded during the year in review (2015: P10.5 million; 2014: net other charges P311.5 million) due to the following: lower net foreign exchange gain of P13.4 million (2015: P24.7 million; 2014: P0.1 million) arising from foreign exchange differences on the Group's dollar denominated cash and assets and reversal in

impairment loss of ₱4.7 million (Impairment losses and assets write-offs - net of reversals of 2015: ₱39.8 million; 2014: ₱322.2 million) arising from the proceeds of the sale of SC 53 to a third-party. In 2015, impairment charges were incurred as a result of Pitkin's exit in SC 53 Mindoro and Peru Block XXVIII. In 2014, the ₱322.2 million impairment loss was incurred mainly from the exit of Pitkin in SC 6A Octon. Net interest income stood at ₱3.2 million (2015: ₱6.0 million; 2014: ₱6.8 million) resulting from lower interest income in interest bearing money market placements.

(in Millions)	Years Ended December 31		
	2016	2015	2014
Foreign exchange gains - net	<b>₱13.3</b>	₱24.7	₱0.1
Provision and reversal of impairment and loss on write off of assets - net	<b>4.7</b>	(39.8)	(322.2)
Interest income	<b>3.3</b>	6.0	11.8
Interest expense and other charges	<b>(0.1)</b>	-	(5.0)
Others - net (Note 15)	<b>(0.7)</b>	19.6	3.8
<b>Total</b>	<b>₱20.5</b>	₱10.5	(₱311.5)

A lower consolidated net loss of ₱36.4 million (2015: ₱144.0 million; 2014: ₱448.7 million) was incurred primarily as a result of the following: lower cost and expenses coming from reduced overhead and oil output, amid lower revenues due to depressed crude oil prices and lower production from SC 14-C1 Galoc, which was partly offset by a net other income of ₱20.5 million (2015: ₱10.5 million; 2014: net other charges of ₱311.5 million). A higher net other charges was posted in 2014 as a result of the impairment loss related to Pitkin's exit in SC 6A Octon. As such, net loss attributable to equity holders of the Parent was lower at ₱22.4 million (2015: ₱87.5 million; 2014: ₱225.6 million), and core net loss was ₱52.5 million (2015: ₱129.9 million; 2014: ₱66.8 million), with both basic and diluted loss per share amounted to ₱0.013 (2015: ₱0.051 2014: ₱0.133).

As at December 31, 2016, the Company's total assets stood at ₱7.331 billion as against ₱7.228 billion as at December 31, 2015. Total current assets was marginally lower at ₱668.4 million from ₱670.3 million. Cash slightly increased from ₱526.4 million to ₱573.3 million which arose from the collection of receivables resulting from the timing difference of the collection of oil liftings in Galoc, the decrease in Other noncurrent assets due to the return of Peru XXVIII cash bond and tax credits by the Peruvian government to Pitkin as well as the increase in Trade and other payables after the receipt of cash from JV partners in SC 72 and SC 74. These were slightly offset by the increase in Deferred exploration costs spent mainly for SC 74.

Noncurrent assets slightly rose to ₱6.663 billion from ₱6.558 billion, largely arising from the increase in deferred exploration costs to ₱5.081 billion from ₱4.936 billion, offset by the decrease in other noncurrent assets to ₱0.9 million from ₱26.8 million.

Current liabilities as at the end of the year were marginally higher at ₱2.960 billion from ₱2.947 billion as at December 31, 2015. This was due to the increase in Trade and other payables to ₱27.9 million from ₱14.9 million while as at end of the year in review, total noncurrent liabilities remained flat at ₱1.314 billion from ₱1.338 billion.

As of December 31, 2016, total equity stood at ₱3.058 billion as against the end of 2015 at ₱2.967 billion. This was a result of the increase in non-controlling interest following the slight increase in Non-controlling interest including: (1) the increase in deficit coming from the net



loss incurred during the period offset by (2) the increase in cumulative translation adjustment on foreign currency subsidiaries related to changes in foreign currency translation.

Net Cash Provided by Operating Activities during the year amounted to ₱109.7 million (net outflows of 2015: ₱115.2 million; 2014: ₱84.3 million) resulting from lower operating cash costs, increased collection of Trade and other receivables due to timing differences in the sale of Galoc oil liftings and the increase in Trade and other payables coming from the cash calls paid to PXP by SC 74 consortium members. In 2015, the higher operating cash outflow vs 2014 was a result of higher cash operating costs, lower petroleum revenues, increase in payment of retirement benefits as well as trade creditors and suppliers.

Net Cash from Investing Activities resulted in a net outflow of ₱65.7 million (2015: ₱58.6 million; 2014: ₱199.9 million) due to exploration activities in SC53, SC75 and SC74, both in the current year and in the previous year. For 2014, the net outflow was associated with the exploration activities related to Peru Block XXVIII, SC 53, SC 74, and SC 75.

Net Cash used in Financing Activities amounted minimally at ₱299 thousand (2015: ₱1.205 billion; 2014: ₱428.8 million). In 2015, the net cash outflow arose from the \$10 million partial payment of PMC's Advances to PXP, while in 2014, cash was used primarily to pay the current portion of Forum's long term loan and the acquisition of Pitkin's own shares, which, was offset by inflows from net cash advances made by PMC to PXP.

Effect of exchange rate changes in cash and cash equivalents representing fluctuations in foreign currency exchange rates amounted to an inflow of ₱3.3 million (2015: outflow of ₱3.2 million; 2014: ₱0.1). At the end of the current year, Cash and cash equivalents amounted to ₱573.3 million (2015: ₱526.36million).

Whilst PXP had a deficit as at year end, the Group has sufficient cash to operate and may not need to raise funds in the next 12 months. In 2017, Galoc Production Company W.L.L., the operator of SC 14 C-1 Galoc will commence with the drilling of the Galoc-7/7ST appraisal well which seeks to unlock the potential for extending the life of the Galoc oil field. PXP does not expect to purchase or sell any significant equipment and does not have any significant change in the number of its employees.

## **TOP FIVE (5) KEY PERFORMANCE INDICATORS**

### **1) Enhance Value of Assets**

Maturing assets from the exploration to the development and production phases enhances the value of the Company's assets.

The key activities in 2016 which were aimed at enhancing asset value included: (a) preparations for the drilling of two exploration wells in Peru Block Z-38 [Pitkin 25%) and; (b) continuing exploration in SC 74 (PXP 70%). PXP, through its third party contractors recently finished the acquisition of 2D seismic, gravity and magnetic data in SC 74 on which the interpretation is expected to be completed during the second quarter of 2017. The SC 14C1 Consortium is also preparing for a Galoc Phase 3 development which will start with the drilling of an appraisal well, Galoc-7, within the first half of 2017. Seismic reprocessing has also been initiated in SCs 6A Octon and 6B Bonita which will be completed during the first quarter of 2017.

### **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 Company's asset portfolio during the period included the transfer of 70% operating interest in SC 74 from Pitkin to PXP. Also, Pitkin assigned its 70% interest in SC53 Mindoro to Mindoro-Palawan Oil and Gas, Inc. The assignment was approved by the Department of Energy on October 24, 2016.

### **3) Control of Costs and Expenses**

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

General and administrative expenses was reduced to P55.4 million (2015: P228.8 million; 2014: P279.3 million) attributed to management's continued cost containment initiatives, resulting to minimization of recurring expenses. In June 2015, the group reduced operating costs on Forum by de-listing its London entity, Forum Energy Plc, and by conducting manpower right-sizing in both Forum and Pitkin. 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.

Philex Mining Corporation ("PMC") provided cash advances for the Company's working capital, exploration activities and acquisition of assets. These advances are covered by a Pledge Agreement, approved by the shareholders on August 11, 2015, whereby such advances shall be payable within nine (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, particularly in Forum, 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 environmental-related incidents were recorded by the Company and its subsidiaries during the year.

### **KNOWN TRENDS, EVENTS OR UNCERTAINTIES**

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 cyclicity 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.

The Company has not, in the past year, revised its financial statements for reasons other than changes in accounting policies.

### **III. Brief Description of the General Nature and Scope of the Business of the Company and its Subsidiaries**

#### **CORPORATE PROFILE**

PXP Energy Corporation (formerly Philex Petroleum Corporation) ("PXP" or "the Company"), is a Philippine corporation organized in December 2007 and is listed in the Philippine Stock Exchange.

The Company has interests in various petroleum service contracts in the Philippines and Peru held directly and through its major subsidiaries, Pitkin Petroleum Limited ("Pitkin") and Forum Energy Limited ("Forum").

The Company's direct interest in Philippine petroleum service contracts includes (1) a 50% operating interest in SC 75; (2) a 70% operating interest in SC 74; (3) a 1.65% overriding royalty interest in SC 6 Cadlao and, (4) a 5.56% interest SC 6A Octon; all located in the Northwest Palawan.

The Company holds a 53.43% controlling interest in Pitkin, an upstream oil and gas company registered in the United Kingdom with operations in Peru. Pitkin's asset is a 25% participating interest in Peru Block Z-38 located in offshore Tumbes Basin.

The Company also holds a 67.19% controlling interest in Forum, with 48.77% held directly and 18.42% held indirectly through a 54.99%-owned subsidiary, FEC Resources, Inc. ("FEC"), a Canadian public company registered with the US Securities and Exchange Commission, the Alberta Securities Commission, and the British Columbia Securities Commission and quoted in North America. Forum, a UK incorporated company with focus on the Philippines, has: (a) a 70% operating interest in SC 72 Recto Bank which covers the Sampaguita natural gas discovery in offshore West Palawan, held through Forum (GSEC 101) Limited, (b) a 100% operating interest in SC 40 North Cebu held through Forum Exploration, Inc., and (c) minority interests in the SC 6 and SC 14 sub-blocks in offshore Northwest Palawan, including a 2.27% interest in the producing Galoc field, held through Forum Energy Philippines Corporation.

The Company owns 100% of Brixton Energy & Mining Corporation ("Brixton"), a coal mining company which operated Coal Operating Contract 130 in Zamboanga Sibugay in Mindanao until September 2013. On January 6, 2014, Brixton finalized agreements for the assignment of COC 130 to Grace Coal Mining and Development, Inc. which was approved by the Department of Energy ("DOE") on May 27, 2015.

#### **PRODUCT AND DISTRIBUTION**

The Company's primary business is the exploration and production of crude oil and natural gas, through interests in petroleum contracts and holdings in resource development companies with interests in petroleum service contracts. Crude oil and natural gas are fossil fuels that are derived from organic material deposited and buried in the earth's crust millions of years ago. Fossil fuels currently account for more than half of primary energy mix in the Philippines. Natural gas is also used to fuel nearly two-thirds of power generation in the country. It is likely that fossil fuels will continue to be the major energy source over the next decades, even with the development of alternative sources of energy.

Almost all of the Company's revenues are currently sourced from Forum's share of revenues from crude oil production in SC 14 in offshore Northwest Palawan.

The rest of the petroleum licenses are for projects still in the exploration or development stages and are not yet generating any revenues for the Company. Eighty-four percent (84%) (2015: 91%; 2014: 87%) of Forum's share of revenues from crude oil production in SC 14 in 2016, 2015 and 2014 were from crude oil sales to Korean, Thailand and Singapore markets while the rest are sold locally.

Crude oil sales are transported via marine crude oil tankers which are arranged either by the customer or the service contract operator depending on contract terms.

## **COMPETITION**

### **Petroleum Industry Overview**

The information presented in this section has been extracted from publicly available documents that have not been prepared nor independently verified by the Company, the Financial Adviser or any of their respective affiliates or advisers.

### **Petroleum Exploration and Production**

Crude oil and natural gas, collectively referred to as "petroleum", are natural deposits of hydrocarbons derived from organic material deposited and buried in the earth's crust millions of years ago. Crude oil can be refined to produce petroleum products such as transportation, domestic and industrial fuels, lubricants, asphalt and petrochemicals. Natural gas can be used for power generation, industrial, domestic and transportation fuel, and petrochemical feedstock.

Petroleum exploration in the Philippines dates back to 1896 with the drilling of Toledo-1 in Cebu Island by Smith Bell and Co. Exploration activities increased from the 1950s to 1970s, under Republic Act No. 387, known as the "Petroleum Act of 1949" which ushered in the era of the concession system.

The current Service Contract system was introduced in 1973 with the enactment of Presidential Decree No. 87, known as the "Oil Exploration and Development Act of 1972". Under the Service Contract system, the service contractor is obligated, among others, to perform all petroleum operations in the contract area and provide all necessary services, technology and financing for such operations. In consideration for the performance of its obligations as a service contractor, the contractor is entitled to a share in petroleum revenues in case of a commercial discovery and production.

Current petroleum production in the country is mainly from the Camago-Malampaya gas field and the Galoc oil field, which are both located offshore in the Northwest Palawan Basin. In 2016, total production from the Camago-Malampaya gas field, which started in October 2001, is approximately 140,516.18 million standard cubic feet of natural gas, and

4,146,201.77 barrels of condensate. The gas produced from the Camago-Malampaya field is used to fuel three natural gas-fired power stations with a total generating capacity of 2,700 megawatts to provide 35-40% of Luzon's power generation requirements. The Galoc oil field, which started production in October 2008, produced an average of approximately 5,131 barrels of oil per day in 2016.

As of December 2015, the Department of Energy's estimated potential and undiscovered mapped petroleum resources of the Philippines totalled to 20 million barrels of oil initially in place, 48 million barrels of condensate initially in place, and 1,417 billion cubic feet of gas initially in place.

These petroleum reserves calculations are based on the sixteen sedimentary basins situated all over the country from the Cagayan Valley Basin in the north down to the Agusan-Davao Basin in the south as well as the prolific Northwest Palawan Basin and the Sulu Sea Basin along the western flank of the archipelago. These basins extend on both offshore and onshore areas.

Under Presidential Decree No. 87, the following incentives are provided for petroleum service contractors:

- Service fee of up to 40% of net production
- Cost reimbursement of up to 70% gross production with carry-forward of unrecovered costs
- FPIA grants of up to 7.5% of the gross proceeds for service contract with minimum Filipino company participation of 15%
- Exemption from all taxes except income tax
- Income tax obligation paid out of government's share
- Exemption from all taxes and duties for importation of materials and equipment for petroleum operations
- Easy repatriation of investments and profits
- Free market determination of crude oil prices, i.e., prices realized in a transaction between independent persons dealing at arms-length
- Special income tax of 8% of gross Philippine income for subcontractors
- Special income tax of 15% of Philippine income for foreign employees of service contractors and subcontractors

### **Industry Competition**

Petroleum service contracts are awarded by the DOE through a competitive bidding process. Proposals are evaluated based on Department Circular No. DC2006-12-0014 as amended by DC2009-04-0004 and DC-2010-03-0005. Indicative weighing factors published by the DOE for the Fifth Philippine Energy Contracting Round launched in May 2014 are as follows:

<b>Criteria</b>	<b>Key Elements</b>	<b>Weight in Percent</b>
Work Program	Resource potential and exploration approach Work commitment Development concepts	40%
Financial qualifications	Evidence of available funds Finance track record	40%
Technical qualifications	Experience and track record	20%
Legal qualifications	Completeness and validity of required legal documents	Pass or Fail

While there is competition in the acquisition of petroleum service contracts, the significant financial commitments and technical risks also provide opportunities for partnership, especially between local and international companies. Under a service contract, a substantial financial incentive is given to consortia with at least 15% aggregate Filipino equity. Thus, many international companies invite local companies to join their venture to benefit from the said incentive.

The other active foreign and domestic petroleum exploration and production companies in the Philippines include Shell, Chevron, Total, Mitra Energy, PNOC Exploration Corporation, Nido Petroleum, The Philodrill Corporation, Oriental Petroleum, PetroEnergy Resources Corporation (“PERC”), and others.

The success of the Company’s petroleum business is highly dependent on the Company, along with its consortium partner’s, ability to secure exclusive rights to explore and develop resources.

The Company is currently one of the more active players in the Philippines in terms of exploration activity and believes it can effectively compete in the industry on the basis of its strengths.

**IV. Directors and Executive Officers**

The identities of each director and executive officer, including their principal occupation or employment, are stated in Item 5 of the Information Statement.

**V. Market Price of and Dividends on the Company’s Common Equity**

**MARKET INFORMATION**

On September 12, 2011, the Philippine Stock Exchange listed by way of introduction the Company’s shares at the initial listing price of ₱1.20 per share with the Company symbol PXP.

On August 8, 2016 from the Securities and Exchange Commission approved the change in the Company’s corporate name from “Philex Petroleum Corporation” to “PXP Energy Corporation.”

The Company’s public float as of December 31, 2016 is 33.40%.

The average stock prices for the Company’s common shares within the last two years were as follows:

<b>Period</b>	<b>High</b>	<b>Low</b>
1Q 2015	6.40	2.27
2Q 2015	3.03	1.49
3Q 2015	1.89	1.15
4Q 2015	1.92	1.23
1Q 2016	2.78	1.16
2Q 2016	5.29	2.01
3Q 2016	5.70	2.80
4Q 2016	4.75	3.20
Jan 2017	3.90	3.38
Feb 2017	3.75	3.10

The Company's stock was traded at P3.19 per share as of February 29, 2016.

## **HOLDERS**

Of the Company's 39,091 shareholders as of March 14, 2017 with 1,700,000,000 common shares issued and outstanding, the top 20 shareholders are as follows:

	<b>STOCKHOLDERS' NAME</b>	<b>NUMBER OF SHARES</b>	<b>% OF OWNERSHIP</b>
1)	PCD Nominee Corporation (Filipino, exclusive of Philex Mining and SSS shares held through PCD Nominee Corporation)	<u>403,299,995</u>	<u>23.724%</u>
2)	Philex Mining Corporation (indirectly through PCD Nominee Corporation)	335,864,728	19.757%
3)	Asia Link B.V.	284,470,725	16.734%
4)	Social Security System (direct and indirectly through PCD Nominee Corporation)	<u>214,916,804</u>	<u>12.624%</u>
5)	Two Rivers Pacific Holding Corporation	<u>125,608,156</u>	<u>7.389%</u>
6)	PCD Nominee Corporation (Non-Filipino)	<u>106,056,921</u>	<u>6.239%</u>
7)	Kirtman Limited	34,970,598	2.057%
8)	Maxella Limited	34,604,846	2.036%
9)	Makati Supermarket Corporation	2,464,201	0.145%
10)	The First National Investment Company, Inc.	2,073,157	0.122%
11)	Manuel V. Pangilinan	1,603,466	0.094%
12)	The First National Investment Company	1,524,380	0.090%
13)	Philippine Remnants Co., Inc.	1,438,125	0.085%
14)	Frank Pao	1,011,714	0.060%
15)	Paulino de Ugarte and/or Elena E. de Ugarte	852,943	0.050%
16)	Carol Joan Reif	826,795	0.049%
17)	Religious of the Virgin Mary-B	789,846	0.046%
18)	Robin John Pettyfer	735,239	0.043%
19)	Skyside Development Corp.	694,810	0.041%
20)	Lucio W. Yan and/or Clara Yan	677,625	0.040%
	<b>TOTAL</b>	<u><b>1,554,485,069</b></u>	<u><b>91.44%</b></u>

## **DIVIDENDS**

The Company has not declared any cash or other dividends from the time of its incorporation.

Apart from legal restrictions governing the declaration of dividends, there are no restrictions that limit the Company's ability to pay dividends whether currently or in the future.

On July 24, 2014, the Company has adopted a policy on the Timing of Cash Dividend Payment (within 30 calendar days from the date of declaration).

The Company has had no recent sales of unregistered or exempt securities, including issuances of securities constituting an exempt transaction.



## **VI. Compliance with Leading Practices on Corporate Governance**

The Company is committed to good corporate governance and the adoption of best corporate governance practices.

In June 2013, the Company submitted its Annual Corporate Governance Report (ACGR) to the Securities and Exchange Commission. A copy of the ACGR is available on the Company's website. The Company continues to review its corporate governance policies and practices to further enhance adherence to principles and practices of good corporate governance.

On February 20, 2014, the Company constituted a Corporate Governance Committee composed of two independent directors, Dr. Emerlinda R. Roman and Dr. Benjamin S. Austria, and one regular director, Atty. Marilyn A. Victorio-Aquino. The Corporate Secretary, Atty. Barbara Anne C. Migallos, was designated Corporate Governance Officer. The Committee has oversight responsibility in ensuring that the Company adopts and complies with leading corporate governance practices. The Committee has recommended the adoption of an updated Code of Business Ethics as well as the policies on Conflict of Interest, Whistle Blowing, Gifts and Entertainment and Supplier Relations, and it is anticipated that the formal adoption of these policies is forthcoming.

On April 24, 2014, the Company, upon approval of its Board of Directors, adopted the following policies: (1) Code of Business Conduct and Ethics; (2) Conflict of Interest Policy; (3) Policy on Gifts, Entertainment and Sponsored Travels; (4) Supplier/Contractor Relations Policy and; (5) Whistle Blowing Policy. Copies of these policies are available in the Company's website.

On July 24, 2014, the Company, upon approval of the Board of Directors, with recommendation from the Corporate Governance Committee adopted the following policies: (1) Revised Corporate Governance Manual pursuant to SEC Memorandum Circular No. 9, series of 2014; (2) Related Party Transactions Policy; (3) Corporate Governance Committee Charter; (4) Policy on Dealings in Company's shares of stock and; (5) Policy on the timing of dividend payment. Copies of these policies are available in the Company's website.

On December 29, 2014, January 9, 2015 and January 7, 2016, respectively, the Company uploaded to its website an update to its 2013, 2014 and 2015 Annual Corporate Governance Report.

On April 28, 2015, the Board, upon recommendation of the Corporate Governance Committee, adopted and approved the following: (1) Creation of a separate Risk Committee; (2) Orientation programs for new directors/commissioners; (3) Annual performance assessment of the CEO/President/Directors/Board committees and (4) Revised policy on review of independent directors on material/significant related party transactions.

The Audit Committee on a bi-annual basis, conducts a review on the effectiveness of the Group's internal control systems. The review covers all material controls, including financial, operational and compliance controls and risk management functions. The confirmation statements as to the determination of major control issues, identification of risk and corresponding mitigation and, adequacy and effectiveness of internal controls can be found in the Company's website.

The Company's Revised Manual on Corporate Governance is available on its website.



PXP ENERGY CORPORATION  
(formerly Philex Petroleum Corporation)  
2/F LaunchPad  
Reliance cor. Sheridan Sts.  
Mandaluyong City 1550 Philippines  
Tel.: (632) 631-1381 to 88  
Fax: (632) 570-0686

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PXP ENERGY CORPORATION** (formerly Philex Petroleum Corporation) is responsible for the preparation and fair presentation of the financial statements for the years ended **December 31, 2016 and 2015**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

A handwritten signature in black ink, appearing to read 'Manuel V. Pangilinan', written above a horizontal line.

Mr. Manuel V. Pangilinan  
Chairman of the Board

A handwritten signature in black ink, appearing to read 'Daniel Stephen P. Carlos', written above a horizontal line.

Mr. Daniel Stephen P. Carlos  
President

A handwritten signature in blue ink, appearing to read 'Paraluman M. Navarro', written above a horizontal line.

Ms. Paraluman M. Navarro  
Treasurer

Signed this 28<sup>th</sup> day of February 2017

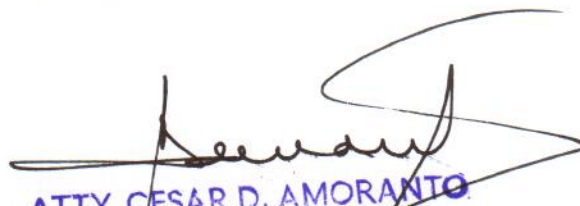
PASIG CITY 15 MAR 2017

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of March 2017, affiants exhibiting to me the following:

Name	Government Issued ID Card No.	Date and Place Issued
Manuel V. Pangilinan	Philippine Passport No. EC1452578	Issued on 20 June 2014 at DFA Manila
Daniel Stephen P. Carlos	Philippine Passport No. EB8770543	Issued on 24 July 2013 at DFA Manila
Paraluman M. Navarro	PRC ID Card Registration No. 0084884	Issued on 9 Feb. 2016 at PRC Manila

each bearing their photographs and signatures, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 384  
Page No.: 78  
Book No.: 39  
Series of 2017.

  
**ATTY. CESAR D. AMORANTO**  
Notary Public  
Pasig, San Juan, Pateros, MM.  
Until December 31, 2018  
686 B Shaw Blvd. Kapitolyo, Pasig City  
PTR NO. 2495003 JAN. 3, 2017  
IBP NO. 1050301 OCT. 20, 2016 Rol. NO. 6637  
MCLE EXEMPT - MAR. 8, 2010  
Appointment NO. 10 (2017-2018)

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

C	S	2	0	0	7	1	9	8	1	9
---	---	---	---	---	---	---	---	---	---	---

**COMPANY NAME**

P	X	P	E	N	E	R	G	Y	C	O	R	P	O	R	A	T	I	O	N	(	f	o	r	m	e	r
l	y	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	)	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S										

**PRINCIPAL OFFICE** ( No. / Street / Barangay / City / Town / Province )

2	/	F	L	a	u	n	c	h	P	a	d	,	R	e	l	i	a	n	c	e	c	o	r	.	S	
h	e	r	i	d	a	n	S	t	r	e	e	t	s	,	M	a	n	d	a	l	u	y	o	n	g	C
i	t	y																								

Form Type

I	7	-	A
---	---	---	---

Department requiring the report

N	/	A
---	---	---

Secondary License Type, If Applicable

N	/	A
---	---	---

**COMPANY INFORMATION**

Company's Email Address

admin@pxpenergy.com.ph
------------------------

Company's Telephone Number

(632) 631-1381
----------------

Mobile Number

N/A
-----

No. of Stockholders

39,146
--------

Annual Meeting (Month / Day)

5/16
------

Fiscal Year (Month / Day)

12/31
-------

**CONTACT PERSON INFORMATION**

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Daniel Stephen P. Carlos
--------------------------

Email Address

admin@pxpenergy.com.ph
------------------------

Telephone Number/s

(632) 631-1381
----------------

Mobile Number

N/A
-----

**CONTACT PERSON'S ADDRESS**

**2/F LaunchPad, Reliance cor. Sheridan Streets, Mandaluyong City**

**NOTE 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
PXP Energy Corporation  
2/F LaunchPad  
Reliance corner Sheridan Streets  
Mandaluyong City

### Opinion

We have audited the consolidated financial statements of PXP Energy Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



### *Recoverability of Deferred Oil and Gas Exploration Costs*

The Group capitalizes costs incurred in the exploration stage of its oil and gas assets. As disclosed in Note 10 to the consolidated financial statements, PXP, through its various subsidiaries, has deferred oil and gas exploration costs as at December 31, 2016 amounting to □5,081 million, which is 69% of the Group's consolidated assets. The ability of the Group to realize their deferred oil and exploration costs depends on the success of their exploration and future development work in proving the viability of their oil properties to produce oil in commercial quantities. The assessment of the recoverability of the deferred oil and gas exploration costs involves significant management judgment and is considered as having a high estimation uncertainty and significant risk estimate.

#### *Audit response*

We obtained management's assessment on the recoverability of these deferred oil exploration costs and inquired about their plans on operations. We inspected service contracts and relevant joint operations agreements of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired and the Group has rights and obligations under the contracts through participating interests. We obtained and reviewed the work program and budget duly approved by the Consortium and the regulatory agency. We also obtained the latest management disclosures regarding the status of their service contracts and assessed the adequacy to support the assessment of management regarding its recoverability.

### *Recoverability of Goodwill*

The Group is required to test goodwill acquired in a business combination annually. As at December 31, 2016, the Group's goodwill primarily attributable to Peru Block Z-38 and Service Contract 72 amounted to □1,238 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on certain assumptions, such as gross profit, operating margin, capital expenditures and discount rate. The Group's disclosures about goodwill are included in Note 4 to the consolidated financial statements.

#### *Audit response*

We obtained an understanding of the Group's recoverability assessment process and the related controls. We assessed the competence, capability and objectivity of the Group's specialist by considering their qualifications and experience. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include forecasted revenue base, gross margin/profit, operating margin, capital expenditures and discount rate. We compared the key assumptions used against the historical performance of the cash-generating units and other relevant external data. In addition, we tested the parameters used in the derivation of the discount rate against market data.



## **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

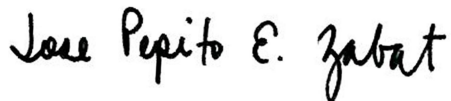




From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jose Pepito E. Zabat III.

SYCIP GORRES VELAYO & CO.



Jose Pepito E. Zabat III  
Partner

CPA Certificate No. 85501

SEC Accreditation No. 0328-AR-3 (Group A),  
May 1, 2015, valid until April 30, 2018

Tax Identification No. 102-100-830

BIR Accreditation No. 08-001998-60-2015,  
February 27, 2015, valid until February 26, 2018

PTR No. 5908781, January 3, 2017, Makati City

February 28, 2017



**PXP ENERGY CORPORATION**  
(formerly Philex Petroleum Corporation)  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands, Except Par Value per Share and Number of Equity Holders)

	December 31	
	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	₱573,341	₱526,355
Trade and other receivables (Note 6)	63,480	111,630
Inventories - net (Note 7)	19,160	9,044
Other current assets (Note 8)	13,231	23,260
<b>Total Current Assets</b>	<b>669,212</b>	<b>670,289</b>
<b>Noncurrent Assets</b>		
Property and equipment - net (Note 9)	307,835	333,049
Deferred oil and gas exploration costs - net (Note 10)	5,081,450	4,936,712
Deferred income tax assets (Note 17)	33,706	22,723
Goodwill (Note 4)	1,238,583	1,238,583
Other noncurrent assets (Note 11)	939	26,824
<b>Total Noncurrent Assets</b>	<b>6,662,513</b>	<b>6,557,891</b>
<b>TOTAL ASSETS</b>	<b>₱7,331,725</b>	<b>₱7,228,180</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 12)	₱27,937	₱14,932
Advances from related parties (Note 18)	2,931,701	2,931,943
Income tax payable	25	33
<b>Total Current Liabilities</b>	<b>2,959,663</b>	<b>2,946,908</b>
<b>Noncurrent Liabilities</b>		
Deferred income tax liabilities (Note 17)	1,109,848	1,112,043
Other noncurrent liabilities (Notes 9, 19 and 25)	203,704	201,981
<b>Total Noncurrent Liabilities</b>	<b>1,313,552</b>	<b>1,314,024</b>
<b>Total Liabilities</b>	<b>4,273,215</b>	<b>4,260,932</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock - ₱1 par value (Note 16)	1,700,000	1,700,000
Equity reserves (Notes 4 and 16)	128,842	120,172
Deficit	(1,255,567)	(1,233,205)
Cumulative translation adjustment on foreign subsidiaries	70,016	(3,958)
	643,291	583,009
<b>Non-controlling interests (Note 16)</b>	<b>2,415,219</b>	<b>2,384,239</b>
<b>Total Equity</b>	<b>3,058,510</b>	<b>2,967,248</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱7,331,725</b>	<b>₱7,228,180</b>

See accompanying Notes to Consolidated Financial Statements.



**PXP ENERGY CORPORATION**  
**(formerly Philex Petroleum Corporation)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

**(Amounts in Thousands, Except Loss per Share)**

	<b>Years Ended December 31</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>PETROLEUM AND OTHER REVENUES</b> (Note 24)	<b>₱101,579</b>	₱172,250	₱307,882
<b>COSTS AND EXPENSES</b>			
Petroleum and other production costs (Note 14)	<b>115,405</b>	97,981	156,178
General and administrative expenses (Note 14)	<b>55,415</b>	228,822	279,267
Others	—	—	620
	<b>170,820</b>	326,803	436,065
<b>OTHER INCOME (CHARGES)</b>			
Foreign exchange gains - net	<b>13,341</b>	24,675	110
Reversal of (provision for) impairment and loss on write off of assets - net (Note 15)	<b>4,748</b>	(39,847)	(322,227)
Interest income (Note 5)	<b>3,316</b>	6,099	11,770
Interest expense and other charges (Notes 9, 12, 13 and 18)	<b>(120)</b>	—	(5,014)
Others - net (Note 15)	<b>(748)</b>	19,615	3,837
	<b>20,537</b>	10,542	(311,524)
<b>LOSS BEFORE INCOME TAX</b>	<b>(48,704)</b>	(144,011)	(439,707)
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 17)			
Current	<b>73</b>	14	468
Deferred	<b>(12,390)</b>	2	8,479
	<b>(12,317)</b>	16	8,947
<b>NET LOSS</b>	<b>(₱36,387)</b>	(₱144,027)	(₱448,654)
<b>NET LOSS ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company	<b>(₱22,362)</b>	(₱87,540)	(₱225,591)
Non-controlling interests	<b>(14,025)</b>	(56,487)	(223,063)
	<b>(₱36,387)</b>	(₱144,027)	(₱448,654)
<b>BASIC/DILUTED LOSS PER SHARE</b> (Note 23)	<b>(₱0.013)</b>	(₱0.051)	(₱0.133)

*See accompanying Notes to Consolidated Financial Statements.*



**PXP ENERGY CORPORATION**  
**(A Subsidiary of Philex Mining Corporation)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Amounts in Thousands)**

	<b>Years Ended December 31</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>NET LOSS</b>	<b>(₱36,387)</b>	<b>(₱144,027)</b>	<b>(₱448,654)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Gain on translation of foreign subsidiaries	<b>129,343</b>	92,430	9,032
	<b>129,343</b>	92,430	9,032
<i>Item not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement losses on defined benefit plans (Note 19)	-	-	(1,202)
	<b>129,343</b>	92,430	7,830
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱92,956</b>	<b>(₱51,597)</b>	<b>(₱440,824)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>			
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company	<b>₱51,612</b>	(₱34,480)	(₱222,811)
Non-controlling interests	<b>41,344</b>	(17,117)	(218,013)
	<b>₱92,956</b>	<b>(₱51,597)</b>	<b>(₱440,824)</b>

*See accompanying Notes to Consolidated Financial Statements.*



**PXP ENERGY CORPORATION**  
**(formerly Philex Petroleum Corporation)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**  
**(Amounts in Thousands)**

	Attributable to Equity Holders of the Parent						Non-controlling Interests (Note 16)	Total
	Capital Stock (Note 16)	Equity Reserves (Note 16)	Retained Deficit	Cumulative Translation Adjustment on Foreign Subsidiaries	Subtotal			
<b>BALANCES AT DECEMBER 31, 2013</b>	<b>₱1,700,000</b>	<b>(₱123)</b>	<b>(₱919,383)</b>	<b>(₱61,000)</b>	<b>₱719,494</b>	<b>₱3,785,894</b>	<b>₱4,505,388</b>	
Net loss for the year	–	–	(225,591)	–	(225,591)	(223,063)	(448,654)	
Other comprehensive income (loss):	–	–	–	–	–	–	–	
<i>Items to be reclassified to profit or loss in subsequent periods:</i>								
Gain on translation of foreign subsidiaries	–	–	–	3,982	3,982	5,050	9,032	
<i>Item not to be reclassified to profit or loss in subsequent periods:</i>								
Re-measurement losses on defined benefit plans (Note 19)	–	–	(691)	–	(691)	(511)	(1,202)	
Total comprehensive income (loss) for the year	–	–	(226,282)	3,982	(222,300)	(218,524)	(440,824)	
Effects of transactions with owners (Note 16)	–	49,093	–	–	49,093	(440,966)	(391,873)	
<b>BALANCES AT DECEMBER 31, 2014</b>	<b>1,700,000</b>	<b>48,970</b>	<b>(1,145,665)</b>	<b>(57,018)</b>	<b>546,287</b>	<b>3,126,404</b>	<b>3,672,691</b>	

(Forward)



Attributable to Equity Holders of the Parent

	Capital Stock (Note 16)	Equity Reserves (Note 16)	Retained Earnings (Deficit)	Cumulative Translation Adjustment on Foreign Subsidiaries	Subtotal	Non- controlling Interests (Note 16)	Total
<b>BALANCES AT DECEMBER 31, 2014</b>	<b>₱1,700,000</b>	<b>₱48,970</b>	<b>(₱1,145,665)</b>	<b>(₱57,018)</b>	<b>₱546,287</b>	<b>₱3,126,404</b>	<b>₱3,672,691</b>
Net loss for the year			(87,540)		(87,540)	(56,487)	(144,027)
Other comprehensive income (loss):							
<i>Items to be reclassified to profit or loss in subsequent periods:</i>							
Gain on translation of foreign subsidiaries	-	-	-	53,060	53,060	39,370	92,430
Total comprehensive income (loss) for the year	-	-	(87,540)	53,060	(34,480)	(17,117)	(51,597)
Effects of transactions with owners (Note 16)	-	71,202	-	-	71,202	(725,048)	(653,846)
<b>BALANCES AT DECEMBER 31, 2015</b>	<b>1,700,000</b>	<b>120,172</b>	<b>(1,233,205)</b>	<b>(3,958)</b>	<b>583,009</b>	<b>2,384,239</b>	<b>2,967,248</b>
Net loss for the year	-	-	(22,362)	-	(22,362)	(14,025)	(36,387)
Other comprehensive income (loss):							
<i>Items to be reclassified to profit or loss in subsequent periods:</i>							
Gain on translation of foreign subsidiaries	-	-	-	73,974	73,974	55,369	129,343
Total comprehensive income (loss) for the year	-	-	(22,362)	73,974	51,612	41,344	92,956
Effects of transactions with owners (Note 16)	-	8,670	-	-	8,670	(10,364)	(1,694)
<b>BALANCES AT DECEMBER 31, 2016</b>	<b>₱1,700,000</b>	<b>₱128,842</b>	<b>(₱1,255,567)</b>	<b>₱70,016</b>	<b>₱643,291</b>	<b>₱2,415,219</b>	<b>₱3,058,510</b>

See accompanying Notes to Consolidated Financial Statements.



**PXP ENERGY CORPORATION**  
**(formerly Philex Petroleum Corporation)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts in Thousands)**

	<b>Years Ended December 31</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	<b>(₱48,704)</b>	(₱144,011)	(₱439,707)
Adjustments for:			
Depletion and depreciation (Note 14)	<b>50,102</b>	15,355	63,573
Gain on sale of property and equipment (Note 9)	–	(1,688)	–
Movement in retirement liability (Note 19)	–	(28,356)	8,929
Interest expense and other charges (Notes 9, 12, 13 and 18)	<b>(120)</b>	–	5,014
Interest income (Note 5)	<b>(3,316)</b>	(6,099)	(11,770)
Provision and reversal of impairment and loss on write off of assets - net (Note 15)	<b>(4,748)</b>	39,847	322,227
Unrealized foreign exchange losses (gains) - net	<b>(13,341)</b>	24,675	(110)
Operating loss before working capital changes	<b>(20,127)</b>	(100,277)	(51,844)
Decrease (increase) in:			
Trade and other receivables	<b>79,708</b>	18,947	16,135
Inventories - net	<b>(5,722)</b>	10,890	5,780
Other current assets	<b>18,975</b>	19,973	(14,958)
Increase (decrease) in trade and other payables	<b>33,550</b>	(72,982)	(17,369)
Net cash generated from (used in) operations	<b>106,384</b>	(123,449)	(62,256)
Interest received	<b>3,316</b>	8,888	16,712
Income taxes paid	<b>(81)</b>	(634)	(68)
Interest paid	–	–	(38,675)
Net cash from (used in) operating activities	<b>109,619</b>	(115,195)	(84,287)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in other noncurrent assets (Note 11)	<b>25,885</b>	–	–
Additions to:			
Deferred oil and gas exploration costs and other noncurrent assets (Notes 10 and 24)	<b>(84,618)</b>	(55,944)	(169,140)
Property and equipment	<b>(5,251)</b>	(6,701)	(45,647)
Proceeds from sale of property and equipment (Note 9)	–	4,033	14,925
Payment for cancellation of shares (Note 16)	<b>(1,694)</b>	–	–
Net cash used in investing activities	<b>(65,678)</b>	(58,612)	(199,862)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2016</b>	2015	2014
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments made to related parties (Note 18)	<b>(₱243)</b>	(₱494,126)	₱-
Additional advances from related parties (Note 18)	-	4,234	76,939
Settlement of long-term loan (Notes 13 and 25)	-	-	(110,033)
Acquisition by subsidiary of own shares (Note 16)	-	(715,143)	(395,733)
Net cash used in financing activities	<b>(243)</b>	(1,205,035)	(428,827)
<b>EFFECT OF EXCHANGE RATE CHANGES</b>			
<b>ON CASH AND CASH EQUIVALENTS</b>	<b>3,288</b>	(3,168)	(133)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>46,986</b>	(1,382,010)	(713,109)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>526,355</b>	1,908,365	2,621,474
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)</b>	<b>₱573,341</b>	₱526,355	₱1,908,365

*See accompanying Notes to Consolidated Financial Statements.*





**PXP ENERGY CORPORATION**  
**(formerly Philex Petroleum Corporation)**  
**AND SUBSIDIARIES**

---

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in Thousands, Except Amounts per Unit and Number of Shares)**

---

**1. Corporate Information, Business Operations, and Authorization for Issuance of the Consolidated Financial Statements**

Corporate Information

PXP Energy Corporation (formerly Philex Petroleum Corporation or the Parent Company) was incorporated in the Philippines on December 27, 2007 to carry on businesses related to any and all kinds of petroleum and petroleum products, mineral oils, and other sources of energy. The Parent Company (or PXP) was subsequently listed on the Philippine Stock Exchange (PSE) on September 12, 2011.

PXP's former ultimate parent is Philex Mining Corporation (PMC) which was incorporated in the Philippines and whose shares of stock are listed in the PSE. In February 2016, PMC declared a portion of its shares in the Parent Company as property dividends to all stockholders resulting in PMC losing control over PXP. The dividends were distributed on July 15, 2016.

On September 24, 2010, PXP acquired from PMC all of its investment in the shares of stock of FEC Resources, Inc. (FEC) consisting of 225,000,000 shares representing 51.24% ownership interest at a purchase price of ₱342,338. As a result of the acquisition of FEC which at that time held 25.63% ownership interest in Forum Energy Ltd. (FEL), the number of shares owned and controlled by PXP in FEL thereafter totaled to 21,503,704 shares, which represented at that time 64.45% ownership interest in FEL. In 2012, certain directors and employees of FEL exercised their option over 2,185,000 ordinary shares. As a result, the ownership interest of PXP and FEC in FEL was diluted to 36.44% and 24.05%, respectively.

In June 2015, PXP bought additional investment from the non-controlling interests (NCI) owners of FEL for 20 British Pence per share. The NCIs sold 2,383,777 shares for a total consideration of □33,889,615. Then, in November of the same year, PXP further purchased additional shares of FEL from FEC for 21 British Pence per share. FEC sold 2,000,000 shares for a total consideration of □29,816,472. Following these transactions, PXP's interest in FEL increased from 36.44% to 48.77% (see Note 2).

In January 2016, FEC cancelled its 30,000,000 shares previously held under escrow. As a result, PXP's ownership interest increased from 51.24% to 54.99% (see Note 2).

On April 5, 2013, PXP increased its shareholding in Pitkin Petroleum Ltd. (Pitkin) from 18.46% to 50.28% through subscription of 10,000,000 new ordinary shares and purchase of 36,405,000 shares from existing shareholders at US\$0.75 per share. The transaction led to PXP obtaining control over Pitkin. Pitkin was incorporated and registered in the United Kingdom (UK) of Great Britain and Northern Ireland on April 6, 2005.



On July 2, 2014, PXP surrendered 2,000,000 of its shares held in Pitkin following the latter's tender offer to buy back 11,972,500 shares equivalent to 8.55% of all shares outstanding as of that date for a consideration of US\$1.00 per share. Pitkin received a total of 11,099,000 shares surrendered from its existing shareholders. The share buyback transaction resulted to an increase in PXP's ownership in Pitkin from 50.28% to 53.07%.

In May 2015, Pitkin tendered another offer to buy back its outstanding shares for a consideration US\$0.75 per share. The Parent Company and the non-controlling interests surrendered 21,373,000 shares and 19,499,500 shares, respectively. Following this transaction, PXP's interest in Pitkin has increased from 53.07% to 53.43% (see Note 2).

The foregoing Companies are collectively referred to as 'the Group' whose revenue is derived primarily from oil and gas assets in the Philippines.

The Parent Company's registered business address is 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City.

#### Business Operations

##### *PXP Parent Company*

The Parent Company's principal asset is a 50% operating interest in Service Contract (SC) 75. It covers an area of 6,160 square kilometers in the NW Palawan Basin. However due to *force majeure*, exploration activities in the area are temporarily suspended as at December 31, 2016.

On April 25, 2016, the Department of Energy (DOE) approved the Purchase and Sale Agreement (PSA) and Deed of Assignment (DOA) entered by PXP and Pitkin Petroleum (Philippines) Plc transferring the latter's 70% interest in SC 74 to PXP.

In December 2016, processing of seismic data for SC 74 was completed. Geological and geophysical (G&G) studies is planned to commence in 2017 which includes the interpretation of the newly processed 2D data.

##### *FEL and its subsidiaries*

FEL's principal asset is a 70% interest in SC 72 which covers an area of 8,800 square kilometers in the West Philippine Sea. FEL is scheduled to accomplish its second sub-phase of exploration activities from August 2011 to August 2013. However, due to maritime disputes between the Philippine and Chinese governments, exploration activities in the area are temporarily suspended as at December 31, 2016.

FEL's SC 14C Galoc has completed its development of Galoc Phase 2 which increased the capacity of the field to produce from 4,500 barrels of oil per day (BOPD) to 12,000 BOPD in December 2013.

In October 2016, the consortium approved the drilling of Galoc-7 to test the Mid Galoc Prospect, which is estimated to contain resources of 6.2 to 14.6 million stock tank barrels (MSTB) with the DOE approving the drilling program and budget on November 8, 2016.

##### *Pitkin and its subsidiaries*

Pitkin is an international upstream oil and gas group, engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products with operations in the Philippines and Peru. Pitkin's principal asset is 25% interest in Peru Block Z-38.



#### Recovery of Deferred Oil and Gas Exploration Costs

The Group's ability to realize its deferred oil and gas exploration costs amounting to ₱5,081,450 and ₱4,936,712 as at December 31, 2016 and 2015, respectively (see Note 10) depends on the success of its exploration and future development work in proving the viability of its oil and gas properties to produce oil and gas in commercial quantities, which cannot be determined at this time. The consolidated financial statements do not include any adjustment that might result from this uncertainty.

#### Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements are authorized for issuance by the Parent Company's Board of Directors (BOD) on February 28, 2017.

---

## 2. **Basis of Preparation, Summary of Significant Accounting Policies and Financial Reporting Practices**

#### Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine Peso (Peso), which is the Parent Company's functional and reporting currency, rounded to the nearest thousand (₱000) except when otherwise indicated.

#### Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*



### Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2017*

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014-2016 Cycle)*

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Group.

#### *Effective beginning on or after January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.



On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9*, *Financial Instruments*, with *PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized 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 PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

- PFRS 9, *Financial Instruments*

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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.



- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)  
The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*  
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*  
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

*Effective beginning on or after January 1, 2019*

- PFRS 16, *Leases*  
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.  
The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.



Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

#### *Deferred effectivity*

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

### Summary of Significant Accounting Policies and Financial Reporting Practices

#### Presentation of Financial Statements

The Group has elected to present all items of recognized income and expenses in two statements: a statement displaying components of profit or loss in the consolidated statement of income and a second statement beginning with profit or loss and displaying components of other comprehensive income (OCI) in the consolidated statement of comprehensive income.

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only, if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights



The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the assets (including goodwill), and liabilities, non-controlling interests and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The Parent Company's principal subsidiaries and their nature of business are as follows:

Subsidiary	Nature of Business
Brixton Energy & Mining Corporation (BEMC)	Incorporated in the Philippines on July 19, 2005 to engage in exploration development and utilization of energy-related resources. On January 6, 2014, BEMC has finalized the agreements for the assignment of Coal Operating Contract (COC) 130 to Grace Coal Mining and Development, Inc. (GCMDI). On May 27, 2015, the DOE has approved the assignment completing the transfer of COC 130 from BEMC to GCMDI.
FEC	Incorporated on February 8, 1982 under the laws of Alberta, Canada. Primarily acts as an investment holding company.
FEL	Incorporated on April 1, 2005 in England and Wales primarily to engage in the business of oil and gas exploration and production, with focus on the Philippines, particularly, a 70% interest in SC 72 Galoc.
Forum Energy Philippines Corporation (FEPCO)	FEPCO was incorporated in the Philippines on March 27, 1988 and is involved in oil and gas exploration in the Philippines, particularly a 2.27% interest in SC 14 C-1 Galoc.
Forum Exploration, Inc. (FEI)	FEI was incorporated in the Philippines on September 11, 1997 and is involved in oil and gas exploration in the Philippines.
Forum (GSEC101) Ltd. (FGSECL)	FGSECL was incorporated in Jersey on March 31, 2005 and is involved in oil and gas exploration in the Philippines.
Forum (GSEC101) Ltd. - Philippine Branch (GSEC)	GSEC was established as a Philippine branch on October 17, 2005 and is involved in oil and gas exploration in the Philippines, specifically, SC 72 Recto Bank.
Pitkin Petroleum Ltd. (Pitkin)	Pitkin was incorporated and registered in UK of Great Britain and Northern Ireland on April 6, 2005 and is engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products.





Subsidiary	Nature of Business
Pitkin Petroleum (Philippines) Plc (PPP)	PPP was registered as the Philippine Branch of Pitkin Petroleum Ltd. on March 19, 2008 and is engaged in the exploration of oil and gas assets in Philippine territories.
Pitkin Petroleum Peru Z-38 SRL (Z38)	Incorporated on October 5, 2006 and is presently engaged in exploration of oil and gas in Peru, specifically, Peru Block Z-38.

Also included as part of the Parent Company's subsidiaries are those intermediary entities which are basically holding companies established for the operating entities mentioned above. The following are the intermediary entities of the Group: Pitkin Peru LLC (PPR) and Pitkin Vamex LLC (PVX).

On July 18, 2016, Forum Philippine Holdings Limited (FPHL) and Forum (FEI) Limited, both wholly-owned by FEL were dissolved. On May 19, 2016, Pitkin sold Pitkin Petroleum 2 LLC and Pitkin Petroleum 3 LLC to a third party.

The ownership of the Parent Company over the foregoing companies as at December 31, 2016 and 2015 is summarized as follows:

	Percentages of Ownership			
	2016		2015	
	Direct	Indirect	Direct	Indirect
BEMC	100.00	—	100.00	—
FEC	54.99	—	51.24	—
FEL	48.77	10.13	48.77	9.44
FEL	—	58.90	—	58.21
FEPCO	—	58.90	—	58.21
FPHL	—	—	—	58.21
FFEIL	—	—	—	58.21
FGSECL	—	58.90	—	58.21
FEI	—	39.27	—	38.81
GSEC	—	58.90	—	58.21
Pitkin	53.43	—	53.43	—
PPP	53.43	—	—	—
PVX	—	53.43	—	53.43
Z38	—	40.07	—	40.07
PPR	—	53.43	—	53.43
Z38	—	13.36	—	13.36
PP2	—	—	—	53.43
PXX	—	—	—	40.07
PP3	—	—	—	53.43
PXX	—	—	—	13.36



*Non-controlling interest (NCI)*

NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company. Profit or loss and each component of other comprehensive income (loss) are attributed to the equity holders of the Parent Company and to the non-controlling interest. Total comprehensive income (loss) is attributed to the equity holders of the Parent Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Non-controlling interest represents the portion of profit or loss and the net assets not held by the Group.

Business Combination and Goodwill

*Acquisition method*

Business combinations, except for business combination between entities under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is remeasured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.



Impairment is determined for goodwill by assessing the recoverable amount of the Cash Generating Unit (CGU) or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every December 31.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

#### Interest in Joint Arrangements

PFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

#### *Joint operations*

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognizes its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

#### Foreign Currency Translation of Foreign Operations

The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statements of each subsidiary are measured using that functional currency. The Group has elected to recognize the translation adjustment that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation. Transactions in foreign currencies are initially recorded in the functional currency rate on the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the end of the reporting period. All exchange differences are recognized in the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.



For purposes of consolidation, the financial statements of FEL and Pitkin, which are expressed in United States (US) dollar amounts, and the financial statements of FEC, which are expressed in Canadian (Cdn) dollar amounts, have been translated to Peso amounts as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the consolidated statement of financial position
- income and expenses in the statement of income are translated at exchange rates at the average monthly prevailing rates for the year
- all resulting exchange differences in other comprehensive income

### Financial Instruments

#### *Date of recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

#### *Initial recognition and classification of financial instruments*

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated at Fair Value through Profit or Loss (FVPL), includes transaction cost.

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity investments, and Available for Sale (AFS) financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities, on the other hand, are classified into the following categories: financial liabilities at FVPL and other financial liabilities, as appropriate. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2016 and 2015, the Group's financial assets and financial liabilities consist of loans and receivables and other financial liabilities.

#### *Determination of fair value*

The Group measures financial instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.



The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting date.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the EIR. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within 12 months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2016 and 2015, included under loans and receivables are the Group's cash and cash equivalents, trade and other receivables, refundable deposits included under 'Other current assets' and 'Other noncurrent assets' (see Note 21).

#### *Other financial liabilities*

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2016 and 2015, included in other financial liabilities are the Group's trade and other payables, advances from related parties and other noncurrent liabilities (see Note 21).



### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties are/is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### *Loans and receivables*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statement of income.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

### Derecognition of Financial Assets and Financial Liabilities

#### *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired.
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.



- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

#### Inventories

Coal inventory, petroleum inventory and materials and supplies are valued at the lower of cost and net realizable value (NRV). NRV for coal inventory and petroleum inventory is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. In the case of materials and supplies, NRV is the estimated realizable value of the inventories when disposed of at their condition at the end of the reporting period.

Cost of coal inventory includes all mining and mine-related costs, cost of purchased coal from small-scale miners and other costs incurred in bringing the inventories to their present location and condition. These costs are aggregated to come up with the total coal inventory cost. Unit cost is determined using the moving average method.

Cost of petroleum inventory includes production costs consisting of costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Unit cost is determined using the weighted average method.

Cost of materials and supplies, which include purchase price and any directly attributable costs incurred in bringing the inventories to their present location and condition, are accounted for as purchase cost determined on a weighted average basis.

#### Other Current Assets

Other current assets are expenses paid in advance and recorded as asset before they are utilized. This account comprises prepaid rentals, insurance premiums, and other prepaid items. Prepaid rentals and insurance premiums, and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of income when incurred. Other current assets that are expected to be realized for no more than 12 months after the



end of the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

Input Value-added Tax (VAT)

Input VAT is stated at 12% of the applicable purchase cost of goods and services, net of output tax liabilities, which can be recovered from the taxation authority, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Property and Equipment

Property and equipment are stated at cost less accumulated depletion and depreciation and accumulated impairment in value.

The initial cost of property and equipment, other than oil and gas and coal mining properties, consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation to that cost. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of 'Property and equipment' as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income when incurred.

Oil and gas and coal mining properties pertain to those costs relating to exploration projects where commercial quantities are discovered and are subsequently reclassified to 'Property and equipment' from 'Deferred oil and gas exploration costs' account upon commercial production.

Oil and gas and coal mining properties also include its share in the estimated cost of rehabilitating the service contracts and the estimated restoration costs of its coal mine for which the Group is constructively liable. These costs are included under oil and gas, and coal mining properties.

Construction in-progress included in property and equipment is stated at cost, which includes direct labor, materials and construction overhead. Construction in-progress is not depreciated until the time the construction is complete, at which time the constructed asset will be transferred out from its present classification to the pertinent property and equipment classification.

Depletion of oil and gas, and coal mining properties is calculated using the units-of-production method based on estimated proved reserves.

Depreciation of other items of property and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Asset Category</u>	<u>Number of Years</u>
Machinery and equipment	2 to 20
Surface structures	10

Depletion of oil and gas properties commences upon commercial production. Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with





PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

When assets are sold or retired, the cost and related accumulated depletion and depreciation and accumulated impairment in value are removed from the accounts and any resulting gain or loss is recognized in the consolidated statement of income.

The estimated recoverable reserves, useful lives, and depletion and depreciation methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depletion and depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

#### Deferred Oil and Gas Exploration Costs

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with exploration are capitalized under 'Deferred oil and gas exploration costs' account. The Group's deferred oil and gas exploration costs are specifically identified of each SC area. All oil and gas exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in the consolidated statement of income when incurred.

If no potentially commercial hydrocarbons are discovered, the deferred oil and gas exploration asset is written off through the consolidated statement of comprehensive income. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried under deferred oil and gas exploration costs account while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as deferred oil and gas exploration costs.

At the completion of the exploration phase, if technical feasibility is demonstrated and commercial reserves are discovered, then, following the decision to continue into the development phase, the oil and gas exploration costs relating to the SC, where oil and gas in commercial quantities are discovered, is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to 'Oil and gas, and coal mining properties' account shown under the 'Property and equipment' account in the consolidated statement of financial position.

Deferred oil and gas exploration costs are assessed at each reporting period for possible indications of impairment. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case or is considered as areas permanently abandoned, the costs are written off through the consolidated statement of comprehensive income. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.



The recoverability of deferred oil and gas exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves. A valuation allowance is provided for unrecoverable deferred oil and gas exploration costs based on the Group's assessment of the future prospects of the exploration project.

#### Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property and equipment (see Note 9), deferred oil and gas exploration costs (see Note 10) and goodwill.

The Group assesses at each reporting period whether there is an indication that its property and equipment and deferred oil and gas exploration costs may be impaired. If any indication exists, or when an annual impairment testing for such items is required, the Group makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual item, unless such item does not generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognized in the consolidated statement of income.

For assets excluding goodwill, an assessment is made at each consolidated statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

#### *Goodwill*

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative fair values of the operation disposed of and the portion of the CGU retained. Impairment losses relating to goodwill cannot be reversed in future periods.



### Retirement Benefits Liability

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognizes the following changes in the net defined benefit obligation as 'personnel costs' under the 'general and administrative expenses' in the consolidated statement of comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

### Provision for Rehabilitation and Decommissioning Costs

The Group records the present value of estimated costs of legal and constructive obligations required to restore the coal mine site upon termination of its operations. The nature of these restoration activities includes dismantling and removing structures, rehabilitating settling ponds, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed or the ground or environment at mine site is disturbed. When the liability is initially recognized, the present value of the estimated cost is capitalized as part of the carrying amount of the related coal mining properties.

Decommissioning costs on oil and gas fields are based on estimates made by the service contract operator. The timing and amount of future expenditures are reviewed annually. Liability and capitalized costs included in oil and gas properties is equal to the present value of the Group's proportionate share in the total decommissioning costs of the consortium on initial recognition. The amount of asset retirement obligation in the consolidated statement of financial position is increased by the accretion expense charged to operations using the effective interest method over the estimated remaining term of the obligation. The periodic unwinding of the discount is recognized in the consolidated statement of income as 'Interest expense and other charges'. Additional costs or changes in rehabilitation and decommissioning costs are recognized as additions or charges to the corresponding assets and provision for rehabilitation and decommissioning costs when they occur.

For closed sites or areas, changes to estimated costs are recognized immediately in the consolidated statement of income. Decrease in rehabilitation and decommissioning costs that exceeds the carrying amount of the corresponding rehabilitation asset is recognized immediately in the consolidated statement of income.



### Capital Stock

Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares and any excess of the proceeds over the par value or shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

### Equity Reserve

Equity reserve is the difference between the acquisition cost of an entity under common control and the Parent Company's proportionate share in the net assets of the entity acquired as a result of a business combination accounted for using the pooling-of-interests method. Equity reserve is derecognized when the subsidiary are deconsolidated, which is the date on which control ceases.

### Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called 'Deficit'. A deficit is not an asset but a deduction from equity.

### Revenue Recognition

Revenue is recognized upon delivery to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

#### *Revenue from sale of petroleum products*

Revenue is derived from sale of petroleum to third party customers. Sale of petroleum is recognized at the time of delivery of the product to the purchaser. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty.

#### *Revenue from sale of coal*

Revenue from sale of coal is recognized when the risks and rewards of ownership is transferred to the buyer, on the date of shipment to customers when the coal is loaded into BEMC's or the customers' loading facilities.

#### *Dividend income*

Dividend income is recognized when the right to receive the payment is established.

#### *Interest income*

Interest income is recognized as the interest accrues using the EIR method.

### Costs and Expenses Recognition

Costs and Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of that result in decreases in equity, other than those relating to distributions to equity participants.



Costs and expenses are recognized in the consolidated statement of income in the year they are incurred. The following specific cost and expense recognition criteria must also be met before costs and expenses are recognized:

*Petroleum production costs*

Petroleum production costs, which include all direct materials and labor costs, depletion of oil and gas properties, and other costs related to the oil and gas operations, are expensed when incurred.

*Cost of coal sales*

Cost of coal sales includes costs of purchased coal and all direct materials and labor costs and other costs related to the coal production. Cost of coal sales is recognized by the Group when sales are made to customers.

*General and administrative expenses*

General and administrative expenses constitute the costs of administering the business and are expensed when incurred.

*Others*

Others include other income and expenses which are incidental to the Group's business operations and are recognized in the consolidated statement of income.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Foreign Currency-Denominated Transactions and Translations

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the end of the reporting date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary item is recognized in OCI, any foreign exchange component of that gain or loss shall be recognized in the consolidated statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the consolidated statement of income, any exchange component of that gain or loss shall be recognized in the consolidated statement of income.

Income Taxes

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting date.

*Deferred income tax*

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT),



and net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, excess MCIT and NOLCO can be utilized.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. In business combinations, the identifiable assets acquired and liabilities assumed are recognized at their fair values at the acquisition date. Deferred income tax liabilities are provided on temporary differences that arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination or are affected differently.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax amount to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that has been enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off the current income tax assets against the current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.



#### Basic Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing the net loss attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared during the year, if any.

#### Diluted Earnings (Loss) per Share

Diluted earnings (loss) per share is calculated by dividing the net loss attributable to equity holders of the Parent Company by the weighted average number of ordinary shares issued during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all potentially dilutive ordinary shares into ordinary shares. As at December 31, 2016 and 2015, there are no potentially dilutive ordinary shares.

#### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products to different markets.

#### Events after the Reporting Period

Events after the reporting period that provide additional information about the Group's position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

---

### **3. Summary of Significant Judgments, Estimates and Assumptions**

The preparation of the 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 the accompanying 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 consolidated financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions 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. Actual results could differ from such estimates.

#### 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 consolidated financial statements:

#### *Determination of the functional currency*

The Parent Company and BEMC, based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Peso. FEC's functional currency is the Canadian Dollar while the United States (US) Dollar for FEL and Pitkin. These are the currencies of the primary economic environments in which the entities primarily operate.



*Recognition of deferred income tax assets*

The Group reviews the carrying amounts at each reporting period and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. The Group did not recognize deferred income tax assets on NOLCO in 2016 and 2015. The carrying amount of deferred income tax assets amounted to ₱33,706 and ₱22,723 as at December 31, 2016 and 2015, respectively (see Note 17).

*Determination and classification of a joint arrangement*

Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - a. The legal form of the separate vehicle
  - b. The terms of the contractual arrangement
  - c. Other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting treatment for each assessment.

As at December 31, 2016 and 2015, the Group's joint arrangement is in the form of a joint operation.

Accounting Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Estimation of reserves and resources*

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas and coal mining properties. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.





The Group estimates and reports hydrocarbon reserves in line with the principles contained in the Society of Petroleum Engineers' Petroleum Resources Management Reporting System framework. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- The carrying value of deferred oil and gas exploration costs; oil and gas and coal mining properties and property and equipment, may be affected due to changes in estimated future cash flows.
- Depreciation and amortization charges in the consolidated statement of comprehensive income may change where such charges are determined using the unit of production (UOP) method, or where the useful life of the related assets change.
- Provisions for decommissioning may change - where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

*Estimation of allowance for impairment on loans and receivables*

The Group maintains an allowance for impairment at a level that management considers adequate to provide for potential uncollectibility of its loans and receivables. The Group evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Group uses judgment, based on available facts and circumstances, and based on a review of the factors that affect the collectability of the accounts. The review is made by management on a continuing basis to identify accounts to be provided with allowance.

The Group did not assess its loans and receivables for collective impairment due to the few counterparties that can be specifically identified. Any impairment loss is recognized in the consolidated statement of income with a corresponding reduction in the carrying value of the loans and receivables through an allowance account. Total carrying value of loans and receivables amounted to ₱637,145 and ₱665,934 as at December 31, 2016 and 2015, respectively (see Note 21). Allowance for impairment losses on other receivables amounted to nil as at December 31, 2016 and 2015 (see Note 6).

*Assessment of impairment of property and equipment*

The Group assesses whether there are indications of impairment on its property and equipment. If there are indications of impairment, impairment testing is performed. This requires an estimation of the value in use of the CGUs to which the assets belong. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

As at December 31, 2016 and 2015, the carrying value of property and equipment amounted to ₱307,835 and ₱333,049, respectively. Impairment loss on property and equipment amounted to nil in 2016 and 2015 (see Note 9).



*Assessment of impairment of goodwill*

The Group reviews the carrying values of goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs impairment test of goodwill annually every December 31. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, future capital requirements, exploration potential and operating performance. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized. No impairment losses were recognized for the years ended December 31, 2016 and 2015. The carrying value of goodwill as at December 31, 2016 and 2015 amounted to ₱1,238,583 (see Note 4).

*Determination of the NRV of inventories*

The NRV of coal and petroleum inventory is computed based on estimated selling price less estimated costs to sell. The NRV of materials and supplies is computed based on their estimated sales value at their current condition. Based on these estimates, an inventory write-down is recognized for any excess of carrying value over the NRV of the inventory. The carrying values of the inventories of the Group amounted to ₱19,160 and ₱9,044 as at December 31, 2016 and 2015, respectively (see Note 7). Allowance for probable inventory losses amounted to ₱266,103 as at December 31, 2016 and 2015 (see Note 7).

*Estimation of provision for rehabilitation and decommissioning costs*

Significant estimates and assumptions are made in determining the provision for rehabilitation and decommissioning costs. Factors affecting the ultimate amount of liability include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at each reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. Assumptions used to compute for the provision for rehabilitation and decommissioning costs are reviewed and updated annually. Provision for rehabilitation and decommissioning costs amounted to ₱9,700 and ₱9,174 as at December 31, 2016 and 2015, respectively (see Note 9). In 2016, the Group recognized accretion of interest amounting to ₱120. The discount rate used by the Group to value the provision as at December 31, 2016 and 2015 is 1.63% and 1.02%, respectively.

*Estimation of allowance for unrecoverable deferred oil and gas exploration costs*

Oil and gas interests relate to projects that are currently on-going. The recovery of these costs depends upon the success of exploration activities and future development or the discovery of oil and gas producible in commercial quantities. Allowances have been provided for these oil and gas interests that are specifically identified to be unrecoverable. There was no allowance for impairment loss recognized in 2016 and 2015.

The deferred oil and gas exploration costs have a carrying value amounting to ₱5,081,450 and ₱4,936,712 as at December 31, 2016 and 2015, respectively (see Note 10). Allowance for unrecoverable portion of oil and gas interests amounted to ₱662,896 and ₱578,721 for December 31, 2016 and December 31, 2015, respectively (see Note 10).



*Provision for losses*

The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle the said obligations. An estimate of the provision is based on known information at each reporting period, net of any estimated amount that may be reimbursed to the Group. The amount of provision is re-assessed at least on an annual basis to consider new relevant information. As at December 31, 2016 and 2015, provision for losses recorded under noncurrent liabilities amounted to ₱194,004 and ₱192,807, respectively (see Note 25).

---

**4. Business Combination**

*Acquisition of Pitkin*

On April 5, 2013, PXP increased its stake in Pitkin from 18.46% to 50.28% through acquisition of additional 46,405,000 shares at US\$0.75 per share which resulted to PXP obtaining control over Pitkin. As a result of the acquisition, PXP gained control of Pitkin's key assets including participating interests in Peru Block Z-38 and other Philippine blocks.

The goodwill of ₱1,534,168 arising from the acquisition pertains to the revenue potential the Group expects from Pitkin's Peru Block Z-38 and other Philippine blocks.

As at the acquisition date, the fair value of the net identifiable assets and liabilities of the Pitkin are as follows:

	Carrying Value in the Subsidiary	Fair Value Recognized on Acquisition
<b>Assets</b>		
Cash and cash equivalents	₱803,379	₱803,379
Receivables	40,916	40,916
Inventories	1,035	1,035
Deferred oil and gas exploration costs	407,219	5,521,113
Property and equipment	2,801	2,801
Other noncurrent assets	6,842	6,842
	<u>1,262,192</u>	<u>6,376,086</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	₱48,391	₱48,391
Deferred tax liability	–	1,534,168
	<u>48,391</u>	<u>1,582,559</u>
<b>Total identifiable net assets</b>	<b>₱1,213,801</b>	<b>₱4,793,527</b>
<b>Total identifiable net assets</b>		<b>₱4,793,527</b>
<b>Total consideration</b>		<b>6,327,695</b>
<b>Goodwill arising from acquisition</b>		<b>₱1,534,168</b>

The fair values of deferred oil and gas exploration costs recognized as at December 31, 2013 financial statements were based on a provisional assessment of their fair value. The valuation is based on discounted cash flows for each of the project subject to uncertainty which involves significant judgments on many variables that cannot be precisely assessed at reporting date.



On July 16, 2013 and October 25, 2013, Pitkin completed the sale of all its interests in its wholly-owned subsidiaries, Vietnam American Exploration Company LLC (Vamex) with a 25% participating interest in Vietnam Block 07/03 and Lonsdale, Inc., respectively. Goodwill attributable to Vietnam Block 07/03 at time of acquisition of Pitkin by PXP was derecognized amounting to ₱554,178.

During 2014, results of studies from third party oil and gas consultants and competent persons were obtained by each of the respective operators of the projects which enabled the Group to perform and update the discounted cash flows. As a result of these assessment, an increase in carrying amount of Peru exploration assets by ₱393,399 occurred while assets in the Philippines decreased by the same amount. The 2013 comparative information was restated to reflect the adjustment to the provision amounts. These adjustments, however, did not have any material effect on goodwill, deferred tax assets or liabilities, impairment losses and foreign currency exchange gains or losses.

In business combinations, the identifiable assets acquired and liabilities assumed are recognized at their fair values at the acquisition date. Deferred income tax liabilities are provided on temporary differences that arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination or are affected differently.

The aggregate consideration follows:

	Amount
Fair value of previously held interest	₱1,313,700
Consideration transferred for additional interest acquired	1,433,332
Fair value of non-controlling interest	3,580,663
	<u>₱6,327,695</u>

The Group measured non-controlling interest using the fair value method.

	Amount
Consideration transferred for additional interest acquired	₱1,433,332
Less cash of acquired subsidiary	803,379
	<u>₱629,953</u>

Revenues and net income of the acquiree since the acquisition date amounted to ₱3,465 and ₱1,980,796, respectively. Consolidated revenue and net income of the Group had the business combination occurred on January 1, 2013 would be higher by ₱2,564 and lower by ₱34,650, respectively.

#### *Acquisition of BEMC and FEC*

On September 24, 2010, pursuant to an internal reorganization whereby all of the energy assets of PMC are to be held by the Parent Company, PMC transferred all of its investment in shares of stock in BEMC and FEC (see Note 1). This qualified as a business combination under common control. The investment in FEL was previously recognized as an investment in associate.

The business combinations under common control were accounted for using the pooling-of-interests method since PMC, formerly controls the Parent Company, BEMC, FEC and FEL before and after the transactions. No restatement of financial information for periods prior to the transactions was made.



The share of the Parent Company in the carrying amounts of net identifiable assets and liabilities amounted to ₱1,056,752 while the costs of business combinations amounted to ₱1,016,164 which consist of cash purchase price for BEMC and FEC, and the carrying amount of equity interest in FEL held by the Parent Company before the date of acquisition. The acquisitions resulted to an increase in equity reserves and non-controlling interests amounting ₱40,588 and ₱303,525, respectively, as at the date of business combinations. Goodwill arising from the business combination amounted to ₱258,593.

Total cash and cash equivalents acquired from the business combinations under common control amounted to ₱252,861. As at December 31, 2016 and 2015, the goodwill resulting from business combinations amounting to ₱1,238,583 are allocated to the Group's cash-generating units namely: SC 14 C1 Galoc Oil Field, SC 14 A&B Nido-Matinloc, SC 72 Reed Bank and Peru Z38. The Group performed its annual impairment test in December 2016 and 2015.

The recoverable amount of the CGUs were determined based on a value in use calculation using cash flow projections from financial budgets covering the expected life of the oil and gas fields. Based on its analysis, management concluded that the goodwill is recoverable. The calculation of the value in use for the CGUs incorporates the following key assumptions: a) oil prices which are estimated with reference to external market forecasts; b) volume of resources and reserves which are based on resources and reserves report prepared by third party; c) capital expenditure and production and operating costs which are based on the Group's historical experience and latest life of well models; and d) discount rate at the weighted average cost of capital (WACC). The management believes that key assumptions used in determining the recoverable amount at reasonable possible changes would not cause the CGUs carrying amount to exceed its recoverable amount.

---

## 5. Cash and Cash Equivalents

	2016	2015
Cash on hand and in banks	₱251,549	₱148,243
Short-term investments	321,792	378,112
	<b>₱573,341</b>	<b>₱526,355</b>

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three (3) months depending on the cash requirements of the Group, and earn interest at the respective short-term investments rates. Interest income amounting to ₱3,316, ₱6,099, and ₱11,770 were recognized for the years ended December 31, 2016, 2015 and 2014, respectively. The Group has US Dollar (\$) accounts in various banks amounting to US\$9,483 and US\$10,840 as at December 31, 2016 and 2015, respectively (see Note 21).

---

## 6. Trade and Other Receivables

	2016	2015
Trade	₱55,785	₱82,925
Others	7,695	28,705
	<b>₱63,480</b>	<b>₱111,630</b>

Trade receivables are noninterest-bearing and are currently due and demandable. These include receivables from sale of coal and petroleum products. Other receivables pertain to cash calls paid to



oil operators pending liquidation. These are liquidated upon submission of the financial reports by the operator in the subsequent month following the month of cash call.

The Group has no related party balances included in the trade and other receivables account as at December 31, 2016 and 2015.

---

**7. Inventories - net**

	<b>2016</b>	2015
Coal - at cost	<b>₱220,045</b>	₱220,045
Petroleum - at cost	<b>19,160</b>	9,044
Materials and supplies - at cost	<b>46,058</b>	46,058
	<b>285,263</b>	275,147
Less allowance for probable inventory losses	<b>266,103</b>	266,103
	<b>₱19,160</b>	₱9,044

The cost of coal inventories recognized as expense and included in 'Cost of coal sales' amounted to nil, nil, and ₱3,197 in 2016, 2015, and 2014, respectively (see Note 14).

The cost of petroleum recognized as expense and included in 'Petroleum production costs' amounted to ₱115,405, ₱97,981, and ₱152,981 in 2016, 2015, and 2014, respectively (see Note 14).

Allowance for probable inventory losses pertains to the total of coal inventories and materials and supplies inventories. In 2014, impairment losses amounting to ₱3,197 were reversed by the Group since it was able to sell these inventories.

As at December 31, 2016 and 2015, depletion expense capitalized as part of petroleum inventories amounted to ₱7,288 and ₱3,101, respectively.

---

**8. Other Current Assets**

	<b>2016</b>	2015
Prepaid expenses	<b>₱6,691</b>	₱6,238
Input VAT	<b>6,501</b>	15,167
Deposits	<b>39</b>	1,199
Others	-	656
	<b>₱13,231</b>	₱23,260



## 9. Property and Equipment - net

As at December 31, 2016:

	Oil and Gas, and Coal Mining Properties	Machinery and Equipment	Surface Structures	Construction in-progress	Total
<b>Cost</b>					
Balances at January 1	₱869,943	₱250,957	₱37,659	₱759	₱1,159,318
Additions	569	115	–	–	684
Disposals	–	(5,649)	–	–	(5,649)
Effect of translation adjustment	43,784	4,014	–	–	47,798
Balances at December 31	914,296	249,437	37,659	759	1,202,151
<b>Accumulated depletion and depreciation</b>					
Balances at January 1	321,091	90,813	8,886	–	420,790
Depletion and depreciation (Notes 7 and 14)	57,039	351	–	–	57,390
Disposals	–	(5,647)	–	–	(5,647)
Effect of translation adjustment	12,669	3,558	–	–	16,227
Balances at December 31	390,799	89,075	8,886	–	488,760
<b>Accumulated impairment</b>					
Balances at January 1	223,221	152,726	28,773	759	405,479
Effect of translation adjustment	69	8	–	–	77
Balances at December 31	223,290	152,734	28,773	759	405,556
<b>Net Book Values</b>	<b>₱300,207</b>	<b>₱7,628</b>	<b>₱–</b>	<b>₱–</b>	<b>₱307,835</b>

As at December 31, 2015:

	Oil and Gas, and Coal Mining Properties	Machinery and Equipment	Surface Structures	Construction in-progress	Total
<b>Cost</b>					
Balances at January 1	₱824,008	₱259,694	₱37,659	₱759	₱1,122,120
Additions	59	6,642	–	–	6,701
Disposals	–	(19,229)	–	–	(19,229)
Effect of translation adjustment	45,876	3,850	–	–	49,726
Balances at December 31	869,943	250,957	37,659	759	1,159,318
<b>Accumulated depletion and depreciation</b>					
Balances at January 1	290,934	99,843	8,886	–	399,663
Depletion and depreciation (Notes 7 and 14)	14,281	4,175	–	–	18,456
Disposals	–	(16,884)	–	–	(16,884)
Effect of translation adjustment	15,876	3,679	–	–	19,555
Balances at December 31	321,091	90,813	8,886	–	420,790
<b>Accumulated impairment</b>					
Balances at January 1	222,494	154,001	28,773	759	406,027
Reversals of impairment	–	(1,371)	–	–	(1,371)
Effect of translation adjustment	727	96	–	–	823
Balances at December 31	223,221	152,726	28,773	759	405,479
<b>Net Book Values</b>	<b>₱325,631</b>	<b>₱7,418</b>	<b>₱–</b>	<b>₱–</b>	<b>₱333,049</b>

No impairment losses on property and equipment in 2016 and 2015. Impairment loss in 2014 amounted to ₱1,838.

The Group recognized reversals of impairment losses on property and equipment amounting to nil, ₱1,371 and ₱14,925 in 2016, 2015 and 2014, respectively. These reversals relate to sale and transfer of BEMC's machinery and equipment to GCMCI, Silangan Mindanao Mining Company Incorporated (SMMCI) and other third parties during these years.

The Group recognized gain on sale of property and equipment amounting to ₱1,688 in 2015. The proceeds from these sales of property and equipment amounted to nil, ₱4,033 and ₱14,925 in 2015 and 2014, respectively.

Oil and gas, and coal mining properties include the present value of the BEMC's and FEL's estimated rehabilitation and decommissioning costs amounting to ₱9,700 and ₱9,174 as at December 31, 2016 and 2015, respectively.



The details of the Group's provision for rehabilitation and decommissioning costs are as follows:

	2016	2015
Beginning balances	₱9,174	₱9,671
Accretion	120	-
Disposal	-	(953)
Effect of translation adjustment	406	456
Ending balances	<b>₱9,700</b>	<b>₱9,174</b>

The provision for rehabilitation and decommissioning costs amounting to ₱9,700 and ₱9,174 as at December 31, 2016 and 2015, respectively, are recorded under 'Other noncurrent liabilities' in the consolidated statements of financial position.

Discount rates of 1.63% and 1.02% were used to compute the present values of provision for rehabilitation and decommissioning costs of FEL and BEMC, respectively, for the years ended December 31, 2016 and 2015, respectively.

#### 10. Deferred Oil and Gas Exploration Costs - net

	2016	2015
Oil and gas exploration assets	₱5,744,346	₱5,515,433
Less allowance for unrecoverable portion	662,896	578,721
	<b>₱5,081,450</b>	<b>₱4,936,712</b>

As at December 31, 2016 and 2015, carrying value of Peru exploration assets amounted to ₱3,395,272 and ₱3,388,226, respectively and the remaining balance pertain to Philippine exploration assets.

In 2016 and 2015, provision for impairment losses on deferred oil and gas exploration costs were recognized by the Group amounting to nil and ₱359,395, respectively.

In 2015, the Group wrote off deferred oil and gas exploration costs amounting to ₱338,525 and ₱70,453 on SC 6A and Peru Block XXVIII, respectively. The deferred oil and gas exploration costs on SC 6A was impaired in 2014. Also in 2015, the Group recognized a reversal of impairment amounting to ₱388,630 on SC 40.

The Pitkin, PXP and FEL, through their subsidiaries, have various participating interests in petroleum service contracts as follows as at December 31, 2016:

Service Contract	Participating Interest		
	Pitkin	PXP	FEL
SC 6 (Cadlao Block)	-	1.65%	-
SC 6A (Octon Block)	-	5.56%	5.56%
SC 6B (Bonita Block)	-	-	7.03%
SC 14 (Tara PA)	-	-	10.00%
SC 14 Block A (Nido)	-	-	8.47%
SC 14 Block B (Matinloc)	-	-	12.41%
SC 14 Block B-1 (North Matinloc)	-	-	19.46%
SC 14 Block C (Galoc)	-	-	2.28%
SC 14 Block C-2 (West Linapacan) <sup>2</sup>	-	-	9.10%





Service Contract	Participating Interest		
	Pitkin	PXP	FEL
SC 14 Block D (Retention Block)	–	–	8.17%
SC 40 (North Cebu Block)	–	–	100.00%
SC 53 (Mindoro) <sup>1</sup>	–	–	–
SC 72 (Reed Bank)	–	–	70.00%
SC 74 (Linapacan) <sup>2</sup>	–	70.00%	–
SC 75 (Northwest Palawan)	–	50.00%	–
Peru Block Z-38	25.00%	–	–

<sup>1</sup> On October 24, 2016, the DOE has approved the Purchase and Sale Agreement (PSA) and Deed of Assignment (DOA) dated April 27, 2016 transferring the 70% interest of Pitkin Petroleum (Philippines) Plc to Mindoro-Palawan Oil and Gas, Inc. (MPOGI).

<sup>2</sup> On April 25, 2016, the DOE has approved the PSA and DOA dated February 24, 2016 transferring the 70% interest and operatorship of Pitkin Petroleum (Philippines) Plc to PXP.

### SC 6A (Octon Block)

The SC covers an area of 1,080 square kilometers. On July 11, 2011, Pitkin acquired 70% interest and operatorship of the block.

In 2014, Pitkin elected not to enter Phase 2 of the Farm-in Agreement (FIA) and returned its 70% participating interest to the farm-out partners. As a result of Pitkin's exit, Philodrill re-assumed the block's operatorship beginning January 01, 2015 while PXP and FEL's participating interests in the block returned to their pre-farm out interests of 5.56% each. The DOE approved the Deed of Assignment on May 14, 2015.

As a result of the decision to exit SC 6A, Pitkin recorded provision for impairment loss of ₱338,525 in 2014.

### SC 14 Block C (Galoc)

On September 10, 2012, the Galoc JV approved the Final Investment Decision (FID) for Phase 2 development of the Galoc Field starting first half of 2013.

On December 21, 2012, FEL and Galoc Production Company (GPC) entered into a loan facility with BNP Paribas to provide a total of US\$40,000 project financing for the Galoc Field's Phase 2 development. The total amount drawn from the loan facility was fully paid in 2014.

On June 4, 2013, drilling of two additional production wells commenced and was completed on October 23, 2013. On December 4, 2013, Galoc Phase 2 started to produce oil and increased field production from the average 4,500 barrels of oil per day (BOPD) to around 12,000 BOPD.

The Galoc Field has already produced about 16.84 million barrels of oil since start of production in October 2008. In 2016 and 2015, the field produced around 1.88 and 2.26 million barrels of oil, respectively.

In October 2016, the Consortium approved the drilling of Galoc-7 to test the Mid Galoc Prospect, which is estimated to contain resources of 6.2 to 14.6 million stock tank barrels (MSTB). The DOE approved the drilling program and budget on November 8, 2016.



SC 14 Block C-2 (West Linapacan)

West Linapacan is located in 300 to 350 meters of water, approximately 60 kilometers offshore from Palawan Island in SC 14 Block C2 in the Northwest Palawan Basin, Philippines. It comprises two main oil bearing structures - West Linapacan A and B - and several seismic leads. The SC was entered into on December 17, 1975 between the Petroleum Board and the original second parties to the contract. Pitkin had a 58.30% interest in this SC pursuant to a Farm-In Agreement approved by the DOE on September 11, 2008. However, on February 7, 2011, Pitkin concluded a farm-out agreement whereby it transferred 29.15% participating interest to RMA (HK) Limited in exchange for being carried through the drilling and testing of the West Linapacan A appraisal/development well. The farm-out agreement was approved by the DOE on July 4, 2011.

On March 12, 2015, the FIA with RMA was terminated and Pitkin returned all of its participating interest to the original second parties to the contract. FEL's interest in the block increased to 9.10%.

SC 40 (North Cebu)

In 2012, FEL commissioned a resource assessment study to be undertaken by Petroleum Geo-Services Reservoir Consultants, an independent competent person. The results of the study downgraded previously identified leads and prospects within SC 40. An important factor in this assessment was that third parties had experienced a dry hole in drilling efforts within the Central Tañon Straits which significantly reduced the likelihood of the existence of a commercially viable hydrocarbon deposit in this region. In light of this report and applying appropriate caution, the carrying value of the investment in SC40 was impaired by ₱388,630 included in 'Provision for impairment of assets' in the consolidated statements of income in 2012. The carrying value as at December 31, 2012 reflects the potential of a number of smaller onshore locations within SC 40.

In 2015, the management has finalized its assets review of SC 40 based on a more detailed Resource Estimation Report prepared by Petroleum Geo-Services (PGS) in 2013. The updated report indicated a significant increase in resources which triggered the reassessment and reversal of the impairment recognized in 2012. The results of the assets review and the competent person report were presented to the Risk and Resource Committee of the Board in 2015. The Committee has approved and adopted the report. A reversal of impairment loss amounting to ₱388,630 was recognized by the Group in 2015.

SC 53 (Mindoro)

SC 53 measures 7,240 square kilometers and is mostly located in onshore Mindoro Island. The SC was entered into on July 8, 2005 between the DOE and Laxmi Organic Industries Ltd. On September 5, 2007, Pitkin executed a farm-in agreement with the existing partners of SC 53. The agreement was subsequently approved by the DOE on June 11, 2008.

In 2015, Pitkin recognized impairment loss amounting to ₱359,395 after it has expressed intention to exit from the JV reducing the carrying value of SC 53 to nil as at December 31, 2015.

On October 24, 2016, the DOE approved the PSA and DOA dated April 27, 2016 transferring the 70% interest of Pitkin to MPOGI.

In 2016, Pitkin recognized gain on reversal of impairment loss amounting to ₱4,748 which equals the proceeds of sale to MPOGI.

SC 72 (Reed Bank)

SC 72 was awarded on February 15, 2010. It covers an area of 8,800 square kilometers and contains the Sampaguita Gas Discovery which has a potential to contain In-Place Contingent Resources of 2.6 trillion cubic feet (TCF) and In-Place Prospective Resources of 5.4 TCF as reported by Weatherford Petroleum Consultants (Weatherford) in 2012.



The results of the study were used to define the location of two wells, to be named Sampaguita-4 and Sampaguita-5, which if successfully drilled, would be expected to increase the amount of potentially recoverable resources. The drilling of two wells is part of the work programme of FEL for the second-sub-phase of SC 72 which was supposed to be accomplished by August 2013. However, FEL was unable to commence the drilling programme because of maritime disputes between the Philippine and Chinese governments.

In February 2015, FEL received a letter from the DOE confirming the suspension of offshore exploration activities in disputed areas of the West Philippine Sea while the arbitration case between the Philippines and China remains pending. The suspension became effective from December 15, 2014 until the date when the DOE notifies FEL to resume operations.

Upon lifting of the *force majeure*, FEL will have 20 months (equivalent to the remaining Sub-Phase 2 period from the effective date of the *force majeure*) to complete the Sub-Phase 2 work commitment comprising the drilling of two wells. The terms of the succeeding sub-phase will remain the same but will be adjusted accordingly.

In 2015, the United Nations Arbitral Tribunal (UNAT) unanimously decided that it has jurisdiction over the maritime dispute between China and the Philippines over the West Philippine Sea, and it was the proper body to decide on the case filed by the Philippines in January 2013. It also ruled that China's decision not to participate in these proceedings does not deprive the Tribunal of jurisdiction and that the Philippines' decision to commence arbitration unilaterally was not an abuse of the UNCLOS dispute settlement procedures. The UNAT finally decided that the Philippines has exclusive sovereign rights over the West Philippine Sea on July 12, 2016.

As at December 31, 2016, *force majeure* is still enforced and FEL is still waiting until this is lifted in order to commence the remaining Sub-Phase 2 work commitment.

#### SC 74 (Linapacan)

In September 2013, Pitkin, with its consortium partner, Philodrill, acquired acreage on SC 74 in a competitive bid under the PECR4, with operating interest of 70% and participating interest of 30%, respectively. It covers an area of 4,240 square kilometers and is located in shallow waters of the NW Palawan area.

In June 2015, Philodrill and PNOEC Exploration Corporation (PNOEC EC) entered into a Deed of Assignment whereby Philodrill transferred a 5% participating interest to PNOEC EC.

On April 25, 2016, the DOE has approved the PSA and DOA dated February 24, 2016 transferring the 70% interest and operatorship of Pitkin Petroleum (Philippines) Plc to PXP.

In December 2016, processing of seismic data was completed. Geological and geophysical (G&G) studies is planned to commence in 2017 which includes the interpretation of the newly processed 2D data.

#### SC 75 (Northwest Palawan)

On January 3, 2014, the duly executed copy of Petroleum SC 75 was granted to the bid group comprising PXP, PNOEC EC, and PERC with operating interest of 50%, participating interests of 35% and 15%, respectively. It covers an area of 6,160 square kilometers in the NW Palawan Basin.



The work commitment for Sub-Phase 1 had been fulfilled in 2015 following the completion of the acquisition of 2,235 line-km of 2D seismic data over SC 75 and simultaneous acquisition of marine magnetic and gravity data, broadband processing of the 2D seismic data, processing and interpretation of gravity and magnetic data, and Geological & Geophysical (G&G) studies, including 2D seismic interpretation.

In 2015, the DOE advised the SC 75 Consortium of its decision to place the area under *force majeure* effective from the end of Sub-Phase 1 on December 27, 2015. In view of this, all exploration activities in the block have been suspended until such time that the DOE informs the Consortium of the lifting of the *force majeure*.

#### Peru Block XXVIII

Block XXVIII was awarded to Pitkin in October 2010. It covers an area of 3,143 square kilometers located in the eastern portion of the productive Sechura Basin.

In 2015, Pitkin recognized loss on write-off amounting to ₱70,453 following its exit in the exploration sub-phase 2 and surrendered the block to the Peruvian Government. This reduced the carrying value of Block XXVIII to nil as at December 31, 2015.

#### Peru Block Z-38

In April 2007, Block Z-38 was awarded to Pitkin. Farm-out agreement has been made by Pitkin in which it resulted to Karoon Gas Australia Ltd. obtaining operating interest of seventy-five percent (75%). The block covers an area of 4,875 square kilometers and is located in the Tumbes Basin offshore NW Peru.

In 2014, the Peruvian oil and gas regulator, Perupetro S.A., approved the application to place Peru Block Z-38 into *force majeure*. The application for *force majeure* was requested on the basis of the Operator, Karoon Gas, being unable to secure a suitable drilling unit within the required timeframe on the Pacific side of the Americas. The *force majeure* was granted effective September 1, 2013. As a result, the term of the current third exploration period will have approximately 22 months remaining once the *force majeure* is lifted.

In 2016, Peruvian Government has approved the work program consisting of preparation for drilling of two exploration wells, subject to rig availability and securing of remaining regulatory permits, continued evaluation of other prospects and leads within the block and continued social programs and projects.

---

### 11. Other Noncurrent Assets

	2016	2015
Guarantee deposits	₱589	₱26,824
Decommissioning fund	350	-
	<b>₱939</b>	<b>₱26,824</b>

Pitkin has deposits to guarantee satisfactory completion of projects and work commitments under certain exploration contracts.

Funding for the decommissioning costs of Galoc commenced in 2016. FEL's contribution to the decommissioning fund amounted to ₱350 as at December 31, 2016.



## 12. Trade and Other Payables

	2016	2015
Trade	₱12,794	₱3,620
Accrued expenses	13,461	10,332
Withholding taxes	310	12
Other nontrade liabilities	1,372	968
	<b>₱27,937</b>	<b>₱14,932</b>

The Group's trade and other payables are noninterest-bearing and are generally settled within 30-60 day terms.

Accrued expenses primarily include the accruals for light and water, payroll and security fees. Other non-trade liabilities include accrued royalties payable to DOE and payroll-related liabilities such as payable to SSS, Philhealth and Home Development Mutual Fund.

The Group has no related party balances included in the trade and other payables account as at December 31, 2016 and 2015.

## 13. Long-term Loan

On December 21, 2012, FEL, together with GPC, entered into a US\$40,000 loan facility with BNP Paribas for the purpose of financing the development activities of SC 14 C's Galoc Phase 2.

Interest on the loan is set at 6% plus London Interbank Offered Rate (LIBOR) rate per annum as at December 31, 2013 which shall decrease to 5.5% plus LIBOR rate per annum once all stipulations in the loan facility agreement have been met. Interest expense recognized in profit or loss in 2014 amounted to ₱3,146. Facility fees and finance charges amounted to ₱466 and ₱1,402 in 2014, respectively. The facility fees and finance charges are also recorded under 'Interest expense and other charges' in the consolidated statements of income.

On June 30, 2014, the loan was fully-settled and all accessory contracts were terminated simultaneously.

## 14. Costs and Expenses

	2016	2015	2014
Petroleum production costs (Note 7):			
Production costs	₱65,654	₱86,801	₱92,793
Depletion and depreciation (Note 9)	49,751	11,180	60,188
	<b>₱115,405</b>	<b>₱97,981</b>	<b>₱152,981</b>
Cost of coal sales (Note 7):			
Personnel costs	₱-	₱-	₱1,076
Materials and supplies	-	-	485
Communication, light and water	-	-	378
Outside services	-	-	206
Purchase cost of coal	-	-	5
Others	-	-	1,047
	<b>₱-</b>	<b>₱-</b>	<b>₱3,197</b>



	2016	2015	2014
General and administrative expenses:			
Professional fees	<b>₱27,851</b>	₱60,577	₱59,177
Personnel costs	<b>10,760</b>	99,087	132,315
Directors' fees	<b>4,152</b>	20,266	40,511
Rental	<b>806</b>	4,978	7,531
Taxes and licenses	<b>731</b>	15,873	1,467
Travel and transportation	<b>528</b>	1,307	6,841
Depreciation (Note 9)	<b>351</b>	4,175	3,385
Office supplies	<b>315</b>	216	625
Communications, light and water	<b>173</b>	1,580	2,671
Repairs and maintenance	<b>70</b>	159	397
Others	<b>9,678</b>	20,604	24,347
	<b>₱55,415</b>	₱228,822	₱279,267

The Group's cost of coal of sales pertains to the cost of coal sales of BEMC. Since BEMC has stopped its operation in 2015, the 2016 and 2015 balances are nil. The production and depletion cost of the Group is primarily attributable to the Libertad and Galoc producing blocks of FEL. The Group's General and administrative expenses includes personnel cost, professional fees, directors' fees, rentals, travel and transportation, depreciation, utilities, taxes and licenses and office supplies.

#### 15. Other Income (Charges)

	2016	2015	2014
Provision and reversal of impairment and loss on write off of assets - net:			
Reversal of impairment losses (Notes 7, 9 and 10)	<b>₱4,748</b>	₱390,001	₱18,122
Loss on write-off of assets (Note 10)	–	(70,453)	–
Provision for impairment of assets (Note 10)	–	(359,395)	(340,349)
	<b>₱4,748</b>	(₱39,847)	(₱322,227)
Others - net:			
Reversal of accrual for retirement liability (Note 19)	<b>₱–</b>	₱28,356	₱–
Gain (loss) on sale of assets (Note 9)	–	1,688	–
Gain on curtailment (Note 19)	–	–	1,682
Others - net	<b>(748)</b>	(10,429)	2,155
	<b>(₱748)</b>	₱19,615	₱3,837

#### 16. Equity

##### Capital Stock

Beginning September 12, 2011, the 1,700,000,000 common shares of the Parent Company were listed and traded on the PSE at an initial offer price of ₱1.20 per share. After the said initial listing, there were no subsequent listings of shares made by the Parent Company.



Details of the Parent Company's capital stock follow:

	Number of Shares	
	2016	2015
Common stock - ₱1 par value		
Authorized	<b>6,800,000,000</b>	6,800,000,000
Issued, outstanding and fully paid:		
January 1	<b>1,700,000,000</b>	1,700,000,000
Issuance during the year	–	–
December 31	<b>1,700,000,000</b>	1,700,000,000

As at December 31, 2016 and 2015, the Parent Company's total stockholders totaled 39,146 and 35,236, respectively.

#### Equity Reserves

In May 2012, certain directors and employees of FEL exercised their option over 2,185,000 ordinary shares. This resulted in the Group's effective economic interest in FEL decreasing from 51.95% to 48.76% as at December 31, 2012. 'Effect of transactions with non-controlling interests' amounting to ₱40,711 and increase in non-controlling interests amounting to ₱85,333 were recognized as a result of the dilution of interest in FEL.

In July 2014, Pitkin tendered an offer to buy back 11,972,500 of its outstanding shares for a consideration of US\$1 per share. The Parent Company surrendered 2,000,000 of its shares wherein non-controlling interests surrendered 9,099,000 shares. As a result of the share buyback transaction, the Parent Company's ownership interest increased from 50.28% to 53.07%. The total consideration paid by Pitkin to shareholders amounted to ₱482,363, wherein ₱395,733 is attributable to non-controlling interest. An increase in equity of Parent Company amounting to ₱46,382 resulted from the transaction, while the rest of the movement was due to share option cancellation during the period.

In May 2015, Pitkin tendered another offer to buy back its outstanding shares for a consideration of US\$1 per share. The Parent Company and the non-controlling interests surrendered 21,373,000 shares and 19,499,500 shares, respectively. As a result, the Parent Company's interest in Pitkin has increased from 53.07% to 53.43%. The total consideration paid by Pitkin to shareholders amounted to ₱1,365,404, wherein ₱651,436 is attributable to non-controlling interests. An increase in equity of Parent amounting to ₱102,949 resulted from the transaction.

In June and November 2015, PXP bought additional investment from NCI owners of FEL, including FEC. In total, the NCI owners sold 4,383,777 for a total consideration of ₱63,706. The transactions resulted to increased ownership of PXP over FEL from 36.44% to 48.77%. A decrease in equity of Parent amounting to ₱31,747 resulted from the transaction.

In January 2016, FEC cancelled its 30,000,000 shares previously held under escrow for ₱1,694. As a result, PXP's ownership interest increased from 51.24% to 54.99%. An increase in equity of Parent Company amounting to ₱8,670 resulted from the transaction.



Non-controlling Interest

Non-controlling interests consist of the following:

	Percentage of Ownership	Country of incorporation and operation	2016	2015
Non-controlling interests in the net assets of:				
Pitkin and its subsidiaries	46.57%	UK/Philippines	<b>₱2,068,140</b>	₱2,060,294
FEC	45.01%	Canada	<b>82,580</b>	93,559
FEL and its subsidiaries	41.10%	UK/Philippines	<b>264,499</b>	230,386
			<b>₱2,415,219</b>	₱2,384,239

Financial information of subsidiaries that have material non-controlling interests are provided below:

Income (loss) allocated to material non-controlling interest:

	2016	2015
FEL and its subsidiaries	<b>(₱3,731)</b>	₱185,033
FEC	<b>(6,101)</b>	8,428
Pitkin and its subsidiaries	<b>(4,193)</b>	(249,948)

Other comprehensive income (loss) allocated to material non-controlling interest:

	2016	2015
FEL and its subsidiaries	<b>₱42,242</b>	₱41,141
FEC	<b>1,086</b>	439
Pitkin and its subsidiaries	<b>12,041</b>	(2,210)

The summarized financial information of these subsidiaries before intercompany eliminations is provided below:

Statements of comprehensive income as of December 31, 2016:

	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
Revenue	<b>₱-</b>	<b>₱-</b>	<b>₱101,579</b>
Cost of sales	-	-	(115,405)
General and administrative expenses	(12,873)	(13,601)	(12,704)
Other income	4,291	48	9,470
Interest expense	-	-	(44,901)
Loss before tax	(8,582)	(13,553)	(61,961)
Provision for income tax	10	-	(12,267)
Net loss	(8,592)	(13,553)	(49,694)
Other comprehensive income	25,855	719	54,324
<b>Total comprehensive income (loss)</b>	<b>₱17,263</b>	<b>(₱12,834)</b>	<b>₱4,630</b>
<b>Attributable to non-controlling interests</b>	<b>₱8,039</b>	<b>(₱5,777)</b>	<b>₱1,903</b>





Statements of comprehensive income as of December 31, 2015:

	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
Revenue	₱-	₱-	₱172,250
Cost of sales	-	-	(97,981)
General and administrative expenses	(95,859)	(11,740)	(56,733)
Other income (charges)	(441,077)	29,026	7,815
Interest expense	-	-	(39,124)
Income (loss) before tax	(536,936)	17,286	(13,773)
Provision for income tax	14	-	2
Net income (loss)	(536,950)	17,286	(13,773)
Other comprehensive income (loss)	(4,122)	901	54,118
Total comprehensive income (loss)	(₱541,072)	₱18,187	₱40,343
Attributable to non-controlling interests	(₱252,159)	₱8,868	₱18,921

Statements of comprehensive income as of December 31, 2014:

	Pitkin and its Subsidiaries	FEC	FEL and its subsidiaries
Revenue	₱-	₱-	₱304,723
Cost of sales	-	-	(152,981)
General and administrative expenses	(167,102)	(12,047)	(73,989)
Other income (charges)	(327,327)	6	(410)
Interest expense	-	-	(5,014)
Income (loss) before tax	(494,429)	(12,041)	72,329
Benefit from income tax	-	-	(8,947)
Net income (loss)	(494,429)	(12,041)	63,382
Other comprehensive income (loss)	9,308	134	(8,101)
Total comprehensive income (loss)	(₱485,121)	(₱11,907)	₱55,281
Attributable to non-controlling interests	(₱227,903)	(₱5,790)	₱15,681

Statements of financial position as at December 31, 2016:

	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
<b>Current assets</b>	<b>₱345,442</b>	<b>₱15,897</b>	<b>₱145,492</b>
<b>Noncurrent assets</b>	<b>140,663</b>	<b>30</b>	<b>1,635,514</b>
<b>Current liabilities</b>	<b>(4,786)</b>	<b>(4,701)</b>	<b>(136,779)</b>
<b>Noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>(974,364)</b>
<b>Total equity</b>	<b>481,319</b>	<b>11,226</b>	<b>669,863</b>
<b>Attributable to:</b>			
<b>Equity holders of the Parent Company</b>	<b>₱257,169</b>	<b>₱6,173</b>	<b>₱394,549</b>
<b>Non-controlling interests</b>	<b>224,150</b>	<b>5,053</b>	<b>275,314</b>

Statements of financial position as at December 31, 2015:

	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
Current assets	₱291,108	₱26,888	₱113,576
Noncurrent assets	180,321	40	1,567,524
Current liabilities	(7,343)	(2,869)	(3,186)
Noncurrent liabilities	-	-	(1,012,677)
Total equity	464,086	24,059	665,237
Attributable to:			
Equity holders of the Parent Company	₱216,125	₱12,325	₱324,370
Non-controlling interests	247,961	11,734	340,867



Statements of cash flows as of December 31, 2016:

Activities	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
Operating	₱5,785	(₱10,965)	₱85,369
Investing	51,456	(43)	(12,369)
Financing	5,320		1,371
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>₱62,561</b>	<b>(₱11,008)</b>	<b>₱74,371</b>

Statements of cash flows as of December 31, 2015:

Activities	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
Operating	(₱234,888)	(₱48,514)	(₱833,121)
Investing	55,464	63,727	6,097
Financing	(1,332,272)	–	808,562
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(₱1,511,696)</b>	<b>₱15,213</b>	<b>(₱18,462)</b>

## 17. Income Taxes

- In 2016, current provision for income tax pertains to BEMC, PXP and FEL's MCIT.
- The components of the Group's deferred income tax liabilities as at December 31, 2016 and 2015 are as follows:

	2016	2015
<b>Deferred income tax assets</b>		
Unrealized foreign exchange loss	₱16,736	₱–
Impairment loss on deferred exploration costs	16,303	16,303
MCIT	667	1,683
NOLCO	–	4,737
	<b>₱33,706</b>	<b>₱22,723</b>
<b>Deferred income tax liabilities</b>		
Fair value adjustment as a result of business combination	(₱979,990)	(₱979,990)
Unrealized foreign exchange gain	(3,243)	(5,438)
Unrealized gain on dilution of interest	(126,615)	(126,615)
	<b>(₱1,109,848)</b>	<b>(₱1,112,043)</b>



- c. A reconciliation of the Group's provision for (benefit from) income tax computed at the statutory income tax rate based on income (loss) before income tax to the provision for (benefit from) income tax follows:

	2016	2015	2014
Benefit from income tax computed at the statutory income tax rate	<b>(P9,145)</b>	(P102,736)	(P131,930)
Additions to (reductions in) income tax resulting from:			
Nondeductible petroleum production costs and depletion	<b>32,291</b>	41,756	47,081
Gain on sale of AFS financial assets	-	(7,256)	-
Provision for impairment of assets	-	-	418
Interest income subjected to final tax	<b>(57)</b>	(806)	(4,079)
Movement in unrecognized deferred tax asset	<b>(5,935)</b>	109,713	162,873
Nondeductible expenses and non-taxable income:			
Nontaxable petroleum revenue	<b>(29,450)</b>	(40,676)	(83,507)
Others	<b>(21)</b>	21	197
<b>Provision for (benefit from) income tax</b>	<b>(P12,317)</b>	<b>P16</b>	<b>P8,947</b>

- d. As at December 31, 2016, the Group's NOLCO that can be claimed as deduction from future taxable income and excess MCIT that can be deducted against income tax due are as follows:

Year Incurred	Available Until	NOLCO	Excess MCIT
2014	2017	P516,164	P1,428
2015	2018	52,466	1,028
2016	2019	47,789	74
		<b>P616,419</b>	<b>P2,530</b>

The following are the movements of the Group's NOLCO and excess MCIT as at December 31, 2016 and 2015:

	NOLCO		Excess MCIT	
	2016	2015	2016	2015
Beginning balance	<b>P678,451</b>	P702,425	<b>P3,478</b>	P2,742
Additions	<b>47,789</b>	52,466	<b>74</b>	1,028
Expirations	<b>(109,821)</b>	(51,173)	<b>(1,022)</b>	(292)
Applications	-	(25,267)	-	-
<b>Ending balance</b>	<b>P616,419</b>	<b>P678,451</b>	<b>P2,530</b>	<b>P3,478</b>

- e. The Group did not recognize deferred income tax assets on the following deductible temporary differences as at December 31, 2016 and 2015:

	2016	2015
NOLCO	<b>P616,419</b>	P662,661
Excess MCIT	<b>1,863</b>	1,795



- f. On July 7, 2008, RA 9504, which amended the provisions of the 1997 Tax Code, became effective. It includes provisions relating to the availment of the optional standard deduction (OSD). Corporations, except for nonresident foreign corporations, may now elect to claim standard deduction in an amount not exceeding 40% of their gross income. A corporation must signify in its returns its intention to avail of the OSD. If no indication is made, it shall be considered as having availed of the itemized deductions. The availment of the OSD shall be irrevocable for the taxable year for which the return is made. The Group did not avail of the OSD in 2016 and 2015.

## 18. 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 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:

	2016			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<b>PMC</b>				
<i>Advances: increase (decrease)</i>			Collectible in cash; On demand;	Secured, no impairment
PXP	P104	P2,193,886	non-interest bearing Collectible in cash; On demand;	Unsecured, no impairment
BEMC	-	737,815	non-interest bearing	
<b>Total</b>	<b>P104</b>	<b>P2,931,701</b>		

	2015			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<b>PMC</b>				
<i>Advances: increase (decrease)</i>			Collectible in cash; On demand;	Unsecured, no impairment
PXP	P490,166	P2,194,128	non-interest bearing Collectible in cash; On demand;	Unsecured, no impairment
BEMC	-	737,815	non-interest bearing	
<b>Total</b>	<b>P490,166</b>	<b>P2,931,943</b>		



- 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 FEL'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. Drawdowns from the loan amounted to nil, nil and US\$15,500, as at December 31, 2016, 2015 and 2014, respectively. The loans receivable from FPHL and loan payable to PMC recorded in the Parent Company amounted to ₱674,804 in 2013.

In 2015, a transfer agreement has been entered into by FPHL (the "Original Borrower") and GSEC 101 - Jersey (the "New Borrower"). This states that all the rights and obligations under the Finance Documents of the Original Borrower will be transferred by way of novation to the New Borrower and the Original Borrower will be released from its obligations and will cease to own any rights under the Facility Agreement.

Interest expense incurred for this loan facility amounted to ₱43,829, ₱37,986 and ₱32,190 in 2016, 2015 and 2014, respectively. In the same years, commitment fees amounted to ₱1,191, ₱1,138 and ₱1,130, respectively. The interest expense and commitment fees were recorded under 'Interest expense and other charges' in the consolidated statements of income while these were eliminated upon consolidation for the year ended December 31, 2016, 2015 and 2014.

Loans receivable of PXP as at December 31, 2016 and 2015 amounted to ₱770,660 and ₱729,430.

PMC made cash advances to be used as additional working capital of the Parent Company and acquisition of investments.

On August 11, 2015, the BOD has agreed that a pledge agreement with PMC (pledgee) be entered into by PXP (pledgor). In order to secure the balance of ₱2.2 billion as of pledge date, the Company has pledged its shares in its subsidiaries, Pitkin and Forum to PMC. The contract was formally executed on August 17, 2015. As at December 31, 2016 and 2015, advances from PMC amounted to ₱2,193,886 and ₱2,194,128, respectively.

- b. BEMC has significant transactions with related parties involving advances to provide funding on BEMC's exploration and development activities. As at December 31, 2016 and 2015, the non-interest-bearing advances from PMC amounted to ₱737,815.
- c. The compensation of key management personnel pertaining to short-term employees and retirement benefits amounted to ₱8,700, ₱12,135 and ₱3,805 for the years ended December 31, 2016, 2015 and 2014, respectively.



## 19. Retirement Benefits Liability

Under the existing regulatory framework, Republic Act (R.A.) 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. Pitkin and FEL have unfunded, noncontributory defined benefit retirement plan covering its regular and full-time employees.

The cost of defined benefit pension plans, as well as the present value of the pension obligation, is determined using actuarial valuations. The actuarial valuation involves making various assumptions.

In 2014, the principal assumptions used in determining retirement benefits liability for the defined benefit plans are shown below:

	2014
Discount rates	3.50% - 5.77%
Future salary increases	5.00%

Present value of defined benefit obligation:

	2014
Net benefit cost in consolidated statements of comprehensive income	
January 1	₱15,623
Current service cost	6,814
Interest cost	2,595
Gain on curtailment	(1,682)
Subtotal	23,350
Re-measurements in OCI	
Experience adjustments	2,267
Actuarial changes from changes in financial assumptions	(1,065)
Subtotal	1,202
Ending balance	₱24,552

In 2015, Pitkin approved the plan to terminate all its employees effective end of January 2016. FEPCO also terminated its employees in August 2015. These resulted in absolute and full extinguishment of the obligation of the Group to pay retirement benefits under the existing regulatory framework. Consequently, the outstanding retirement benefits liabilities of the Group at the date of extinguishment were recognized as gain in the statement of comprehensive income. The reversal of accrual for retirement benefits liability of Pitkin and FEPCO in 2015 amounted to ₱3,463 and ₱24,893, respectively.



---

## 20. Financial Instruments

The Group has determined that the carrying amounts of cash and cash equivalents, trade and other receivables, refundable deposits, trade and other payables and advances from related parties, reasonably approximate their fair values because these are mostly short-term in nature.

There were no transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurement as at December 31, 2016 and 2015.

---

## 21. Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, 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 and approval of the 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. 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, and deposit, 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:

	<b>2016</b>	2015
Cash in banks and cash equivalents	<b>₱573,276</b>	₱526,281
Trade and other receivables	<b>63,480</b>	111,630
Refundable deposits	<b>389</b>	28,023
	<b>₱637,145</b>	₱665,934



The following tables show the credit quality of the Group's financial assets by class as at December 31, 2016 and 2015 based on the Group's credit evaluation process.

**As at December 31, 2016:**

	Neither Past Due nor Impaired		Past Due and Individually	Total
	High-Grade	Standard	Impaired	
Cash and cash equivalents, excluding cash on hand:				
Cash in banks	₱251,484	₱-	₱-	₱251,484
Short-term investments	321,792	-	-	321,792
Trade and other receivables:				
Trade	55,785	-	-	55,785
Others	7,695	-	-	7,695
Refundable deposits under:				
Other current assets	-	39	-	39
Other noncurrent assets	-	350	-	350
<b>Total</b>	<b>₱636,756</b>	<b>₱389</b>	<b>₱-</b>	<b>₱637,145</b>

**As at December 31, 2015:**

	Neither Past Due nor Impaired		Past Due and Individually	Total
	High-Grade	Standard	Impaired	
Cash and cash equivalents, excluding cash on hand:				
Cash in banks	₱148,170	₱-	₱-	₱148,170
Short-term investments	378,111	-	-	378,111
Trade and other receivables:				
Trade	82,925	-	-	82,925
Accrued interest	-	-	-	-
Others	28,705	-	-	28,705
Refundable deposits under:				
Other current assets	-	70	-	70
Other noncurrent assets	-	27,953	-	27,953
<b>Total</b>	<b>₱637,911</b>	<b>₱28,023</b>	<b>₱-</b>	<b>₱665,934</b>

Credit quality of cash and cash equivalents 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.

*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 at December 31, 2016 and 2015, respectively:

**As at December 31, 2016:**

	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Cash on hand	₱65	₱-	₱-	₱-	₱65
Cash equivalents	251,484	321,792	-	-	573,276
Loans and receivables:					
Trade and other receivables	-	63,480	-	-	63,480
Refundable deposits under:					
Other current assets	39	-	-	-	39
Other noncurrent assets	-	-	-	350	350
<b>Total undiscounted financial assets</b>	<b>₱251,588</b>	<b>₱385,272</b>	<b>₱-</b>	<b>₱350</b>	<b>₱637,210</b>
Trade and other payables:					
Trade	₱-	₱12,794	₱-	₱-	₱12,794
Accrued expenses	-	13,461	-	-	13,461
Other nontrade liabilities	-	1,372	-	-	1,372
Advances from related parties	2,931,701	-	-	-	2,931,701
Other noncurrent liabilities	-	-	-	194,004	194,004
<b>Total undiscounted financial liabilities</b>	<b>₱2,931,701</b>	<b>₱27,627</b>	<b>₱-</b>	<b>₱194,004</b>	<b>₱3,153,332</b>

**As at December 31, 2015:**

	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Cash on hand	₱74	₱-	₱-	₱-	₱74
Cash equivalents	148,170	378,111	-	-	526,281
Loans and receivables:					
Trade and other receivables	-	78,467	-	-	78,467
Refundable deposits under:					
Other current assets	70	-	-	-	70
Other noncurrent assets	-	-	-	27,953	27,953
<b>Total undiscounted financial assets</b>	<b>₱148,314</b>	<b>₱456,578</b>	<b>₱-</b>	<b>₱27,953</b>	<b>₱632,845</b>
Trade and other payables:					
Trade	₱-	₱3,620	₱-	₱-	₱3,620
Accrued expenses	-	10,332	-	-	10,332
Other nontrade liabilities	-	968	-	-	968
Advances from related parties	2,931,943	-	-	-	2,931,943
Other noncurrent liabilities	-	-	-	192,807	192,807
<b>Total undiscounted financial liabilities</b>	<b>₱2,931,943</b>	<b>₱14,920</b>	<b>₱-</b>	<b>₱192,807</b>	<b>₱3,139,670</b>

**Market Risk**

*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 both cash in banks and advances from PMC. The corresponding net foreign exchange gains (losses) amounting to ₱13,341, ₱24,675 and ₱110 arising from the translation of these foreign currency-denominated financial instruments were recognized by the Parent Company in the years ended December 31, 2016, 2015 and 2014, respectively. The exchange rates of the Peso to US dollar were ₱49.72, ₱47.06 and ₱44.72 to US\$1 in the years ended December 31, 2016, 2015 and 2014, respectively.



The Group's foreign currency-denominated monetary assets and monetary liabilities as at December 31, 2016 and 2015 are as follow:

	2016		2015	
	US\$	Peso Equivalent	US\$	Peso Equivalent
<b>Assets</b>				
Cash and cash equivalents	US\$9,483	₱471,495	US\$10,840	₱510,130
Trade receivables	1,250	62,150	915	43,060
<b>Liabilities</b>				
Advances from related parties	–	–	(3,647)	(171,628)
Net monetary assets	US\$10,733	₱533,645	US\$8,108	₱381,562

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
<b>2016</b>		
	Appreciate by 4%	₱21,346
	Depreciate by (4%)	(21,346)
<b>2015</b>		
	Appreciate by 4%	(₱15,262)
	Depreciate by (4%)	15,262

There is no other impact on the Group's equity other than those already affecting profit or loss.

## 22. Capital Management

The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities. No significant changes have been made in the objectives, policies and processes of the Group from the previous year.

The table below summarizes the total capital considered by the Group:

	2016	2015
Capital stock	₱1,700,000	₱1,700,000
Deficit	(1,255,567)	(1,233,205)
	₱444,433	₱466,795



---

### 23. Basic/Diluted Loss per Share

Basic/diluted loss per share is computed as follows:

	2016	2015	2014
Net loss attributable to equity holders of the Parent Company	(P22,362)	(P87,540)	(P225,591)
Divided by weighted average number of common shares issued during the year	1,700,000,000	1,700,000,000	1,700,000,000
Basic/diluted loss per share	<b>(P0.013)</b>	<b>(P0.051)</b>	<b>(P0.133)</b>

As at December 31, 2016, 2015, and 2014, the Parent Company does not have any potentially dilutive securities.

---

### 24. Segment Information

The Group currently has two reportable segments namely oil and gas activities and coal mining activities. The coal mining operations of BEMC ended in 2014. No operating segments have been aggregated to form the two reportable operating segments.

Operating results of the Group is regularly reviewed by the Group's President 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 depletion and depreciation (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 depletion and depreciation of property and equipment.

EBITDA is not 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 operating assets are principally located in the Philippines. Thus, geographical business operation is not required.



Crude oil liftings from the Galoc field were sold to customers from nearby Asian countries, while all crude oil liftings from the Nido, Matinloc, North Matinloc and Libertad gas fields were sold to customers in the Philippines.

Revenues from oil and gas operations of the Group are as follows:

	2016	2015	2014
SC 14 Block C (Galoc)	<b>₱85,379</b>	₱157,539	₱266,298
SC 14 Block A (Nido)	<b>9,566</b>	5,156	18,140
SC 14 Block B-1(North Matinloc)	<b>4,760</b>	1,938	13,383
SC 14 Block B (Matinloc)	<b>1,874</b>	6,556	4,117
SC 40 Libertad	–	1,061	2,785
	<b>₱101,579</b>	₱172,250	₱304,723

On January 6, 2014, BEMC finalized the agreement regarding the assignment and sale of its Coal Operating Contract (COC). On January 8, 2014, BEMC requested to DOE the approval of the DA executed by BEMC and Grace Coal Mining and Development, Inc. On May 27, 2015, the DOE has approved the assignment. Thus, the new operator of COC 130 is now GCMDI.

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 at December 31, 2016:**

	Oil and Gas	Coal	Eliminations	Total
<b>Consolidated Revenue</b>				
External customers	<b>₱101,579</b>	<b>₱–</b>	<b>₱–</b>	<b>₱101,579</b>
<b>Results</b>				
EBITDA	<b>₱25,300</b>	<b>(₱101)</b>	<b>(₱48,798)</b>	<b>(₱23,599)</b>
Depreciation and depletion	<b>(351)</b>	–	–	<b>(351)</b>
Income tax (expense) benefit	<b>(12,257)</b>	<b>(60)</b>	–	<b>(12,317)</b>
Interest Income	–	–	–	–
Interest expense and other charges - net	<b>(44,901)</b>	–	<b>44,781</b>	<b>(120)</b>
<b>Consolidated net loss</b>	<b>(₱32,209)</b>	<b>(₱161)</b>	<b>(₱4,017)</b>	<b>(₱36,387)</b>
<b>Core net income (loss)</b>	<b>(₱105,727)</b>	<b>₱31</b>	<b>₱55,744</b>	<b>(₱49,952)</b>
<b>Consolidated total assets</b>	<b>₱6,387,792</b>	<b>₱2,441</b>	<b>₱941,492</b>	<b>₱7,331,725</b>
<b>Consolidated total liabilities</b>	<b>₱3,451,944</b>	<b>₱737,867</b>	<b>₱83,404</b>	<b>₱4,273,215</b>
<b>Other Segment Information</b>				
Capital expenditures	<b>₱63,238</b>	<b>₱–</b>	<b>₱–</b>	<b>₱63,238</b>
Non-cash expenses other than depletion and depreciation	–	–	–	–



As at December 31, 2015:

	Oil and Gas	Coal	Eliminations	Total
Consolidated Revenue				
External customers	₱172,250	₱-	₱-	₱172,250
Results				
EBITDA	₱611,572	₱4,514	(₱757,292)	(₱141,206)
Depreciation and depletion	(4,175)	-	-	(4,175)
Income tax (expense) benefit	16	-	-	16
Interest Income	40,462	-	(40,462)	-
Interest expense and other charges - net	(39,124)	-	40,462	1,338
Consolidated net income (loss)	₱608,751	₱4,514	(₱757,292)	(₱144,027)
Core net income (loss)	(₱931,422)	(₱317)	₱801,846	(₱129,893)
Consolidated total assets	₱6,234,649	₱2,643	₱990,888	₱7,228,180
Consolidated total liabilities	₱3,347,458	₱737,907	₱175,567	₱4,260,932
Other Segment Information				
Capital expenditures	₱66,886	₱-	₱-	₱66,886
Non-cash expenses other than depletion and depreciation	469,878	-	-	469,878

As at December 31, 2014:

	Oil and Gas	Coal	Eliminations	Total
Consolidated Revenue				
External customers	₱304,723	₱3,159	₱-	₱307,882
Results				
EBITDA	(₱434,006)	₱14,658	(₱11,917)	(₱431,265)
Depreciation and depletion	(5,014)	-	-	(5,014)
Income tax (expense) benefit	(8,947)	-	-	(8,947)
Interest expense and other charges - net	(3,428)	-	-	(3,428)
Consolidated net income (loss)	(₱451,395)	₱14,658	(₱11,917)	(₱448,654)
Core net income (loss)	(₱72,696)	(₱3,465)	₱9,362	(₱66,799)
Consolidated total assets	₱8,441,162	₱11,931	₱44,078	₱8,497,171
Consolidated total liabilities	₱3,803,932	₱751,709	₱268,839	₱4,824,480
Other Segment Information				
Capital expenditures	₱219,854	₱-	₱-	₱219,854
Non-cash expenses other than depletion and depreciation	372,041	-	-	372,041

Annual revenues from the major customers of the Group are as follows:

	2016	2015	2014
Thai Oil Public Company Limited	₱26,872	₱37,272	₱52,884
SK Energy International Pte Ltd	26,710	41,264	32,466
Chevron USA Inc. (Singapore Branch)	16,031	-	-
Singapore Petroleum Corporation	15,766	79,002	-
Hyundai Oilbank Company Ltd	-	-	97,481
GS Caltex Corporation	-	-	62,829
Pilipinas Shell Petroleum Corporation	-	-	35,365
	₱85,379	₱157,538	₱281,025



Revenues amounting to ₱16,291, ₱14,711, and ₱26,855 pertain to external customers with individual revenue amounts less than 10% of the Group's revenue for the years ended December 31, 2016, 2015 and 2014, respectively.

The table below shows the Group's reconciliation of core net loss to the consolidated net loss for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Core net loss	<b>(₱49,952)</b>	(₱129,893)	(₱66,799)
Non-recurring gains (losses)			
Foreign exchange gains - net	<b>10,348</b>	21,997	2,292
Gain on reversal of impairment loss on assets (Note 9)	<b>(192)</b>	231,052	18,122
Loss on sale of assets	<b>(221)</b>	-	-
Provision for impairment of assets (Notes 6, 7, 9 and 11)	-	(229,650)	(180,623)
Net tax effect of aforementioned adjustments	<b>17,655</b>	18,954	1,417
Net loss attributable to:			
Equity holders of the Parent Company	<b>(22,362)</b>	(87,540)	(225,591)
Non-controlling interests	<b>(14,025)</b>	(56,487)	(223,063)
	<b>(₱36,387)</b>	(₱144,027)	(₱448,654)

## 25. Provisions and Contingencies

The Group is currently involved in certain contractual matters that require the recognition of provisions for related probable claims against the Group. Management and its legal counsel on an annual basis reassess its estimates to consider new relevant information.

### Share Purchase Agreement (SPA) between FEL and Forum Pacific, Inc.

Under the SPA for FEI dated March 11, 2003, amount of up to ₱171,631 is due to the vendor out of the Group's share of future net revenues generated from SC 40. The timing and extent of such payments is dependent upon future field production performance and cannot be accurately determined at this stage.

The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided. The provision for losses for the above mentioned transactions amounting to ₱194,004 and ₱192,807 as at December 31, 2016 and 2015, respectively, are recorded under 'Other noncurrent liabilities' in the consolidated statements of financial position



---

**26. Notes to Consolidated Statements of Cash Flows**

The principal non-cash investing and financing activities of the Group are as follows:

Non-cash Investing Activities

- a. In 2014, provision for rehabilitation and decommissioning costs amounting to ₱8,717 was recognized by FEL for its producing oil and gas assets and capitalized as part of property and equipment under “Wells, platforms, and other facilities”.



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
PXP Energy Corporation  
2/F LaunchPad  
Reliance corner Sheridan Streets  
Mandaluyong City

We have examined the accompanying consolidated financial statements of PXP Energy Corporation and its subsidiaries as at and for the year ended December 31, 2016, on which we have rendered the attached report dated February 28, 2017.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the said Company has a total number of thirty-one thousand, one hundred twenty-nine (31,129) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

*Jose Pepito E. Zabat*

Jose Pepito E. Zabat III  
Partner  
CPA Certificate No. 85501  
SEC Accreditation No. 0328-AR-3 (Group A),  
May 1, 2015, valid until April 30, 2018  
Tax Identification No. 102-100-830  
BIR Accreditation No. 08-001998-60-2015,  
February 27, 2015, valid until February 26, 2018  
PTR No. 5908781, January 3, 2017, Makati City

February 28, 2017



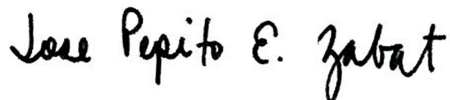


## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
PXP Energy Corporation  
2/F LaunchPad  
Reliance corner Sheridan Streets  
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PXP Energy Corporation and its subsidiaries as at December 31, 2016 and 2015, and each of the three years in the period ended December 31, 2016 included in this Form 17-A and have issued our report thereon dated February 28, 2017. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jose Pepito E. Zabat III  
Partner  
CPA Certificate No. 85501  
SEC Accreditation No. 0328-AR-3 (Group A),  
May 1, 2015, valid until April 30, 2018  
Tax Identification No. 102-100-830  
BIR Accreditation No. 08-001998-60-2015,  
February 27, 2015, valid until February 26, 2018  
PTR No. 5908781, January 3, 2017, Makati City

February 28, 2017



**PXP ENERGY CORPORATION AND SUBSIDIARIES**  
**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY**  
**SCHEDULES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Consolidated Financial Statements:

Statement of Management's Responsibility for Financial Statements  
Independent Auditors' Report  
Consolidated Statements of Financial Position  
Consolidated Statements of Comprehensive Income  
Consolidated Statements of Cash Flows  
Consolidated Statements of Changes in Equity  
Notes to Consolidated Financial Statements

Supplementary Schedules:

Independent Auditors' Report on Supplementary Schedules  
Schedule I - Reconciliation of Retained Earnings Available for Declaration\*  
Schedule II - Schedule Showing Financial Soundness  
Schedule III - A Map Showing the Relationship between the Parent Company and its Subsidiaries  
Schedule IV - Schedule of Effective Standards and Interpretations  
Schedule V - Supplementary Schedules Required under Annex 68-E

Schedule A: Financial Assets\*

Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)\*

Schedule C: Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

Schedule D: Intangible Assets - Other Assets

Schedule E: Long-term debt

Schedule F: Indebtedness to Related Parties (Long-Term Loans from Related Companies)\*

Schedule G: Guarantees of Securities of Other Issuers\*

Schedule H: Capital Stock

\*These schedules, which are required by SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included/shown in the related consolidated financial statements or in the notes thereto.

**SCHEDULE I**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**As of December 31, 2016**

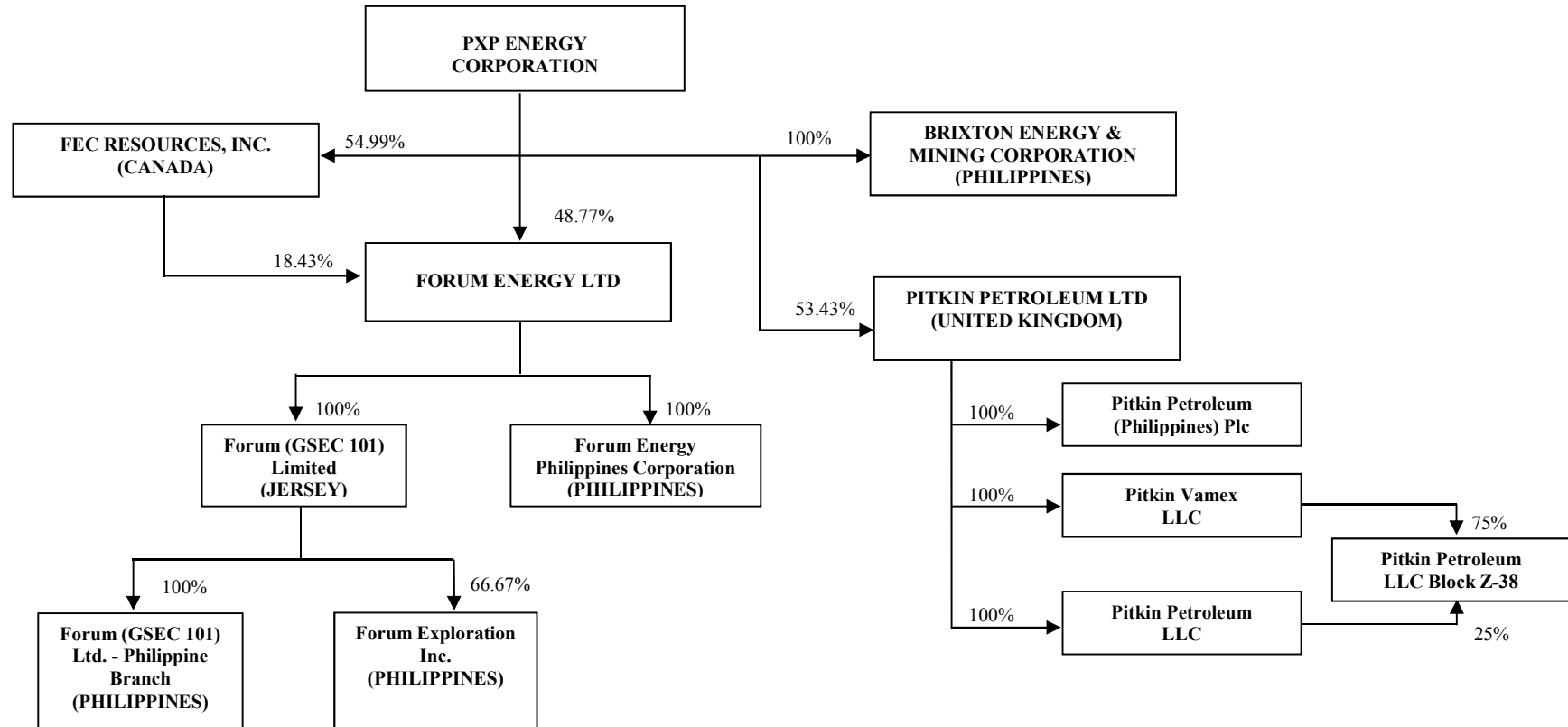
**PXP ENERGY CORPORATION**  
**2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City**  
**(Amounts in Thousands)**

<b>Unappropriated retained earnings, as adjusted to available for dividend distribution, as at December 31, 2014</b>		_____
<b>Net income during the year closed to retained earnings</b>		_____
Less:	Non-actual/unrealized income net of tax	
	Equity in net income of associate/joint venture	
	Unrealized foreign exchange gains - net (except those attributable to cash and cash equivalents)	
	Recognized deferred tax asset that increased the net income	_____
Subtotal		
Add:	Non-actual loss	
	Unrealized actuarial losses	
	Other realized gains or adjustments of certain transactions accounted for under PFRS	<b>NOT APPLICABLE</b>
<b>Net income actually earned during the year</b>		_____
Add (less):	Dividend declarations during the year	
<b>Unappropriated retained earnings as at December 31, 2015, as adjusted</b>		_____
<b>Add: Net income actually earned/realized during the year</b>		
<b>Net income during the year closed to retained earnings</b>		_____
Less:	Non-actual/unrealized income net of tax	
	Equity in net income of associate/joint venture	
	Unrealized foreign exchange gains - net (except those attributable to cash and cash equivalents)	
	Unrealized actuarial gain	
	Fair value adjustment (mark-to-market gains)	
	Fair value adjustment of investment property resulting to gain	
	Recognized deferred tax asset that increased the net income	
	Adjustment due to deviation from PFRS/GAAP – gain	
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	_____
Subtotal		_____
Add:	Non-actual losses	
	Depreciation on revaluation increment (after tax)	
	Adjustment due to deviation from PFRS/GAAP – loss	
	Loss on fair value adjustment of investment property (after tax)	
	Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	_____
Subtotal		_____
<b>Net income actually earned during the year</b>		_____
Add (less):	Dividend declarations during the year	
	Appropriations of retained earnings during the year	
	Reversals of appropriations	
	Effects of prior period adjustments	
	Treasury shares	_____
<b>Subtotal</b>		_____
<b>Unappropriated retained earnings as at December 31, 2016 , as adjusted</b>		_____

**SCHEDULE II**  
**PXP ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE SHOWING FINANCIAL SOUNDNESS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2016**

	<b>2016</b>	2015	2014
Current ratio	<b>0.23</b>	0.23	0.59
Debt-to-equity ratio	<b>1.40</b>	1.44	1.31
Asset-to-equity ratio	<b>2.40</b>	2.44	2.31
Interest rate coverage ratio	–	–	(86.70)
Net income ratio	<b>(0.36)</b>	(0.84)	(1.45)

**SCHEDULE III**  
**PXP ENERGY CORPORATION AND SUBSIDIARIES**  
**A MAP SHOWING THE RELATIONSHIP BETWEEN THE PARENT COMPANY**  
**AND ITS SUBSIDIARIES**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2016**



**SCHEDULE IV**  
**PXP ENERGY CORPORATION AND SUBSIDIARIES**  
**TABULAR SCHEDULE OF ALL EFFECTIVE STANDARDS AND**  
**INTERPRETATIONS PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2016**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>		✓		
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: <i>Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	✓		
	Amendments to PFRS 1: <i>Additional Exemptions for First-time Adopters</i>			✓
	Amendment to PFRS 1: <i>Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters</i>			✓
	Amendments to PFRS 1: <i>Severe Hyperinflation and Removal of Fixed Date for First-time Adopters</i>			✓
	Amendments to PFRS 1: <i>Government Loans</i>			✓
	Amendments to PFRS 1: <i>Borrowing Costs</i>			✓
	Amendment to PFRS 1: <i>Meaning of Effective PFRSs</i>	✓		
<b>PFRS 2</b>	<i>Share-based Payment</i>			✓
	Amendments to PFRS 2: <i>Vesting Conditions and Cancellations</i>			✓
	Amendments to PFRS 2: <i>Group Cash-settled Share-based Payment Transactions</i>			✓
<b>PFRS 3 (Revised)</b>	<i>Business Combinations</i>	✓		
<b>PFRS 4</b>	<i>Insurance Contracts</i>			✓
	Amendments to PAS 39 and PFRS 4: <i>Financial Guarantee Contracts</i>			✓
<b>PFRS 5</b>	<i>Non-current Assets Held for Sale and Discontinued Operations</i>			✓
	Amendment to PFRS 5: <i>Changes in Methods of Disposal</i>			✓
<b>PFRS 6</b>	<i>Exploration for and Evaluation of Mineral Resources</i>	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 7</b>	<i>Financial Instruments: Disclosures</i>	✓		
	Amendments to PFRS 7: <i>Transition</i>			✓
	Amendments to PAS 39 and PFRS 7: <i>Reclassification of Financial Assets</i>			✓
	Amendments to PAS 39 and PFRS 7: <i>Reclassification of Financial Assets - Effective Date and Transition</i>			✓
	Amendments to PFRS 7: <i>Improving Disclosures about Financial Instruments</i>	✓		
	Amendments to PFRS 7: <i>Disclosures - Transfers of Financial Assets</i>			✓
	Amendments to PFRS 7: <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>			✓
	Amendments to PFRS 7: <i>Mandatory Effective Date of PFRS 9 and Transition Disclosures</i>			✓
	Amendment to PFRS 7: <i>Servicing Contracts</i>			✓
	Amendment to PFRS 7: <i>Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements</i>			✓
<b>PFRS 8</b>	<i>Operating Segments</i>	✓		
<b>PFRS 9</b>	<i>Financial Instruments</i>	✓		
	Amendments to PFRS 9: <i>Mandatory Effective Date of PFRS 9 and Transition Disclosures</i>			✓
<b>PFRS 10</b>	<i>Consolidated Financial Statements</i>	✓		
	Amendments to PFRS 10: <i>Investment Entities</i>			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: <i>Investment Entities: Applying the Consolidation Exception</i>			✓
<b>PFRS 11</b>	<i>Joint Arrangements</i>	✓		
	Amendments to PFRS 11: <i>Accounting for Acquisitions of Interests in Joint Operations</i>	✓		
<b>PFRS 12</b>	<i>Disclosure of Interests in Other Entities</i>			✓
	Amendments to PFRS 12: <i>Investment Entities</i>			✓
<b>PFRS 13</b>	<i>Fair Value Measurement</i>	✓		
	Amendment to PFRS 13: <i>Short-term Receivables and Payables</i>	✓		
<b>PFRS 14</b>	<i>Regulatory Deferral Accounts</i>			✓
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	<i>Presentation of Financial Statements</i>	✓		
	Amendment to PAS 1: <i>Capital Disclosures</i>			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 32 and PAS 1: <i>Puttable Financial Instruments and Obligations Arising on Liquidation</i>			✓
	Amendments to PAS 1: <i>Presentation of Items of Other Comprehensive Income</i>	✓		
	Amendments to PAS 1: <i>Clarification of the requirements for comparative information</i>	✓		
	Amendments to PAS 1: <i>Disclosure Initiative</i>			✓
<b>PAS 2</b>	<i>Inventories</i>	✓		
<b>PAS 7</b>	<i>Statement of Cash Flows</i>	✓		
<b>PAS 8</b>	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	✓		
<b>PAS 10</b>	<i>Events after the Balance Sheet Date</i>	✓		
<b>PAS 11</b>	<i>Construction Contracts</i>			✓
<b>PAS 12</b>	<i>Income Taxes</i>	✓		
	Amendment to PAS 12 - <i>Deferred Tax: Recovery of Underlying Assets</i>	✓		
<b>PAS 16</b>	<i>Property, Plant and Equipment</i>	✓		
	Amendments to PAS 16: <i>Classification of servicing equipment</i>			✓
	Amendments to PAS 16 and PAS 38: <i>Clarification of Acceptable Methods of Depreciation and Amortization</i>			✓
	Amendments to PAS 16 and PAS 41: <i>Agriculture: Bearer Plants</i>			✓
<b>PAS 17</b>	<i>Leases</i>	✓		
<b>PAS 18</b>	<i>Revenue</i>	✓		
<b>PAS 19</b>	<i>Employee Benefits</i>	✓		
	Amendments to PAS 19: <i>Actuarial Gains and Losses, Group Plans and Disclosures</i>			✓
	Amendment to PAS 19: <i>Discount Rate: Regional Market Issue</i>			✓
<b>PAS 19 (Amended)</b>	<i>Employee Benefits</i>	✓		
<b>PAS 20</b>	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>			✓
<b>PAS 21</b>	<i>The Effects of Changes in Foreign Exchange Rates</i>	✓		
	Amendment: <i>Net Investment in a Foreign Operation</i>			✓
<b>PAS 23 (Revised)</b>	<i>Borrowing Costs</i>			✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 24 (Revised)</b>	<i>Related Party Disclosures</i>	✓		
<b>PAS 26</b>	<i>Accounting and Reporting by Retirement Benefit Plans</i>			✓
<b>PAS 27 (Amended)</b>	<i>Separate Financial Statements</i>	✓		
	<i>Amendments to PAS 27: Equity Method in Separate Financial Statements</i>			✓
<b>PAS 28</b>	<i>Investments in Associates</i>			✓
<b>PAS 28 (Amended)</b>	<i>Investments in Associates and Joint Ventures</i>			✓
<b>PAS 29</b>	<i>Financial Reporting in Hyperinflationary Economies</i>			✓
<b>PAS 31</b>	<i>Interests in Joint Ventures</i>			✓
<b>PAS 32</b>	<i>Financial Instruments: Disclosure and Presentation</i>	✓		
	<i>Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation</i>			✓
	<i>Amendment to PAS 32: Classification of Rights Issues</i>			✓
	<i>Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities</i>	✓		
<b>PAS 33</b>	<i>Earnings per Share</i>	✓		
<b>PAS 34</b>	<i>Interim Financial Reporting</i>			✓
	<i>Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'</i>			✓
<b>PAS 36</b>	<i>Impairment of Assets</i>	✓		
<b>PAS 37</b>	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	✓		
<b>PAS 38</b>	<i>Intangible Assets</i>	✓		
<b>PAS 39</b>	<i>Financial Instruments: Recognition and Measurement</i>	✓		
	<i>Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities</i>			✓
	<i>Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions</i>			✓
	<i>Amendments to PAS 39: The Fair Value Option</i>			✓
	<i>Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts</i>			✓
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets</i>			✓
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition</i>			✓
	<i>Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives</i>			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	<i>Amendment to PAS 39: Eligible Hedged Items</i>			✓
<b>PAS 40</b>	<i>Investment Property</i>			✓
<b>PAS 41</b>	<i>Agriculture</i>			✓
<i>Philippine Interpretations</i>				
<i>IFRIC 1</i>	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	✓		
<i>IFRIC 2</i>	<i>Members' Share in Co-operative Entities and Similar Instruments</i>			✓
<i>IFRIC 4</i>	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
<i>IFRIC 5</i>	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	✓		
<i>IFRIC 6</i>	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
<i>IFRIC 7</i>	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
<i>IFRIC 8</i>	<i>Scope of PFRS 2</i>			✓
<i>IFRIC 9</i>	<i>Reassessment of Embedded Derivatives</i>			✓
	<i>Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives</i>			✓
<i>IFRIC 10</i>	<i>Interim Financial Reporting and Impairment</i>			✓
<i>IFRIC 11</i>	<i>PFRS 2 - Group and Treasury Share Transactions</i>			✓
<i>IFRIC 12</i>	<i>Service Concession Arrangements</i>			✓
<i>IFRIC 13</i>	<i>Customer Loyalty Programmes</i>			✓
<i>IFRIC 14</i>	<i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>			✓
	<i>Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement</i>			✓
<i>IFRIC 16</i>	<i>Hedges of a Net Investment in a Foreign Operation</i>			✓
<i>IFRIC 17</i>	<i>Distributions of Non-cash Assets to Owners</i>			✓
<i>IFRIC 18</i>	<i>Transfers of Assets from Customers</i>			✓
<i>IFRIC 19</i>	<i>Extinguishing Financial Liabilities with Equity Instruments</i>			✓
<i>IFRIC 20</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i>			✓
<i>SIC-7</i>	<i>Introduction of the Euro</i>			✓
<i>SIC-10</i>	<i>Government Assistance - No Specific Relation to Operating Activities</i>			✓
<i>SIC-12</i>	<i>Consolidation - Special Purpose Entities</i>			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	<i>Amendment to SIC - 12: Scope of SIC 12</i>			✓
<i>SIC-13</i>	<i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>			✓
<i>SIC-15</i>	<i>Operating Leases - Incentives</i>			✓
<i>SIC-25</i>	<i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>			✓
<i>SIC-27</i>	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>			✓
<i>SIC-29</i>	<i>Service Concession Arrangements: Disclosures.</i>			✓
<i>SIC-31</i>	<i>Revenue - Barter Transactions Involving Advertising Services</i>			✓
<i>SIC-32</i>	<i>Intangible Assets - Web Site Costs</i>			✓

**SCHEDULE V**  
**PXP ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE A**  
**FINANCIAL ASSETS**  
**December 31, 2016**  
**(Amounts in Thousands, Except Number of Shares)**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
---------------------------------------------------------	------------------------------------------------------------	--------------------------------------	--------------------------------

---

<b>NOT APPLICABLE</b>
-----------------------

**PXP ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE B**  
**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL**  
**STOCKHOLDERS (OTHER THAN RELATED PARTIES)**  
**December 31, 2016**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
-----------------------------------	-----------------------------------	-----------	-------------------	---------------------	---------	-------------	-----------------------------

---

**NOT APPLICABLE**

**PXP ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE C**  
**AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING CONSOLIDATION**  
**December 31, 2016**  
**(Amounts in Thousands)**

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
<b>Subsidiary</b>							
<i>Receivables:</i>							
Forum (GSEC 101) Limited ( <i>Jersey</i> )	₱729,430	₱41,230	₱-	₱-	₱-	₱-	₱770,660
	₱729,430	₱41,230	₱-	₱-	₱-	₱-	₱770,660

**PXP ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE D**  
**INTANGIBLE ASSETS - OTHER ASSETS**  
**December 31, 2016**  
**(Amounts in Thousands)**

Description	Beginning balance	Additions at Cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
(i) Intangible Assets						
Goodwill	₱1,238,583	₱-	₱-	₱-	₱-	₱1,238,583
(ii) Other Assets						
Deferred oil and gas exploration costs	5,515,433	260	-	-	311,752	5,827,445
Allowance for unrecoverable portion	(578,721)	-	-	-	(167,274)	(745,995)
	4,936,712	260	-	-	144,478	5,081,450
	₱6,175,295	₱260	₱-	₱-	₱144,478	₱6,320,033

**PXP ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE E**  
**LONG TERM DEBT**  
**December 31, 2016**  
**(Amounts in Thousands)**

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt"	Amount shown caption "Long-term Debt"
---------------------------------------	--------------------------------	----------------------------------------------------------------	---------------------------------------

---

**NOT APPLICABLE**



**PXP ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE F**  
**INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)**  
**December 31, 2016**

Name of the Related Party

Balance at beginning of period

Balance at end of period

---

<b>NOT APPLICABLE</b>
-----------------------

**PXP ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE G**  
**GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**December 31, 2016**

Name of the issuing entity of securities guaranteed by the company for which the statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is lifted	Nature of guarantee
-----------------------------------------------------------------------------------------------------	-------------------------------------------------------	-----------------------------------------	------------------------------------------------------	---------------------

---

<b>NOT APPLICABLE</b>
-----------------------

**PXP ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE H**  
**CAPITAL STOCK**  
**December 31, 2016**

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	6,800,000,000	1,700,000,000	–	–	1,102,112	–