



**PHILEX PETROLEUM
CORPORATION**

25 February 2015

PHILIPPINE STOCK EXCHANGE, INC.

3/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Dear Ms. Encarnacion,

We submit herewith a copy of Philex Petroleum Corporation's press release on the Company's Financial and Operating Highlights for the year ended December 31, 2014.

Very truly yours,

MARK H. RILLES
Finance Controller

25th February 2015

PRESS RELEASE

**FINANCIAL AND OPERATING HIGHLIGHTS
FOR THE YEAR ENDED 31ST DECEMBER 2014**

- Philex Petroleum Corporation (“Philex Petroleum” or the “Company”) incurred an audited consolidated net loss of P448.7 million for the year ended 31st December 2014, compared to a consolidated net loss of P101.2 million in 2013. The increase in net loss was mainly due to an impairment loss of P338.5 million resulting from Pitkin Petroleum Plc’s (“Pitkin”) decision to exit Service Contract 6A (“SC 6A”), which was partly offset by higher petroleum revenues of Forum Energy Plc (“Forum”), reduction in general and administrative expenses and decrease in interest expenses.
- Pitkin, a 53% owned subsidiary, elected not to enter Phase 2 of a farm-in agreement to earn a 70% participating interest in SC 6A which is located offshore NW Palawan. Pitkin is in the process of reassigning its participating interest back to the farm-out partners which will be subject to the approval of the Department of Energy.
- The Department of Energy granted Forum (GSEC 101) Limited's request to extend the completion date of the second Exploration Sub-Phase of Service Contract 72 ("SC 72") by one year to August 15, 2016. The Sub-Phase 2 exploration work program of SC 72 which is located offshore West Palawan, comprises the drilling of two wells. Forum (GSEC 101) Limited is a wholly-owned subsidiary of Forum that holds a 70% operating interest in SC 72. Philex Petroleum holds a 60.49% voting interest and a 48.76% economic interest in Forum.
- 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. Pitkin holds a 25% participating interest in Peru Block Z-38.
- On July 2, 2014, Pitkin repurchased 11,099,000 or 7.93% of its total issued shares at a price of US\$1 per share. Philex Petroleum sold two million or 2.84% of its Pitkin shares. Philex Petroleum’s shareholding in Pitkin after the repurchase of shares increased from 50.29% to 53.07%.
- On April 15, 2014, Philex Petroleum completed the acquisition of 2,237 line-kilometers of 2D seismic data in Service Contract 75 (“SC 75”) which is located offshore NW Palawan. The processing and

interpretation of the 2D seismic data is currently ongoing and is expected to be completed in the first quarter of 2015. Philex Petroleum has a 50% operating interest in SC 75.

- Brixton, a wholly-owned subsidiary, finalized agreements for the assignment of Coal Operating Contract 130 (“COC 130”) in Zamboanga Sibugay to Grace Coal Mining and Development on January 7, 2014. The underground coal mines in COC 130 were closed in September 2013, following suspension of operations in January 2013 due to low coal prices. The assignment is awaiting the approval of the Department of Energy.
- The Company will continue its efforts to reduce operating expenditures through the rationalization of the Company’s business structure and asset portfolio particularly in the current low oil-price environment.

About Philex Petroleum Corporation

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

For further information, please contact:

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PHILEX PETROLEUM CORPORATION
(A Subsidiary of Philex Mining Corporation)
AND SUBSIDIARIES

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

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	P1,908,365	P2,621,474
Accounts receivable	91,787	112,947
Inventories - net	18,550	21,193
Other current assets	42,634	27,696
Total Current Assets	2,061,336	2,783,310
Noncurrent Assets		
Property and equipment - net	316,430	360,018
Deferred oil and gas exploration costs - net	4,831,363	4,978,483
Deferred income tax assets - net	22,302	28,313
Goodwill	1,238,583	1,238,583
Other noncurrent assets	27,157	32,224
Total Noncurrent Assets	6,435,835	6,637,621
TOTAL ASSETS	P8,497,171	P9,420,931
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of long-term loan	P-	P55,019
Accounts payable and accrued liabilities	64,077	116,304
Advances from related parties	3,421,836	3,378,851
Income tax payable	653	253
Total Current Liabilities	3,486,566	3,550,427
Noncurrent Liabilities		
Long-term loan - net of current portion	-	55,014
Deferred income tax liabilities - net	1,111,937	1,111,894
Other noncurrent liabilities	225,977	198,208
Total Noncurrent Liabilities	1,337,914	1,365,116
Total Liabilities	4,824,480	4,915,543
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - P1 par value	1,700,000	1,700,000
Equity reserves	48,970	(123)
Deficit	(1,146,176)	(919,383)
Cumulative translation adjustment on foreign subsidiaries	(57,018)	(61,000)
	545,776	719,494
Non-controlling interests	3,126,915	3,785,894
Total Equity	3,672,691	4,505,388
TOTAL LIABILITIES AND EQUITY	P8,497,171	P9,420,931

PHILEX PETROLEUM CORPORATION
(A Subsidiary of Philex Mining Corporation)
AND SUBSIDIARIES

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

	Years Ended December 31		
	2014	2013	2012
REVENUE			
Petroleum	₱304,723	₱191,243	₱191,003
Coal	3,159	17,530	48,030
	307,882	208,773	239,033
COSTS AND EXPENSES			
General and administrative expenses	279,267	337,342	184,036
Petroleum production costs	152,981	87,895	98,245
Cost of coal sales	3,197	17,770	35,238
Others	620	1,231	4,175
	436,065	444,238	321,694
OTHER INCOME (CHARGES)			
Gain on reversal of impairment loss	18,122	34,739	–
Interest income	11,770	7,220	784
Gain on curtailment	1,682		
Foreign exchange gains (losses) - net	110	11,011	23,778
Gain on sale of subsidiaries	–	246,597	–
Gain on sale of AFS financial assets	–	26,867	–
Dividend income	–	–	5,645
Loss on sale of assets	–	(24,164)	–
Interest expense	(5,014)	(46,141)	(37,739)
Provision for impairment of assets	(340,349)	(137,269)	(966,883)
Others – net	2,155	534	72,549
	(311,524)	119,394	(901,866)
LOSS BEFORE INCOME TAX	(439,707)	(116,071)	(984,527)
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	(468)	1,022	23,925
Deferred	(8,479)	(15,859)	77,906
	(8,947)	(14,837)	101,831
NET LOSS	(₱448,654)	(₱101,234)	(₱1,086,358)
NET LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent Company	(₱225,591)	(₱98,534)	(₱876,168)
Non-controlling interests	(223,063)	(2,700)	(210,190)
	(₱448,654)	(₱101,234)	(₱1,086,358)
BASIC/DILUTED LOSS PER SHARE	(₱0.133)	(₱0.058)	(₱0.515)