SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2021**

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

4. Exact name of issuer as specified in its charter: **PXP ENERGY CORPORATION**

5. Province, country or other jurisdiction of incorporation or organization: **Philippines**

6. Industry Classification Code: (SEC

7. Address of issuer's principal office: **2/F LaunchPad, Reliance cor. Sheridan St., Mandaluyong City**
   Postal Code: **1550**

8. Issuer's telephone number, including area code: **(632) 8631-1381**

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

   N/A

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	**₱1,960,000,000**

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

    Yes [/] No [ ]

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

Philippine Stock Exchange	**Common shares**

12. Indicate by check mark whether the registrant:

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

    Yes [/] No [ ]

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

    Yes [/] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Consolidated Financial Statements as of and for the six-month period ended June 30, 2021 are hereto attached.

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

Consolidated petroleum revenues amounted to ₱19.6 million (6M2020: ₱6.1 million) for the first six months of the year.

The higher petroleum revenue resulted from one (1) oil lifting for both periods equivalent to a gross volume of 222,038 barrels of oil (6M2020: 234,148 barrels) and 250% recovery in average crude oil prices of $63.48 per barrel (6M2020: $18.13 per barrel) during the review period. Such revenue was contributed by Forum Energy Limited (“Forum”), a 79% directly and indirectly owned subsidiary, from its 3.21% participating interest in Service Contract (“SC”) 14C-1 Galoc oil field.

Costs and expenses reached ₱54.4 million for the period (6M2020: ₱39.5 million) with lower petroleum production costs at ₱13.9 million (6M2020: ₱16.0 million). On the other hand, general and administrative expenses stood at ₱40.5 million (6M2020: ₱23.5 million) following the increase in consultation services.

A net other charges of ₱119.2 million was recorded during the current period (6M2020: ₱22.9 million). This consists mainly of provisions for future decommissioning costs related to SC 14 sub-blocks, Galoc and W. Linapacan totaling ₱121.8 million. During the same period last year, impairment charges in SC 14C-1 Galoc amounting to P20.2 million, was incurred due to the lower-than-expected future returns in the sub-block following the crash in global crude oil prices due to the COVID-19 pandemic. Meanwhile, benefit from income tax amounted to ₱ 168.2 million reflecting the net effect of the Corporate Recovery and Tax Incentives for Enterprises Act (“CREATE Act”) in PXP’s deferred tax assets and liabilities.

A consolidated net income of ₱14.0 million (6M2020: net loss of ₱56.3 million) was recorded during the current period due to increase in oil revenues and benefit from deferred income tax, offset by higher cost and expenses and provision for decommission costs. As such, net loss attributable to equity holders of the Parent amounted to ₱23.2 million (6M2020: ₱44.4 million), with basic/diluted loss per share amounting to ₱0.0118 (6M2020: ₱0.0226). Core net loss during the current 6-month period amounted to ₱22.2 million (6M2020: ₱26.9 million).

During the second quarter of the year, consolidated operating revenues reached ₱19.6 million (Q22020: ₱nil) resulting from the lone lifting mentioned above.

Costs and expenses in the second quarter alone stood at ₱36.4 million (Q22020: ₱12.8 million). Production costs for petroleum went up to ₱13.9 million (Q22020: ₱3.8 million) resulting from the said single offtake (Q22020: nil offtake). General and administrative expenses was higher at ₱22.5 million (Q22020: ₱9.1 million), resulting from non-recurring consultation services.

A net other charges of ₱121.3 million was recorded during the current period (Q22020: ₱3.1 million). This consists mainly of provisions for future decommissioning costs related to SC 14 sub-blocks, Galoc and W. Linapacan totaling ₱121.8 million. Meanwhile, benefit from income tax amounted to P163.1 million reflecting the net effect of the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE Act") in PXP's deferred tax assets and liabilities.

A consolidated net income of ₱25.1 million (Q22020: net loss of ₱16.0 million) was recorded during the current period due to increase in oil revenues and benefit from deferred income tax, offset by higher cost and expenses and provision for field decommissioning costs. As such, net loss attributable to equity holders of the Parent amounted to ₱18.8 million (Q22020: ₱ 12.4 million), with basic/diluted loss per share amounting to ₱0.0096 (Q22020: ₱0.0073).

As at June 30, 2021, the Company's total assets stood at ₱6.792 billion from ₱6.756 billion as at December 31, 2020. Total current assets decreased to ₱130.2 million from ₱195.3 million. Cash and cash equivalents decreased by ₱54.3 million, following payment of exploration costs in SC 72 (Recto Bank) and overhead expenses, offset by collection of accounts receivables from oil liftings and of subscription receivable from Philex Mining Corporation ("PMC"). The collection of said accounts receivables decreased to ₱14.3 million from ₱32.8 million as at the end of the prior year. Meanwhile, noncurrent assets reached ₱6.662 billion from ₱6.560 billion, largely arising from the increase in deferred exploration costs related to SC 74 and SC 72 which augmented from ₱5.316 billion to ₱5.417 billion.

Current liabilities as at the end of the period decreased by ₱3.1 million, from ₱24.9 million as at December 31, 2020 to ₱21.8 million as at June 30, 2021. Noncurrent liabilities dropped to ₱1.216 billion from ₱1.262 billion. This was due to the decrease in Deferred income tax liabilities by ₱168.3 million as effected by the CREATE Act, offset by the increase of ₱122.4 million in Provision for decommissioning and other liabilities relating to future decommissioning costs for SC 14 sub-blocks, Galoc and W. Linapacan. Total liabilities was reduced to ₱1.238 billion from ₱1.287 billion at the end of the prior year following the decreases in current liabilities by ₱3.1 million and non-current liabilities by ₱45.8 million.

Total equity reached ₱5.554 billion from ₱5.469 billion as at the end of last year. Deficit increased from ₱1.700 billion to ₱1.723 billion, following the net loss attributable to Parent recorded during the period at ₱23.2 million. Subscription receivables decreased to ₱97.0 million from ₱121.1 million following partial payment of subscription receivable from PMC. Cumulative translation adjustment on foreign subsidiaries increased by ₱35.2 million while non-controlling interests improved by ₱49.4 million as a result of the effect comprehensive income attributable to minority interest.

Net Cash used in Operating Activities for the period stood at ₱26.3 million (6M2020: ₱58.4 million) resulting primarily from the payment of accounts payable and accrued liabilities and operating expenses offset by the collection of receivable related to the oil lifting made in Galoc in November 2020.

Net Cash Used in Investing Activities resulted in a net outflow of ₱52.2 million (6M2020: ₱21.1 million) primarily from the cash paid for the exploration activities in SC 74 and SC 72.

Finally, net Cash provided by Financing Activities amounted to ₱24.1 million (6M2020: ₱nil) following partial payment of subscription receivable from PMC. Net effect of exchange rate changes from the conversion of cash and cash equivalents from Philippine Peso vis-à-vis the United States dollar amounted to ₱121 thousand (6M2020: ₱5.9 million).

<u>TOP FIVE (5) KEY PERFORMANCE INDICATORS</u>

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 for 2021, which were aimed at enhancing asset value, include:

In SC 72 (Recto Bank), the conduct of broadband Pre-Stack Depth Migration ("PSDM") reprocessing of 565 sq. km of 3D seismic data with DownUnder GeoSolutions ("DUG") was completed in June 2019. This was followed by an interpretation of the newly-reprocessed seismic data and the formulation of an appraisal program for the Sampaguita gas field. On October 16, 2020, Forum (GSEC 101) Limited ("FGL"), a 100% subsidiary of Forum that operates SC 72, received a letter from the DOE dated October 14, 2020 that the Force Majeure ("FM") over SC 72 has been lifted effective immediately and that exploration activities were to resume over the block. FGL has 20 months from receipt of the notice to drill the two (2) commitment wells under the current Sub-Phase ("SP") 2.

In SC 74 (Linapacan), the gravity modeling exercise with Cosine Global Limited ("Cosine") and seismic interpretation of MC2D data was completed by PXP, with the final report submitted to the DOE in July 2020. The biostratigraphic and geochemistry analyses of rock samples collected in the Calamian Islands were completed in 2020. Initial 12 samples were sent to Core Laboratories ("Core Lab"), Malaysia in October 2019, and the results were submitted to PXP in December 2019. Additional samples were sent to Malaysia in late July 2020 for further testing. Analysis of the second batch of samples was completed in October 2020 and the draft report was received in late November 2020. Core Lab submitted the final report in March 2021.

The Phase 1 Well Feasibility with Rock Physics and Phase 1A Test Inversion under the joint Quantitative Interpretation ("QI") study of SC 74 and SC 14C-2 (West Linapacan) were completed in October 2019. The said initial phase involved a pilot study covering 30 sq. km of PSDM 3D seismic and data from six (6) vintage wells. From the test, it was concluded that lithology is easier to identify on seismic than fluid type due to the limestone reservoir's overlapping elastic properties. In December 2019, the SC 74 Joint Venture ("JV") decided to proceed to Phase 2 of the project which is an inversion study over a wider, 400 sq. km 3D data. Phase 2 commenced in February 2020 and was completed in June 2020. The QI study was able to predict the different lithological facies at the well, i.e. those with good property such as high porosity versus those that have low porosity and high shale/silt content. However, the study was unable to differentiate the type and distribution of fluids in the limestone reservoirs due to the nature of the rock properties and poor to fair seismic data quality. Further seismic reprocessing has been recommended to preserve the true amplitudes for AVO inversion, and to improve seismic imaging especially in dipping structures. It was also suggested that shear sonic data be acquired in future wells for better correlation of well and seismic data.

An in-house seismic interpretation of the TQ3D data, incorporating QI data, commenced in 2H of 2020 and will be completed in 3Q 2021. It involves mapping of key horizons such as Top Galoc Clastic Unit (GCU), Top Linapacan Limestone, and three (3) Intra-Nido horizons with relatively good porous zones. Resource calculation on Linapacan A, Linapacan B, and South Linapacan structures will also be conducted.

In SC 75 (Northwest Palawan), PXP received a letter from the DOE dated October 14, 2020 which stated that the FM over SC 75 has been lifted effective immediately and that exploration activities were to resume over the block. On March 3, 2021, the DOE approved the Work Program and Budget ("WP&B") for 2021 with the acquisition of a minimum of 1,000 sq. km of 3D seismic data as a firm commitment, subject only to occurrence of force majeure that could delay, curtail, or prevent the peaceful undertaking and completion of the work program. The 3D survey will include three (3) identified leads in order to mature them into prospect status. The current SP 2 of SC 75 will expire on April 14, 2022.

In SC 14C-1 (Galoc), Galoc Production Company ("GPC") informed the DOE on May 7, 2020 of the cessation of operation for Galoc Field starting September 24, 2020 following GPC's receipt of a Notice of Termination from Rubicon Offshore International (ROI), the owner of the floating production storage and offloading ("FPSO") vessel, Rubicon Intrepid. GPC also requested approval of the initial drawdown from the fund setup under the DOE-approved Galoc Decommissioning Plan and Budget for the implementation of the field suspension plan. However, in September 2020, the Galoc JV was able to negotiate with ROI for the sale of the Rubicon Intrepid that allowed the Galoc Field to remain in production beyond the original cessation schedule of September 24, 2020. Tamarind Resources, which owns GPC, formed a new subsidiary, Philippines Upstream Infrastructure ("PUI"), to acquire the FPSO from ROI. GPC and ROI then entered into a Transition Operations and Maintenance ("O&M") contract to allow the current ROI crew to continue managing FPSO operations during a transition period that will last for about six months. Finally, GPC signed a 24-month O&M contract with Three60 Energy, an energy services provider, that will take over FPSO operations after the transition period.

On December 23, 2020, GPC resigned as the SC 14C-1 operator effective on that date. On the same day, the JV elected NPG Pty Limited, GPC's affiliate, to become the replacement operator. On February 1, 2021, Three60 Energy formally assumed operational control of the Intrepid FPSO following a transition period with ROI that lasted for 4-1/2 months from September 2020 to January 2021.

In SC 40 (North Cebu), which Forum operates through its 66.67% subsidiary, Forum Exploration, Inc. ("FEI"), conducted a land gravity survey over the Libertad and Dalingding areas in Bogo City and Daanbantayan Municipality, respectively. The gravity survey aimed to further delineate the carbonate bodies detected in the said areas by the initial 3D gravity modelling exercise. The survey began on February 18, 2020 and was completed on March 14, 2020 with a total of 84 stations acquired at intervals of between 300m and 500m. After completing the correction of meter readings, coordinates, and elevations of gravity stations acquired during the survey, FEI forwarded the data to Cosine for data reduction, processing, and interpretation. The report for the first phase of gravity interpretation was received from Cosine in early December 2020 and submitted to the DOE in February 2021. The second phase of the study, which is ongoing, involves depth modeling and identification of gravity prospects and leads.

In SC 6A (Octon), the approved work program for 2020 focused on further Geological and Geophysical ("G&G") studies in the North Block in support of establishing a final well location over one of the identified prospects in the area. In June 2020, LMKR, a private petroleum technology company, completed a pilot QI study on the Malajon area using 3D seismic and well data. The study shows the Malajon structure having a good potential and thus requires further detailed analysis. LMKR is also able to identify four (4) sand packages within the GCU after generating several elastic properties (P-impedance, Vp/Vs, etc.). A full QI/Reservoir Characterization study was approved by the JV aimed at generating pay probability maps and identifying prospective zones that could be targets for any future well. It includes detailed attribute analysis as several channelized sands within the GCU have been identified during the pilot study. The report for the QI Study was received by the Operator Philodrill in May 2021 and was subsequently submitted to the DOE in July 2021.

On March 31, 2021, a Notice to Surrender of the SC 6A was submitted to the DOE. This was made following the JV decision to drop and apply for a new SC under the DOE's Philippine Conventional Energy Contracting Program ("PCECP") on Nomination of Areas. To date, the DOE continues to assess the JV's compliance with the SC's provision before a decision is made on the notice to surrender.

Immediately following the submission of the Notice to Surrender, the JV commenced with the preparation of the necessary technical, financial, and legal documents to be submitted to the DOE as part of the SC application package. PXP and Forum will participate in the new SC application with 6.05% interest each after accepting their respective pro rata share of the interest of ACE Enexor, which withdrew from the SC in January 2021.

In SC 6B (Bonita), the Farm-In Agreement ("FIA"), Deed of Assignment, and transfer of operatorship from Philodrill to Manta Oil Company Linted ("MOC") were approved conditionally by the DOE on October 17, 2019, requiring MOC to submit additional financial documents. Under the FIA, MOC will carry the JV up to First Oil to earn 70% interest. FEPC's interest will be reduced to 2.4546% from 8.182% upon completion of the farm-in. MOC is currently conducting a remapping of the Cadlao Field using the 2016-reprocessed 3D seismic data, bathymetric, and high resolution satellite data. It is also planning to reprocess around 88 sq. km of 3D seismic data over Cadlao Field to improve the mapping of the Cadlao structure and firm-up well locations for the field's redevelopment.

On April 30, 2021, MOC submitted to the DOE a Letter of Intent for a financing package with LITASCO SA, the petroleum trading and marketing division of LUKOIL, combined with the offtake of 100% of the petroleum liquids production from the SC 6B.

A plan of development ("POD") for Cadlao will be submitted to the DOE by the end of 2021. It may include the drilling of the nearby East Cadlao, depending on the results of the technical evaluation.

Cadlao has an estimated Recoverable Reserves (P50) of 6.32 MMBO while East Cadlao has an estimated In-Place Prospective Resources of 3.59 MMBO (Best Case).

In Peru Block Z-38, Karoon, Tullow, and Stena Drilling signed a Rig Assignment Agreement for the use of the drillship, Stena Forth in November 2019. The agreement provided the Z-38 Consortium with a single well slot from the existing rig contract between Tullow and Stena. Soon after, the drillship started its mobilization to Peru. It left Ghana in mid-November 2019 and arrived in Lima, Peru in early January 2020.

The Marina-1X well was spudded on January 26, 2020 in 362m water depth. It reached a total depth of 3,021m MD (2,889m TVD) on February 15, 2020. Logging-While-Drilling results from the primary targets in the Tumbes Formation indicated that the well encountered thin water-bearing sands with no oil and only minor gas shows. In view of the results, the well was plugged and abandoned as a dry well, and the drillship was demobilized before the end of February 2020.

Marina-1X provided a large amount of valuable data on the geological setting for this region of the Tumbes Basin. Several potential reservoir sequences were encountered in the well, unfortunately these sections were water-saturated and provide no prospectivity at this location. Due to delays in the drilling of the well in the current Exploration Period ("EP"), a six-month extension was requested and granted by Perupetro, extending the end of the current Third EP to December 31, 2020.

In addition, due to the temporary closure of Karoon's Peru office due to the COVID-19 lockdown and quarantine requirements declared by the Peruvian Government, the Operator applied for FM on Block Z-38, which was granted by the authorities on July 14, 2020. The FM applies from March 16, 2020 until such time as relevant lockdown requirements are removed. On November 27, 2020, Perupetro lifted the FM and advised Karoon that the last day of the Third EP will be on July 27, 2021.

In August 2019, the DOE accepted the sole bid of Philodrill and PXP on Area 7 located in the Sulu Sea. It was one of the fourteen (14) predetermined areas ("PDAs") offered by the DOE in 2018 under the PCECP. The area is covered by both 2D and 3D seismic data and around six (6) exploratory wells have been drilled by previous contractors from 1989 to 2008. Area 7 is adjacent to SC 56 where ExxonMobil drilled four (4) wells in 2009-2010, three (3) of which were declared as discovery wells.

The DOE's final decision on the acceptance of the JV's bid has been delayed due to ongoing discussions between the DOE and the Bangsamoro Autonomous Region in Muslim Mindanao ("BARMM"). The Consortium's immediate plan once a Service Contract is granted is to reprocess some 1,600 sq. km of 3D data using new technology of Broadband PSDM and to conduct a QI study.

On March 16, 2020, PXP submitted to the DOE all technical, legal, and financial documents in support of its nomination of a block located in offshore West Palawan and adjacent to SC 72 (Nominated Area No. 6 of the DOE). On September 14, 2020, DOE opened the bid submitted by PXP and found the SC application documents complete and is thus qualified to undergo further legal, technical, and financial evaluation. The proposed work program for the first sub-phase is the acquisition of at least 2,200 line-km of 2D seismic data as well as marine gravity and magnetic data.

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.

PXP and Forum will participate in the application for a new SC over the former SC 6A with a new 7-year exploration program that will continue the work conducted under the previous SC. The term of SC 6A was set to expire on February 28, 2024, which would have given the JV limited time to drill an exploratory well and to develop a field in case of a discovery.

The Company participated in the PCECP of the DOE, which was launched in November 2018 and ended in August 2019. The Company and its partner, Philodrill, submitted a joint bid for Area 7, a prospective block located in the Sulu Sea. The consortium's bid remains under evaluation with the DOE.

Additionally, the Company nominated a frontier block close to SC 72 under PCECP guidelines which was accepted by the DOE in September 2020. The application for a new Service Contract is undergoing further processing.

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 increased to ₱40.5 million from ₱23.5 million, following increase in nonrecurring legal consultation expenses that the Group incurred during the ordinary course of business. Meanwhile, recurring overhead is being kept to a minimum and remain flat year-on-year. Management continuously monitors its overhead and looks for 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.

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.

In compliance with the SEC's Notice dated March 12, 2020, below is the report on the risk and impact of the COVID-19 on business operations and the mitigation measures.

The Company is taking the necessary measures to mitigate potential impact on its business operations, in accordance with government guidelines.

Risk: Exposure to and contraction of COVID-19

Mitigation: Communicate and enforce preventive measures within the work area against COVID-19 such as:

- Remote working or work from home scheme with departmental skeletal force, if needed.
- Teleconference or online messaging for internal communication and for communication with JV partners and third party contractors.
- Implement a No Visitors Policy (including relatives and friends).
- Maintain at least two (2) meters distance and no physical contact (e.g. no shaking of hands).
- Maintain sanitary essentials like alcohol / hand sanitizers at entry points (e.g. lobby, comfort rooms, etc.).
- Thermal scanning of all employees at the entrances of the office. Personnel with temperature above 37.8 degrees Celsius will not be allowed to enter the office and should seek medical attention, if possible.
- Accomplish health declaration forms upon arrival in the office.
- Self-quarantine of employees with travel history to identified places with confirmed/suspected COVID-19 cases.
- Encourage employees to do initial self-assessment on symptoms and advise management when symptoms are present.
- Report to top management regularly any employee contracting the virus.

Moreover, vaccination is ongoing for corporate employees and their dependents, subject to availability of supply.

No lost-time injuries, fatalities, or environmental-related incidents were recorded by the Company and its subsidiaries during the period.

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 cyclicality in its business operation that would have material effect on the Company's financial condition or results of operation. There were no other significant elements of income or loss that did not arise from the Company's continuing operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period. There are no line items in the Company's financial statements not already explained for causes either above or in the Notes to the Consolidated Financial Statements other than due to the usual period-to-period fluctuations in amounts natural in every business operations.

PART II--OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DANIEL STEPHEN P. CARLOS
President

MARK RAYMOND H. RILLES
Finance Controller

Date: August 13, 2021

PXP ENERGY CORPORATION
(Formerly Philex Petroleum Corporation)
AND SUBSIDIARIES

UNAUDITED CONSOLIDATED
CONDENSED INTERIM
FINANCIAL STATEMENTS
June 30, 2021

PXP ENERGY CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

ASSETS		June 30, 2021		December 31, 2020
Current Assets				0
Cash and cash equivalents	₱	**88,694**	₱	143,008
Accounts receivable		**14,302**		32,838
Inventories		**7,971**		2,925
Other current assets -net		**19,245**		16,567
Total Current Assets		**130,212**		195,338
Noncurrent Assets				
Property, Plant and Equipment - net		**8,913**		6,169
Goodwill		**1,234,387**		1,234,387
Deferred oil and gas exploration costs - net		**5,417,261**		5,316,062
Other noncurrent assets		**1,437**		3,631
Total Noncurrent Assets		**6,661,998**		6,560,249
TOTAL ASSETS	₱	**6,792,210**	₱	6,755,587

LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	₱	**21,206**	₱	24,287
Advances from related parties		**8**		-
Income tax payable		**-**		14
Lease liability - current portion		**562**		553
Total Current Liabilities		**21,776**		24,854
Noncurrent Liabilities				
Deferred income tax liabilities - net		**901,110**		1,069,412
Right-of-use liability		**4,729**		4,654
Provision for decommissioning and other liabilities		**310,113**		187,716
Total Noncurrent Liabilities		**1,215,952**		1,261,782
Total Liabilities		**1,237,728**		1,286,636
Equity				
Capital Stock - P1 par value		**1,960,000**		1,960,000
Additional paid-in capital		**2,816,545**		2,816,545
Subscription receivable		**(97,047)**		(121,114)
Equity reserves		**139,319**		139,319
Deficit		**(1,723,116)**		(1,699,966)
Cumulative translation adjustment on foreign subsidiaries		**93,165**		57,954
		3,188,866		3,152,738
Non-controlling Interests		**2,365,616**		2,316,213
Total equity		**5,554,482**		5,468,951
TOTAL LIABILITIES AND EQUITY	₱	**6,792,210**	₱	6,755,587

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

	For the 6-Month Period Ended June 30	
	2021	2020
PETROLEUM REVENUES	**₱ 19,612**	₱ 6,122
COSTS AND EXPENSES		
Petroleum production costs	**13,880**	16,026
General and administrative expenses	**40,548**	23,474
	54,428	39,500
OTHER INCOME (CHARGES)		
Provision for decommissioning costs	**(121,783)**	-
Provision for impairment of assets	**-**	(20,165)
Foreign exchange gains (losses) - net	**2,650**	(3,109)
Interest expense (income) - net	**(56)**	331
Others - net	**(29)**	-
	(119,218)	(22,943)
LOSS BEFORE TAX	**(154,034)**	(56,321)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**21**	-
Deferred	**(168,100)**	(1)
	(168,079)	(1)
NET INCOME (LOSS)	**₱ 14,045**	(₱ 56,320)
Net Income (Loss) Attributable to:		
Equity holders of the Parent Company	**(₱ 23,150)**	(₱ 44,384)
Non-controlling interests	**37,195**	(11,936)
	₱ 14,045	(₱ 56,320)
BASIC AND DILUTED LOSS PER SHARE	**(₱ 0.0118)**	(₱ 0.0226)

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

	For the 2nd Quarter Ended June 30	
	2021	2020
PETROLEUM AND OTHER REVENUES	**₱ 19,612**	₱ 0
COSTS AND EXPENSES		
Petroleum production costs	**13,880**	3,751
General and administrative expenses	**22,531**	9,058
	36,411	12,809
OTHER INCOME (CHARGES)		
Provision for decommissioning costs	**(121,783)**	-
Foreign exchange gain (loss) - net	**602**	(4)
Interest income (expense) - net	**(132)**	(3,227)
Others - net	**(16)**	84
	(121,329)	(3,147)
LOSS BEFORE INCOME TAX	**(138,128)**	(15,956)
BENEFIT FROM INCOME TAX	**(163,189)**	-
NET INCOME (LOSS)	**₱ 25,061**	(₱ 15,956)
Net income (loss) attributable to:		
Equity holders of the Parent Company	**(₱ 18,805)**	(₱ 12,421)
Non-controlling interests	**43,866**	(3,535)
	₱ 25,061	(₱ 15,956)
BASIC/DILUTED EARNINGS PER SHARE	**(₱ 0.01)**	(₱ 0.01)
DILUTED EARNINGS (LOSS) PER SHARE	**(₱ 0.01)**	(₱ 0.01)

PXP ENERGY CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	For the 6-Month Period Ended June 30	
	2021	2020
NET INCOME (LOSS)	₱ **14,045**	(₱ 40,364)
OTHER COMPREHENSIVE INCOME		
Gain (Loss) on translation of foreign subsidiaries	**47,419**	(9,261)
TOTAL COMPREHENSIVE INCOME	₱ **61,464**	(₱ 49,625)
Total Comprehensive Income (Loss) Attributable to:		
Equity holders of the Parent Company	₱ **12,061**	(₱ 46,296)
Non-controlling interests	**49,403**	(3,329)
	₱ **61,464**	(₱ 49,625)

PXP ENERGY CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock	Additional paid in capital	Subscription Receivable	Equity Reserves	Retained Earnings (Deficit)	Cumulative Translation Adjustment on Foreign Subsidiaries	Subtotal	Non-controlling Interests	Total
Balances at December 31, 2019	**₱ 1,960,000**	**₱ 2,816,545**	**(₱ 184,300)**	**₱ 122,250**	**(₱ 1,643,864)**	**₱ 87,713**	**₱ 3,158,344**	**₱ 2,358,217**	**₱ 5,516,561**
Net Income for the period	-	-	-	-	(44,384)	-	(44,384)	(11,936)	(56,320)
Other comprehensive loss:									
Loss on translation of foreign subsidiaries	-	-	-	-	-	(51,819)	(51,819)	(7,575)	(59,394)
Total comprehensive loss for the period	-			-	(44,384)	(51,819)	(96,203)	(19,511)	(115,714)
Effect of transaction with owners	-	-	-	22,823	-	-	22,823		
Balance at June 30, 2020	**₱ 1,960,000**	**₱ 2,816,545**	**(₱ 184,300)**	**₱ 145,073**	**(₱ 1,688,248)**	**₱ 35,894**	**₱ 3,084,964**	**₱ 2,338,706**	**₱ 5,400,847**

	Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock	Additional paid in capital	Subscription Receivable	Equity Reserves	Retained Earnings (Deficit)	Cumulative Translation Adjustment on Foreign Subsidiaries	Subtotal	Non-controlling Interests	Total
Balances at December 31, 2020	**₱ 1,960,000**	**₱ 2,816,545**	**(₱ 121,114)**	**₱ 139,319**	**(₱ 1,699,966)**	**₱ 57,954**	**₱ 3,152,738**	**₱ 2,316,213**	**₱ 5,468,951**
Net income (loss) for the period	-	-	-	-	(23,150)	-	(23,150)	37,195	14,045
Other comprehensive income (loss):	-	-	-	-	-	-	-	-	-
Gain (loss) on translation of foreign subsidiaries	-	-	-	-	-	35,211	35,211	12,208	47,419
Total comprehensive income for the period	-	-	-	-	(23,150)	35,211	12,061	49,403	61,464
Payment of subscription	-	-	24,067	-	-	-	24,067	-	24,067
Balance at June 30, 2021	**₱ 1,960,000**	**₱ 2,816,545**	**(₱ 97,047)**	**₱ 139,319**	**(₱ 1,723,116)**	**₱ 93,165**	**₱ 3,188,866**	**₱ 2,365,616**	**₱ 5,554,482**

PXP ENERGY CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amount in Thousands)

	For the 6-Month Period Ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(₱ 154,034)**	(₱ 56,321)
Adjustments for:		
Provision for impairment of assets	**121,783**	20,158
Unrealized foreign exchange gain - net	**(2,650)**	3,109
Depreciation and depletion	**287**	1,219
Interest income - net	**(285)**	(345)
Operating loss before working capital changes	**(34,899)**	(32,180)
Decrease (Increase) in:		
Accounts receivable	**18,535**	18,109
Inventories	**(5,046)**	(2,048)
Other current assets	**(2,678)**	(2,675)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	**(3,071)**	(35,378)
Provision for losses and other liabilities	**613**	(3,986)
Net cash used in operations	**(26,546)**	(58,158)
Interest received	**285**	345
Income tax paid	**(14)**	(587)
Net cash used in operating activities	**(26,275)**	(58,400)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Deferred oil and gas exploration costs	**(52,236)**	(45,878)
Equity transaction with owners	**-**	24,756
Net cash used in investing activities	**(52,236)**	(21,122)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in advances from related parties	**8**	-
Cash received from collection of subscription from shareholde	**24,068**	-
Net cash provided financing activities	**24,076**	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**121**	5,895
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(54,314)**	(73,627)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PEI	**143,008**	245,954
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱ 88,694**	₱ 172,327

-

SCHEDULE OF BANK LOANS PAYABLE

June 30, 2021

(In thousand Pesos)

BN Paribas	
Current portion (Short term)	nil
Non-current portion (Long - term)	nil
Total	nil

SCHEDULE OF SHORT-TERM LOAN

June 30, 2021

Philex Mining Corporation	nil
Total	nil

PXP ENERGY CORPORATION AND SUBSIDIARIES

-

AGING OF ACCOUNTS RECEIVABLE
June 30, 2021
(In Thousand Pesos)

	0-30 days	31-60 days	61-90 days	over 90 days	Total
The Galoc Production Company	₱ 2,564	₱ -	₱ -	₱ -	₱ 2,564
The Philodrill Corporation	7,068	-	-	-	7,068
Monte Oro Resources & Energy, Inc.	188	-	-	-	188
Forum Pacific, Inc.	-	-	-	4,019	4,019
Others	462	-	-	-	462
	₱ 10,283	₱ -	₱ -	₱ 4,019	₱ 14,302

PXP ENERGY CORPORATION AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

	2021	2020
Current Ratio	5.98	7.86
Debt-to-equity Ratio	0.22	0.24
Asset-to-equity Ratio	1.22	1.24
Interest Rate Coverage ratio	n/a	n/a
Net Income Ratio	0.72	(9.20)

PXP ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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

Basis of Preparation
The unaudited interim condensed consolidated financial statements of PXP Energy Corporation and Subsidiaries (PXP or the Group) as at June 30, 2021 and December 31, 2020, and for the six-month period ended June 30, 2021 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. The unaudited interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2020.

The unaudited interim condensed consolidated financial statements of the Group have been prepared on a historical cost basis. The unaudited interim condensed consolidated financial statements are presented in Philippine Peso (Peso), which is the Parent Company's functional currency. All amounts are rounded to the nearest thousands except when otherwise indicated.

Statement of Compliance
The preparation of the financial statements in compliance with the accounting principles generally accepted in the Philippines requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited interim condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the interim condensed consolidated financial statements. Actual results could differ from such estimates.

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis except for AFS financial assets that are carried at fair value. The 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, 2021.

Unless otherwise indicated, adoption of these new standards did not have an impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
    - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

2. Management's Use of Significant Judgments, Accounting Estimates and Assumptions

The preparation of the unaudited interim condensed consolidated financial statements in accordance with PFRS requires the management of the Group to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of any contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the unaudited interim condensed consolidated financial statements as they become reasonably determinable.

Accounting assumptions, estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

<u>Judgments</u>
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
PXP and Brixton, based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine Peso. Forum's, Pitkin's and FEC' functional currency is the United States Dollar. These are the currencies of the primary economic environments in which the entities primarily operate.

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. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries as set out in Note 2.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess its 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.

Assessment of production start date
The Group assess the stage of each oil field to determine when the project moves from the exploration to the production phase. When a project moves into the production stage, the capitalization of certain exploration or development costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to wells, platforms and other facilities additions or improvements. It is also at this point that depletion commences.

Assessment of units-of-production depletion
Estimated recoverable proved and probable developed reserves are used in determining the depletion of wells, platforms and oil field assets. This results in a depletion charge proportional to the depletion of the anticipated remaining life of the asset. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the oil field. The calculation requires the use of estimates of future capital expenditure. The Group uses barrels of oil produced as the basis of depletion. Any change in estimates is accounted for prospectively.

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 provision for ECLs of trade and other receivables
The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due of each counterparty that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., movements in crude oil prices) are expected to deteriorate over the next year which can lead to an increased number of defaults amongst the Group's customers, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs involves estimates and assumptions to be made. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Estimation of the incremental borrowing rate (IBR)
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Estimation of oil and gas reserves
Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas properties. The Group estimates its commercial reserves 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 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 service contracts. 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 properties and property and equipment, may be affected due to changes in estimated future cash flows.
- Depreciation and amortization charges in the consolidated statements of income may change where such charges are determined using the UOP method, or where the useful life of the related assets change.
- Provisions for plug and abandonment may require revision - where changes to the reserves 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 depletion based on UOP
Wells, platforms, and other facilities are depleted using the UOP method over the total proved and probable developed reserves. This results in an amortization charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field for which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depletion could be impacted to the extent that actual production in the future is different from current forecasted production based on total proved and probable developed reserves, or future capital expenditure estimate changes. Changes to prove reserves could arise due to changes in the assumptions used in estimating reserves.

Recoverability of property and equipment
The Group assesses its property and equipment in each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Impairment testing 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. 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, judgements

and assumptions such as forecasted oil and gas prices, estimated volume of reserves, capital expenditures, production and operating costs and discount rate. If the recoverable amount of the unit exceeds the carrying amount of the CGU multiplied by a weighted average scenario probability, 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.

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.

Estimation of provision for plug and abandonment costs
Plug and abandonment costs will be incurred by the Group at the end of the operating life of its oil fields. The Group assesses its plug and abandonment provision at each reporting date. The ultimate plug and abandonment costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, estimates of the extent and costs of decommissioning activities, the emergence of new restoration techniques or experience at other production sites, cost increases as compared to the inflation rates and changes in discount rates. The expected timing, extent and amount of expenditure may also change, for example, in response to changes in oil reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

The provision at reporting date represents management's best estimate of the present value of the future plug and abandonment costs required.

Recoverability of deferred oil and gas exploration costs
Deferred exploration costs pertain to expenditures incurred in the exploration stage of its oil and gas assets. Oil and gas assets relate to projects that are currently on-going. These deferred exploration cost shall be assessed for impairment when the facts and circumstances suggest that the carrying amounts exceeds the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves. In addition, the recovery of these costs also depends upon the success of exploration activities and future development or the discovery of oil and gas producible in commercial quantities. Allowances shall be provided for oil and gas assets that are specifically identified to be unrecoverable.

Assessing realizability of deferred tax assets
The Group reviews the carrying amounts at each reporting period and adjusts the balance of deferred 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 tax assets to be utilized.

3. **Financial Risk Management Objectives and Policies**

The Group's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and advances from related parties. The main purpose of these financial instruments is to provide financing for the Group's operations.

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

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

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

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

The table below summarizes the Group's maximum exposure to credit risk for the Group's financial assets as of June 30, 2021:

Cash in banks and cash equivalents	
Cash in banks	84,804
Short-term deposits	3,888
Accounts receivable	
Trade	9,112
Accrued interest and others	5,190
	₱102,994

The following tables show the credit quality of the Group's financial assets by class as of June 30, 2021 based on the Group's credit evaluation process.

	Neither Past Due nor Impaired		Past Due and Individually Impaired	
	High-Grade	Standard		Total
Cash and cash equivalents, excluding cash on hand:				
Cash in banks	₱84,803	₱–	₱–	₱84,803
Short-term investments	3,888	–	–	3,888
Accounts receivable:				
Trade	–	–	–	–
Accrued interest and others	10,283	–	4,019	14,302
Total	₱98,974	₱–	₱4,019	₱102,993

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

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

Aside from above, the Group has no past due but not impaired financial assets as of June 30, 2021.

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 collection of unpaid subscription from Philex Mining Corporation, an affiliate.

The following tables summarize the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contractual undiscounted repayment obligations (including interest) as of June 30, 2021:

	On Demand	Less than 3 Months	3 to12 Months	Over 12 Months	Total
Cash on hand	₱3	₱–	₱–	₱–	₱3
Loans and receivables:					
Cash in banks	₱84,803	–	–	–	84,803
Short-term investments		3,888	–	–	3,888
Accounts receivable	10,283	–	–	4,019	14,302
Total undiscounted financial assets	₱95,089	₱3,888	₱–	₱4,019	₱102,996

	On Demand	Less than 3 Months	3 to12 Months	Over 12 Months	Total
Accounts payable and accrued liabilities:					
Trade	₱14,710	₱–	₱–	₱–	₱14,710
Accrued expenses	–	475	–	–	475
Other nontrade liabilities	–	–	6,021	–	6,021
Advances from related parties	–	–	8	–	8
Total undiscounted financial liabilities	₱14,710	₱475	₱6,029	₱–	₱21,214

<u>Market Risk</u>

Foreign currency risk

Foreign currency risk is the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from cash in banks. Net foreign exchange gain amounting to ₱169 thousand arising from the translation of these foreign currency-denominated financial instruments were recognized by the Parent Company for the period ended June 30, 2021. As at June 30, 2021, the exchange rate is ₱48.8 to US$1.

The Parent Company's foreign currency-denominated monetary assets as of June 30, 2021 follow:

	US$	Peso Equivalent
Assets		
Cash and cash equivalents	$709	₱34,623

The table below summarizes the impact on income (loss) before income tax of reasonably possible changes in the exchange rates of US dollar against the Peso:

US Dollar (Depreciates) Appreciates	Effect on Income (Loss) Before Income Tax
Appreciate by 6%	₱1,731
Depreciate by (6%)	(1,731)

There is no other impact on the Parent Company's equity other than those already affecting profit or loss.

Equity price risk

There is no equity price risk as the Group does not own investment in quoted shares of stock.

4. **Segment Information**

The Group currently has two reportable segments namely oil and gas activities and coal mining activities.

Operating results of the Group is regularly reviewed by the Group's chief operating decision maker for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income (loss) for the year, and earnings or losses before interest, taxes and depreciation and depletion (EBITDA).

Net income (loss) for the year is measured consistent with the consolidated net income (loss) in the consolidated statements of income. EBITDA is measured as net income (loss) excluding financing costs, interest income, provision for income tax, and depreciation and depletion of property and equipment.

EBITDA is not a uniform or legally defined financial measure. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. The Group relies primarily on the results in accordance with PFRS and uses EBITDA only as supplementary information.

Core income is the performance of the operating segment based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company excluding the effects of non-recurring items, net of their tax effects. Non-recurring items represent gains (losses) that, through occurrence or size, are not considered usual operating items, such as foreign exchange gains (losses), gains (losses) on disposal of investments, and other non-recurring gains (losses).

The Group's capital expenditures include acquisitions of property and equipment, and the incurrence of deferred oil and gas exploration costs.

The Group has only one geographical segment as the Group operates and derives all its revenue from domestic operations. The Group's assets are principally located in the Philippines. Thus, geographical business operation is not required.

For the Group's oil and gas activities, 100% of crude oil production included under Inventories during the first 6 months of 2021 was from the Galoc oil field. Crude oil liftings from the Galoc field were sold to a customer within the region outside of the Philippines.

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

As of June 30, 2021:

	Oil and Gas	**Coal**	**Eliminations**	**Total**
Consolidated Revenue				
External customers	**₱19,612**	**₱–**	**₱–**	**₱19,612**
Results				
EBITDA	**(310,607)**	**(13)**	**156,929**	**(153,691)**
Depreciation and depletion	**(287)**	**–**	**–**	**(287)**
Provision for deferred income tax	**168,079**	**–**	**–**	**168,079**
Interest income (expense) - net	**(56)**	**–**	**–**	**(56)**
Consolidated net loss	**(₱142,871)**	**(₱13)**	**₱156,929**	**₱14,045**
Core net loss				**(₱22,176)**
Consolidated total assets	**₱6,490,530**	**₱2,068**	**₱299,612**	**₱6,792,210**
Consolidated total liabilities	**₱257,614**	**₱737,826**	**₱242,288**	**₱1,237,728**

As of June 30, 2020:

	Oil and Gas	Coal	Eliminations	Total
Consolidated Revenue				
External customers	₱6,122	₱–	₱–	₱6,122
Results				
EBITDA	(₱40,713)	(₱13)	(₱14,707)	(55,433)
Depreciation and depletion	(1,219)	–	–	(1,219)
Provision for income tax	1	–	–	1
Interest expense - net	331	–	–	331
Consolidated net income (loss)	(₱41,600)	(₱13)	(₱14,707)	(₱56,320)
Core net loss				(₱26,860)
Consolidated total assets	₱7,787,138	₱2,115	(₱1,056,521)	₱6,732,732
Consolidated total liabilities	₱694,958	₱737,836	(₱123,732)	₱1,309,062

The table below shows the Group's reconciliation of core net loss to the consolidated net loss for the three-month period ended June 30, 2021 and 2020.

	2021	2020
Core net loss	**(₱22,176)**	(₱26,860)
Non-recurring items:		
Provision for plug and abandonment	**(94,577)**	–
Effect of change in tax rates	**92,037**	–
Net foreign exchange gain (loss)	**2,088**	(2,329)
Net tax effect of aforementioned adjustment	**(522)**	1
Provision for impairment of assets	**–**	(15,196)
Net loss attributable to equity holders of the Parent Company	**(23,150)**	(44,384)
Net loss attributable to non-controlling interests	**37,195**	(11,936)
Consolidated net loss	**₱14,045**	(₱56,320)

5. **Related Party Transactions**

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Companies within the Group in the regular conduct of business, enters into transactions with related parties which consists of advances, loans, reimbursement of expenses, regular banking transactions, leases and management and administrative service agreements.

Intercompany transactions are eliminated in the consolidated financial statements. The Group's significant related party transactions, which are under terms that are no less favorable than those arranged with third parties, are as follows:

	Amount/ Volume	Outstanding Balance	Terms	Conditions
Affiliate – Philex Mining Corporation				
Advances: increase (decrease)				
PXP Parent	₱8	₱8	Payable on demand	Unsecured, no impairment

a. On November 24, 2010, Forum Philippine Holdings Limited (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 London Interbank Offered Rate (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 SP work program over SC 72. Obligations arising from funds drawn under this facility agreement are not convertible into FEL's or FPHL's common 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 years. 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 FGSECL (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.

On March 23, 2017, PXP, FEL and FGSECL agreed to the conversion of US$11,805 loan to equity, by subscribing to 39,350,920 new common shares of FEL. The loan payable consisted of total drawdowns from the loan facility of US$15,500 and interest accrued of US$2,828. Of the remaining balance, US$1,000 was paid through cash received from subscription of Tidemark to 6,666,667 new common shares of FEL.

On the same date, PXP and FGSECL entered into a new loan facility amounting to US$6,000 of which US$5,522 was drawn out to fully settle the remaining portion of the long-term loan.

On April 16, 2020, FGL made a partial repayment of the maturing loan principal amounting to US$431 together with the full payment of accrued interest from March 16, 2017 to April 15, 2020 amounting to US$958. In addition, a further extension of the then reduced outstanding loan principal of US$5,091, was made from April 16, 2020 to December 31, 2021 and quarterly payments of accrued interest is to be made from April 16, 2020 onwards.

On August 7, 2020, FEC has agreed to purchase 6.8% of the loan currently due by FGL to PXP amounting to US$346 plus accrued interest. This loan is unsecured, due on December 31, 2021 and bears interest at an annual rate of 3.5% plus LIBOR which is payable on a quarterly basis.

Total drawdown from the new loan facility amounted to US$5,522 as at June 30, 2021 and December 31, 2020. Interest expense incurred for the period ended June 30, 2021 and 2020 amounted to ₱4,226 and ₱6,174 respectively. The new loan facility does not include an agreement for commitment fee.

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 period ended June 30, 2021 and 2020.

Loans receivable of PXP as at June 30, 2021 and December 31, 2020 amounted to ₱231,556 and ₱279,621, respectively which was eliminated upon consolidation.

b. 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 ₱2,200,000 as of pledge date, the Parent Company has pledged its shares in its subsidiaries, Pitkin and Forum to PMC. The contract was formally executed on August 17, 2015.

   In 2018, the Group paid PMC amounting to ₱781,334 while in 2019, PXP fully paid the cash advances from PMC. As a result, the related pledge was extinguished.

   As at June 30, 2021 and December 31, 2020, advances from PMC amounted to ₱8 and ₱nil, respectively.

c. BEMC has significant transactions with related parties involving advances to provide funding for BEMC's exploration and development activities.

   On August 5, 2019, a deed of assignment was entered by BEMC and PXP transferring BEMC's advances from PMC to PXP amounting to ₱737,815.

   On December 19, 2019, PXP paid the advances from PMC amounting ₱737,815.

6. Basic/Diluted Earnings Per Share

Basic/diluted earnings (loss) per share for the period ended June 30, 2021 and 2020 is computed as follows:

	2021	2020
Net loss attributable to equity holders of the Parent Company	**(₱23,150)**	(₱31,963)
Divided by weighted average number of common shares issued during the period	**1,960,000**	1,960,000
Basic earnings (loss) per share	**(₱0.0118)**	(₱0.0226)
Diluted earnings (loss) per share	**(₱0.0118)**	(₱0.0226)

As of June 30, 2021, the Parent Company does not have any potentially dilutive stocks.

7. Seasonality and Cyclicality of Interim Operation

There is no significant seasonality or cyclicality in its business operation that would have material effect on the Company's financial condition or results of operation.