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, 2022**

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 Use Only)

7. Address of issuer's principal office: **2/F LaunchPad, Reliance cor. Sheridan Sts., 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**
Debt	**65,970,000**

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, 2022 are hereto attached.

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

Consolidated petroleum revenues amounted to ₱45.1 million (6M2021: ₱19.6 million) for the first six months of the year.

The higher petroleum revenue resulted from two (2) oil liftings (6M2021: 1 lifting) equivalent to a gross volume of 291,216 barrels of oil (6M2021: 222,038 barrels) and 53% surge in effective average crude oil price at $97.13 per barrel (6M2021: $63.48 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 declined at ₱47.3 million for the period (6M2021: ₱54.4 million) with higher petroleum production costs relative to output at ₱23.6 million (6M2021: ₱13.9 million). This was offset by the reduction in general and administrative expenses at ₱23.7 million (6M2021: ₱40.5 million) resulting from non-recurring consultation fees incurred during the previous year.

A net other charges of ₱4.1 million was incurred during the current period (6M2021: ₱119.2 million) as forex loss amounted to ₱3.6 million (6M2021: forex gain of ₱2.7 million) resulting from translation losses in US dollar-denominated Notes payable to the Parent company's affiliates, in addition to conversion of peso-denominated cash in subsidiaries to US dollar. In 2021, net other charges consisted mainly of provisions for future decommissioning costs related to SC 14 sub-blocks, Galoc and West Linapacan totaling ₱121.8 million. Meanwhile, provision from income tax amounted to ₱61 thousand (6M2021: Benefit from income tax ₱168.2 million) with the previous year figures 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 loss of ₱6.3 million (6M2021: net income of ₱14.0 million) was incurred during the current period following an increase in oil revenues and reduction in overhead, offset by foreign exchange losses. As such, net loss attributable to equity holders of the Parent amounted to ₱6.4 million (6M2021: ₱23.2 million), with basic/diluted loss per share amounting to ₱0.0033 (6M2021: ₱0.0118). Core net loss during the current 6-month period amounted to ₱2.1 million (6M2021: ₱22.2 million).

During the second quarter of the year, consolidated operating revenues reached ₱26.3 million (Q22021: ₱19.6 million) resulting from the lifting of 146,319 barrels of oil (Q22021: 222,038 barrels) with an effective average crude oil price of $110.06 per barrel (Q22021: $63.48 per barrel) during the review period.

Costs and expenses in the second quarter alone decreased to ₱26.9 million (Q22021: ₱36.4 million). Production costs for petroleum went up to ₱14.1 million (Q22021: ₱13.9 million) relative to output. General and administrative expenses was lower at ₱12.8 million (Q22021: ₱22.5 million), resulting from non-recurring consultation fees incurred during the previous year.

A net other charges of ₱2.9 million was incurred during the current period (Q22021: ₱121.3 million) due to forex loss amounting to ₱2.4 million (Q22021: forex gain of ₱602 thousand) resulting from translation losses in US dollar-denominated Notes payable to the Parent company's affiliates. In 2021, the net other charges consists mainly of provisions for future decommissioning costs related to SC 14 sub-blocks, Galoc and W. Linapacan totaling ₱121.8 million. Meanwhile, Provision from income tax amounted to ₱60 thousand (Q22021: benefit from income tax of P163.1 million) with previous year figures 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 loss of ₱3.5 million (Q22021: net income of ₱25.1 million) was incurred during the current period following an increase in oil revenues and reduction in overhead, offset by foreign exchange losses. As such, net loss attributable to equity holders of the Parent amounted to ₱3.7 million (Q22021: ₱18.8 million), with basic/diluted loss per share amounting to ₱0.0019 (Q22021: ₱0.0096).

As at June 30, 2022, the Company's total assets stood at ₱3.450 billion from ₱3.094 billion at end-December 2021. Total current assets decreased to ₱440.8 million from ₱585.4 million. Cash and cash equivalents decreased by ₱156.9 million, following payment of exploration costs in SC 72, SC 75 and overhead expenses, offset by collection of oil liftings, cash contribution from consortium partners and also from proceeds of Notes payable from affiliates. Accounts Receivable increased to ₱42.7 million from ₱29.0 million as at the end of the prior year which includes oil sales made in June to be collected in the subsequent quarter. Noncurrent assets reached ₱3.009 billion from ₱2.509 billion, largely arising from the increase in deferred exploration costs related to SC 75 seismic and SC 72 pre-drilling works, which increased from ₱2.244 billion to ₱2.743 billion.

Current liabilities as at the end of the period stood at ₱209.8 million from ₱55.1 million as at December 31, 2021. Trade and other payables increased to ₱133.8 million from ₱45.8 million as a result of contributions from SC 72 consortium partners and partial payment from the sale of certain SC 72 long lead items to a third party. The contributions from consortium partners were used for payment of pre-drilling expenses and cancellation fees during the period. Notes payable increased to ₱66.0 million which represents interest bearing notes extended by the Company's affiliates to finance the Group's 3D seismic acquisition in SC75 and pre-drilling works in SC 72. Total noncurrent liabilities stood at ₱ 438.9 million from ₱422.5 million. As such, total liabilities reached to ₱648.6 million from ₱477.6 million at the end of the prior year following the increases in current liabilities by ₱154.6 million and in non-current liabilities by ₱16.4 million.

As of June 30, 2022, total equity reached ₱2.803 billion from ₱2.617 billion as at the end of last year. Deficit increased from ₱3.414 billion to ₱3.421 billion, following the net loss attributable to Parent recorded during the period at ₱6.4 million. Cumulative translation adjustment on foreign subsidiaries increased by ₱98.9 million due to the weakening of the Philippine Peso against the US dollar, while non-controlling interests improved to ₱1.024 million from ₱931.7 million mainly arising from non-interest bearing advances from a minority shareholder.

Net Cash provided by Operating Activities for the period stood at ₱90.0 million (6M2021: net outflow of ₱26.3 million) resulting primarily from collections of receivables related to the oil liftings made in Galoc and cash from consortium partners in SC72 and SC75 representing their share in SC activities.

Net Cash Used in Investing Activities resulted in a net outflow of ₱376.9 million (6M2021: ₱52.2 million) due to payments to sub-contractors for pre-drilling activities in SC 75 and SC 72.

Finally, net Cash provided by Financing Activities amounted to ₱62.2 million (6M2021: ₱24.1 million) coming from the proceeds of interest bearing Notes Payable issued by the Company's affiliates. 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 ₱3.3 million (6M2021: ₱121 thousand).

TOP FIVE (5) KEY PERFORMANCE INDICATORS

1) Enhance Value of Assets

The Company has interests in various petroleum service contracts in the Philippines held directly and through its subsidiaries.

The Company's direct interest in Philippine petroleum service contracts includes: (1) a 50% operating interest in Service Contract (SC) 75; and (2) a 70% operating interest in SC 74; all located in the Northwest Palawan, the country's most prolific oil-producing basin.

The Company holds a 79.13% controlling interest in Forum Energy Limited (FEL), with 72.23% held directly, and 6.80% held indirectly through a 78.39%-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.

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

The key activities for 2022, 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 FEL 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 2Q 2021, FGL signed a Technical Services Agreement ("TSA") with AWT International, an upstream petroleum consultancy company, for the Well Planning Phase of the drilling program. Under the TSA, AWT will provide drilling management and manpower support services to FGL for the 2022 drilling campaign. AWT reviewed the preliminary drilling proposals produced by the contractor who interpreted the reprocessed 3D seismic. Shortly thereafter, Invitations to Tender ("ITT") were issued by FGL for Long Lead Items ("LLIs") such as casings and conductors. A procurement strategy was also implemented for major drilling services such as mudlogging, logging while drilling ("LWD"), wireline logging, formation evaluation, and coring.

The SC 72 work program and budget ("WP&B") for 2022 was approved by the DOE on February 17, 2022. This includes the drilling of Sampaguita 4 and Sampaguita 5 wells within 2Q 2022. Preparations for drilling activities, including the purchase of long lead items, requisitions for other materials, and signing up of technical services, were undertaken for the conduct of geophysical and geotechnical surveys, and the drilling of wells Sampaguita 4 and Sampaguita 5 starting second quarter of 2022.

On April 6 2022, shortly before a geophysical survey was to be conducted, FGL received a directive from the DOE to "put on hold any exploration activities for Service Contract Nos. 72 and 75 until such time that the [Security, Justice and Peace Coordinating Cluster (SJPCC)] has issued the necessary clearance to proceed." FGL immediately complied with the directive by suspending its activities.

On its April 8, 2022 letter of reply to the DOE, FGL expressed willingness to resume activities immediately. However, FGL also stated that if no written confirmation from the DOE is received by April 10, 2022 that FGL can resume its activities on April 11, 2022 at the latest, FGL will consider the suspension of work issued by the DOE to be indefinite and a *force majeure* event that will entitle FGL to be excused from the performance of its respective obligations and to the extension of the exploration period under SC 72.

In the absence of any letter from the DOE informing FGL to resume operations, FGL submitted a letter to the DOE on April 11, 2022 affirming a declaration of *force majeure* under SC 72 beginning April 6, 2022. FGL then undertook the termination of its service and supply agreements with several contractors. In the same letter, FGL stated that it is entitled to an extension of the period for exploration under SC 72 due to the recent declaration of *force majeure*.

FGL continues to coordinate with the DOE on the resumption of exploration activities in SC 72.

In SC 75 (Northwest Palawan), PXP received a letter from the DOE dated October 14, 2020 which stated that the *force majeure* over SC 75 has been lifted effective immediately and that exploration activities were to resume over the block.

In late July 2021, PXP sent out invitations to seismic acquisition companies to submit proposals for the survey to be conducted in April 2022. In September 2021, a Letter of Award was issued to Shearwater

GeoServices Limited ("Shearwater") for one of their seismic vessels. Thereafter, Shearwater conducted a Survey Evaluation and Design ("SED") Study which aimed at finalizing the acquisition parameters to be used in the survey. The SED was completed in November 2021 and the results were incorporated in the seismic data acquisition contract. Finalization of the contract continued by end December 2021 and the acquisition contract was signed in early January 2022.

The WP&B for 2022 was approved by the DOE on January 8, 2022. It includes the acquisition and processing of at least 1,100 sq. km of 3D seismic data in late March-early April 2022. On March 31, 2022, Shearwater's seismic acquisition vessel M/V Geo Coral left Darwin, Australia and arrived at the SC 75 project site on April 5, 2022.

On April 6, 2022, PXP received a directive from the DOE to "put on hold any exploration activities for Service Contract Nos. 72 and 75 until such time that the [Security, Justice and Peace Coordinating Cluster (SJPCC)] has issued the necessary clearance to proceed." PXP immediately complied with the directive by notifying its contractors on the suspension of activities.

Through a letter sent to the DOE on April 8, 2022, PXP expressed willingness to resume activities provided that a written confirmation from the DOE is received by April 10, 2022 that PXP can resume its activities on April 11, 2022 at the latest. Otherwise, PXP will consider the suspension of work issued by the DOE to be indefinite and a *force majeure* event that will entitle PXP to be excused from the performance of its respective obligations and to the extension of the exploration period under SC 75.

In the absence of any letter from the DOE informing PXP to resume operations, PXP submitted a letter to the DOE on April 11, 2022 affirming a declaration of *force majeure* under SC 75 beginning April 6, 2022. In the same letter, PXP stated that it is entitled to an extension of the period for exploration under SC 75 due to the recent declaration of *force majeure*. PXP then undertook the termination of its service and supply agreements with several contractors, including that with Shearwater.

In SC 74 (Linapacan), the block's operator PXP completed the technical review of key horizons within the Linapacan A and B structures which incorporated the seismic inversion volumes produced in the Quantitative Interpretation ("QI") study. The technical evaluation was done in two parts: (1) the mapping of time structural horizons and porous zones, and time to depth conversion; and (2) resource calculation. The interpretation work was completed in April 2021, while the resource calculation was finalized in August 2021. Additionally, the study was able to identify two leads, South Linapacan and Edapacan, located SW and NE of the Linapacan Fields, respectively. PXP estimates the Linapacan A and B Fields to contain 43.16 and 27.43 million barrels of contingent oil resources (P50), respectively.

In early 2022, PXP commissioned ERC Equipoise Limited (ERCE) to perform an independent technical review and resource assessment of key prospects and leads previously mapped by PXP. ERCE also studied the viability of a joint development of the Linapacan B Field and West Linapacan A and B fields located in SC 14C-2. This included formulating a conceptual development strategy and scoping economics.

ERCE's calculated recoverable reserves for Linapacan B were as follows: Low Case: 0.36, Mid Case: 1.67, and High Case: 2.97 million barrels of oil (MMbbl). ERCE used a low recovery factor of between 1.5% and 3.1% due to the low API gravity and high viscosity of the Linapacan B oil.

The base case development/lowest cost option identified for the Linapacan B comprises two (2) subsea-completed wells and a tie-back to a future West Linapacan floating production storage and offloading (FPSO) vessel through an 11 km pipeline.

The results of ERCE's economic analysis show Linapacan B is uneconomic in terms of NPV10 for all recoverable resource cases as the minimum economic field size required is 5.1 MMbbl. The breakeven oil price required ranges from US$137/bbl to $1,226/bbl for High to Low recoverable resource cases.

Based on the results, ERCE recommended that no further work is justified in developing the Linapacan B Field.

PXP is now looking at the possible forward plans for the block as the current Sub-Phase 3 will expire on September 13, 2022. Among these is to conduct further studies that will include the use of Artificial Lift in Linapacan B Field to increase oil production which was not considered by ERCE in their study.

In SC 40 (North Cebu), which FEL 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 data acquired will be incorporated with the results of the previous gravity surveys and will be used to update the current depth model for northern Cebu. The second phase of the study involved depth modeling and identification of gravity prospects and leads.

The results of the Gravity Modelling Stage 2 was reviewed by Cosine and an initial feedback was received by FEI in Q4 2021. The report will be finalized in July 2022.

The preparation of drilling programs for Dalingding-2 and Forum-4X wells will also be initiated during Q3 2022. This is a DOE-approved work program for 2022.

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 Galoc Clastic Unit ("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 provisions 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 FEL, through its 100% subsidiary Forum Energy Philippines Corporation ("FEPC"), will participate in the new SC application with 6.722% interest each after accepting their respective pro rata share of the interests of two companies that decided not to participate In the new SC.

In SC 6B (Bonita), the Farm-In Agreement ("FIA"), Deed of Assignment, and transfer of operatorship from Philodrill to Manta Oil Company Limited ("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. A plan of development ("POD") for Cadlao will be submitted to the DOE by the end of 2021. It may include the drilling of East Cadlao, depending on the results of the technical evaluation.

On December 6, 2021, Manta withdrew as operator and contractor in SC 6B as it was unable to fulfill its farm-in commitment to submit a plan of development (POD) for Cadlao Field before the end of 2021. Following Manta's withdrawal, its 70% interest was reassigned to the JV partners and the operatorship reverted to Philodrill. The SC 6B JV later agreed to appoint Nido Petroleum Philippines Pty Ltd ("Nido") as the Technical Operator to carry out the technical work, which includes the redevelopment of the Cadlao Field.

Nido subsequently submitted a farm-in proposal to the JV to increase its participating interest in the from 9.09% to 72.727% and take over the operatorship of SC 6B. Under the farm-in, Nido will fund 100% of the drilling, extended well test, and subsequent development of the Cadlao Field in return for the additional 63.637% Participating Interest. A farm-in agreement was later executed on February 11, 2022 with FEPC's interest being reduced to 2.4546% from 8.182% in exchange for the said carry in Cadlao's development costs.

The Deed of Assignment (DOA) of Participating Interest to Nido Petroleum and the revised 2022 WP&B were submitted to the DOE on April 11, 2022. The WP&B includes the drilling of Cadlao-4 by earliest Q4 2022, to be followed by an Extended Well Test (EWT). The spud date of the well will be dependent on final contracting, including rig and FSO (Floating Storage and Offloading unit) availability. The DOA and revised WP&B are pending DOE's approval.

In SC 14C-2 (West Linapacan), the JV commenced a technical study on the West Linapacan "B" Field using ERCE that focuses on a review of available geologic and well data, digitization of well logs, reservoir modeling, and fracture analysis, to be followed by resource estimation. The Phase 1 of the study was completed in November 2021 with preliminary results indicating a stand-alone development for the West Linapacan "B" Field would not be economically viable. ERCE continued with the Phase 2 of the study which comprises the formulation of an appraisal/conceptual development and scoping economics involving the West Linapacan "A" and "B" Fields. The results indicate a joint development of the fields is feasible provided certain conditions related to recoverable reserves, development costs, production rates, and oil price are met.

The JV continues to offer the block to interested companies. The operator Philodrill recently signed a Confidentiality Agreement (CA) with NPG, operator of SC 14C-1 Galoc to evaluate a potential farm-in transaction/acquisition of participating interests in the block. A draft CA was provided to another company who also expressed interest in the block. The signing of the CA is pending this company's review of the document.

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 FEPC 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.

FEPC agreed to farmout a portion of its interest in SC 6B to Nido Petroleum in exchange for a carry in the cost of drilling and testing of Cadlao-4 and, if successful, in the full development of the Cadlao Field.

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 pre-determined 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 SC 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.

Total recurring overhead was kept to a minimum year-on-year at ₱21.3 million (6M2021: ₱24.2 million). 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.

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

The Company addresses its funding requirements through regular review of its cash position and forecast. During the period the Company secured funding from its affiliates amounting to US$ 1.2 million in the form of interest-bearing notes which was used to partially fund the Company's exploration expenditures in SC 72 and SC 75.

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.
- Implementation of a No Visitors Policy (including relatives and friends).
- Wearing of face masks at all times while inside the office.
- Maintaining at least two (2) meters distance and no physical contact (e.g. no shaking of hands).

- Maintaining sanitary essentials like alcohol / hand sanitizers at entry points and common areas (e.g. lobby, comfort rooms, pantry, etc.).
- Regular disinfection of the entire office area including hallways, workstations, and common areas.
- 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.
- Submission of health declaration form using QR code upon arrival in the office.
- Self-quarantine of employees with travel history to identified places with confirmed/suspected COVID-19 cases.
- Encouraging employees to do initial self-assessment on symptoms and advise management when symptoms are present.
- Self-quarantine for at least seven (7) days of employees who have contracted or have been exposed to people with COVID-19. The submission of negative RT-PCR tests is required before the employees are allowed to return to their workplaces.

All corporate employees and their eligible dependents are now fully vaccinated. They are entitled to free medical assistance including RT-PCR and antigen tests when deemed necessary. The Company also purchased a number of air purifier units to help reduce airborne contaminants in the workplace.

No lost-time injuries, fatalities, severe and life-threatening COVID-19 cases, or environmental-related incidents were recorded by the Company and its subsidiaries during the period. Although a few employees had contracted COVID-19, they were either asymptomatic or had experienced mild symptoms and were able to recover quickly.

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 14, 2022

PXP ENERGY CORPORATION
(Formerly Philex Petroleum Corporation)
AND SUBSIDIARIES

UNAUDITED CONSOLIDATED
CONDENSED
FINANCIAL STATEMENTS
June 30, 2022

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

ASSETS		June 30, 2022 (Unaudited)		December 31, 2021 (Audited)
Current Assets				
Cash and cash equivalents	₱	**372,531**	₱	529,472
Accounts receivable		**42,707**		28,952
Inventories		**6,084**		4,240
Other current assets - net		**19,511**		22,752
Total Current Assets		**440,832**		585,416
Noncurrent Assets				
Property and Equipment - net		**5,916**		5,714
Goodwill		**254,397**		254,397
Deferred oil and gas exploration costs - net		**2,743,391**		2,243,914
Other noncurrent assets		**5,607**		4,776
Total Noncurrent Assets		**3,009,311**		2,508,801
TOTAL ASSETS	₱	**3,450,143**	₱	3,094,217

LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱	**133,795**	₱	45,790
Notes payable		**65,970**		-
Income tax payable		**9,331**		8,730
Lease liability - current portion		**656**		609
Total Current Liabilities		**209,752**		55,129
Noncurrent Liabilities				
Deferred income tax liabilities - net		**94,338**		94,080
Lease liability		**4,794**		4,447
Other noncurrent liabilities		**339,747**		323,974
Total Noncurrent Liabilities		**438,879**		422,501
Total Liabilities		**648,631**		477,630
Equity				
Capital Stock - P1 par value		**1,960,000**		1,960,000
Additional paid-in capital		**2,816,545**		2,816,545
Equity reserves		**139,319**		139,319
Deficit		**(3,420,670)**		(3,414,263)
Cumulative translation adjustment on foreign subsidiaries		**282,226**		183,293
		1,777,420		1,684,894
Non-controlling Interests		**1,024,092**		931,693
Total Equity		**2,801,512**		2,616,587
TOTAL LIABILITIES AND EQUITY	₱	**3,450,143**	₱	3,094,217

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

	For the 6-Month Period Ended June 30	
	2022	2021
PETROLEUM REVENUES	**₱ 45,110**	₱ 19,612
COSTS AND EXPENSES		
Petroleum production costs	**23,554**	13,880
General and administrative expenses	**23,715**	40,548
	47,269	54,428
OTHER INCOME (CHARGES)		
Provision for decommissioning costs	**-**	(121,783)
Foreign exchange gains (losses) - net	**(3,566)**	2,650
Interest expense - net	**(540)**	(56)
Others - net	**-**	(29)
	(4,106)	(119,218)
LOSS BEFORE INCOME TAX	**(6,265)**	(154,034)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**61**	21
Deferred	**-**	(168,100)
	61	(168,079)
NET INCOME (LOSS)	**(₱ 6,326)**	₱ 14,045
Net Income (Loss) Attributable to:		
Equity holders of the Parent Company	**(₱ 6,407)**	(₱ 23,150)
Non-controlling interests	**81**	37,195
	(₱ 6,326)	₱ 14,045
BASIC AND DILUTED LOSS PER SHARE	**(₱ 0.0033)**	(₱ 0.0118)
CORE NET LOSS	**(₱ 2,072)**	(₱ 22,176)

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

	For the 2nd Quarter Ended June 30	
	2022	2021
PETROLEUM REVENUES	**₱ 26,303**	₱ 19,612
COSTS AND EXPENSES		
Petroleum production costs	**14,118**	13,880
General and administrative expenses	**12,753**	22,531
	26,871	36,411
OTHER INCOME (CHARGES)		
Provision for decommissioning costs	**-**	(121,783)
Foreign exchange gains (losses) - net	**(2,364)**	602
Interest expense - net	**(526)**	(132)
Others - net	**11**	(16)
	(2,879)	(121,329)
LOSS BEFORE INCOME TAX	**(3,447)**	(138,128)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**53**	-
Deferred	**7**	(163,189)
	60	(163,189)
NET INCOME (LOSS)	**(₱ 3,507)**	₱ 25,061
Net Income (Loss) Attributable to:		
Equity holders of the Parent Company	**(₱ 3,679)**	(₱ 18,805)
Non-controlling interests	**172**	43,866
	(₱ 3,507)	₱ 25,061
BASIC AND DILUTED LOSS PER SHARE	**(₱ 0.0019)**	(₱ 0.0096)
CORE NET LOSS	**(₱ 645)**	(₱ 16,609)

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

	For the 6-Month Period Ended June 30	
	2022	2021
NET LOSS	**(₱ 6,326)**	₱ 14,045
OTHER COMPREHENSIVE LOSS		
Gain (Loss) on translation of foreign subsidiaries	**122,885**	47,419
TOTAL COMPREHENSIVE LOSS	**₱ 116,559**	₱ 61,464
Total Comprehensive Loss Attributable to:		
Equity holders of the Parent Company	**₱ 92,526**	₱ 12,061
Non-controlling interests	**24,033**	49,403
	₱ 116,559	₱ 61,464

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, 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 loss:									
Loss on translation of foreign subsidiaries	-	-	-	-	-	35,211	35,211	12,208	47,419
Total comprehensive loss for the period	-	-	-	-	(23,150)	35,211	12,061	49,403	61,464
Collection of subscription receivable	-	-	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**

	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, 2021	**₱ 1,960,000**	**₱ 2,816,545**	**₱ 0**	**₱ 139,319**	**(₱ 3,414,263)**	**₱ 183,293**	**₱ 1,684,894**	**₱ 931,693**	**₱ 2,616,587**
Net income (loss) for the period	-	-	-	-	(6,407)	-	(6,407)	81	(6,326)
Other comprehensive income (loss):									
Gain (loss) on translation of foreign subsidiaries	-	-	-	-	-	98,933	98,933	23,952	122,885
Total comprehensive income (loss) for the period	-	-	-	-	(6,407)	98,933	92,526	24,033	116,559
Effect of transaction with minority owners	-	-	-	-	-	-	-	68,366	68,366
Balance at June 30, 2022	**₱ 1,960,000**	**₱ 2,816,545**	**₱ 0**	**₱ 139,319**	**(₱ 3,420,670)**	**₱ 282,226**	**₱ 1,777,420**	**₱ 1,024,092**	**₱ 2,801,512**

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

	For the 6-Month Period Ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(₱ 6,265)**	(₱ 154,034)
Adjustments for:		
Provision for impairment and decommissioning of assets	**-**	121,783
Unrealized foreign exchange gain - net	**3,564**	(2,650)
Depreciation and depletion	**720**	287
Interest income - net	**(135)**	(285)
Operating loss before working capital changes	**(2,116)**	(34,899)
Decrease (Increase) in:		
Accounts receivable	**(13,754)**	18,535
Inventories	**(1,844)**	(5,046)
Other current assets	**3,241**	(2,678)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	**88,053**	(3,071)
Provision for losses and other liabilities	**15,773**	613
Net cash used in operations	**89,353**	(26,546)
Interest received - net	**135**	285
Income tax paid	**539**	(14)
Net cash provided by (used in) operating activities	**90,027**	(26,275)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Deferred oil and gas exploration costs and others	**(376,868)**	(52,236)
Equity transaction with minority owner	**64,343**	-
Net cash used in investing activities	**(312,525)**	(52,236)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in advances from related parties	**-**	8
Cash received from collection of subscription from shareholder	**-**	24,068
Proceeds from issuance of notes payable	**62,210**	-
Net cash provided by financing activities	**62,210**	24,076
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,347**	121
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(156,941)**	(54,314)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**529,472**	143,008
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱ 372,531**	₱ 88,694

PXP ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE OF NOTES PAYABLE

June 30, 2022

(In thousand Pesos)

Current portion (Short term)	P 65,970
Non-current portion (Long - term)	-
Total	P 65,970

SCHEDULE OF NOTES PAYABLE

June 30, 2022

(In thousand Pesos)

Kirtman Limited	₱	32,985
Philex Mining Corporation		32,985
Total	₱	65,970

PXP ENERGY CORPORATION AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLE

June 30, 2022

(In Thousand Pesos)

	0-30 days	31-60 days	61-90 days	over 90 days	Total
The Galoc Production Company	₱ 27,975	₱ -	₱ -	₱ -	₱ 27,975
The Philodrill Corporation	3,962	-	-	-	3,962
Forum Pacific, Inc.	-	-	-	4,559	4,559
Others	6,211	-	-	-	6,211
	₱ 38,148	₱ -	₱ -	₱ 4,559	₱ 42,707

PXP ENERGY CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
June 30, 2022

	June 2022	June 2021
Current Ratio	**2.10**	5.98
Debt-to-equity Ratio	**0.23**	0.22
Asset-to-equity Ratio	**1.23**	1.22
Interest Rate Coverage ratio	**10.83**	n/a
Net Income Ratio	**(0.14)**	0.72

PXP ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022 and December 31, 2021, and for the six-month period ended June 30, 2022 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, 2021.

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, 2022.

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 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 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- 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.

<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 unaudited interim condensed consolidated financial statements:

Classification of financial instruments
The Group exercises judgment in classifying financial instruments in accordance with PAS 39. The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's unaudited interim condensed consolidated balance sheets.

Valuation of financial assets and financial liabilities
The Group carries certain financial assets and financial liabilities (i.e., AFS financial assets) at fair value, which requires the use of accounting estimates and judgment. At initial recognition, the fair value of quoted AFS, financial assets is based on its quoted price in an active market while the value of quoted AFS financial assets is based on its quoted price in an active market while the fair value of unquoted AFS financial assets is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities would affect the profit and loss or other comprehensive income.

3. Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, accounts receivable, 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, 2022:

Cash in banks and cash equivalents	
Cash in banks	₱370,226
Short-term deposits	2,303
Accounts receivable	
Trade	31,937
Others	10,770
	₱415,236

The following tables show the credit quality of the Group's financial assets by class as of June 30, 2022 based on the Group's credit evaluation process.

	Neither Past Due nor Impaired		Past Due and Individually Impaired	Total
	High-Grade	Standard		
Cash and cash equivalents, excluding cash on hand:				
Cash in banks	₱370,226	₱–	₱–	₱370,226
Short-term investments	2,303	–	–	2,303
Accounts receivable:				
Trade	–	31,937	–	31,937
Accrued interest and others	–	6,211	4,559	10,770
Total	₱372,529	₱38,148	₱4,559	₱415,236

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, 2022.

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 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, 2022:

	On Demand	**Less than 3 Months**	**3 to12 Months**	**Over 12 Months**	**Total**
Cash on hand	**₱2**	**₱–**	**₱–**	**₱–**	**₱2**
Loans and receivables:					
Cash in banks	**370,226**	**–**	**–**	**–**	**370,226**
Short-term investments	**–**	**2,303**	**–**	**–**	**2,303**
Accounts receivable	**–**	**38,148**	**–**	**4,559**	**42,707**
Total undiscounted financial assets	**₱370,228**	**₱40,451**	**₱–**	**₱4,559**	**₱415,238**

	On Demand	**Less than 3 Months**	**3 to12 Months**	**Over 12 Months**	**Total**
Trade and other payables:					
Trade	₱31,089	₱–	₱15,393	₱–	₱46,482
Accrued expenses	–	784	–	–	784
Payable to consortium partners	–	–	67,855	–	67,855
Other nontrade liabilities	–	–	18,674	–	18,674
Notes payable	–	–	65,970	–	65,970
Total undiscounted financial liabilities	₱31,089	₱784	₱167,892	₱–	₱199,765

<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 and from Notes payable. Net foreign exchange loss amounting to ₱2.1 million arising from the translation of these foreign currency-denominated financial instruments were recognized by the Parent Company for the period ended June 30, 2022. As at June 30, 2022, the exchange rate is ₱54.975 to US$1.

The Parent Company's foreign currency-denominated monetary assets as of June 30, 2022 follow:

	US$	Peso Equivalent
Assets		
Cash and cash equivalents	$894	₱49,136
Liabilities		
Notes payable	(1,200)	(65,970)
Net monetary assets (liabilities)	($306)	(₱16,834)

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 Appreciates (Depreciates)	Effect on Income (Loss) Before Income Tax
Appreciate by 6%	(₱1,010)
Depreciate by (6%)	₱1,010

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 (loss) 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 from SC 14 during the first 6 months of 2022 was from the Galoc oil field. Crude oil liftings from the Galoc field were sold to a customer in East Asia.

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, 2022:

	Oil and Gas	**Coal**	**Eliminations**	**Total**
Consolidated Revenue				
External customers	**₱45,110**	**₱–**	**₱–**	**₱45,110**
Results				
EBITDA	**31,665**	**(13)**	**(36,656)**	**(5,004)**
Depreciation and depletion	**(720)**		**–**	**(244)**
Provision for income tax	**(61)**		**–**	**(61)**
Interest income (expense) - net	**(719)**		**178**	**(541)**
Consolidated net income (loss)	**₱30,165**	**(₱13)**	**(₱36,478)**	**(₱6,326)**
Core net loss				**(₱2,072)**
Consolidated total assets	**₱7,192,111**	**₱541**	**(₱3,742,509)**	**₱3,450,143**
Consolidated total liabilities	**₱1,781,770**	**₱736,336**	**(₱1,869,475)**	**₱648,631**

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 income tax	168,079	–	–	168,079
Interest income (expense) - net	(56)	–	–	(56)
Consolidated net income (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

The table below shows the Group's reconciliation of core net loss to the consolidated net loss for the six-month period ended June 30, 2022 and 2021.

	2022	2021
Core net loss	**(₱2,072)**	(₱22,176)
Non-recurring items:		
Net foreign exchange gain (loss)	**(3,203)**	2,088
Non-recurring expenses	**(1,275)**	–
Net tax effect of aforementioned adjustment	**143**	(522)
Provision for plug and abandonment	**–**	(94,577)
Effect of change in tax rates	**–**	92,037
Net loss attributable to equity holders of the Parent Company	**(6,407)**	(23,150)
Net loss attributable to non-controlling interests	**81**	37,195
Consolidated net loss	**(₱6,326)**	₱14,045

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 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:

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 Forum Energy Limited's (FEL) 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 Forum (GSEC 101) Limited (FGL or 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 FGL 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 FGL 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.

Interest expense incurred for the old loan facility amounted to ₱11,692 in 2017. During the same year, commitment fees incurred amounted to ₱281.

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 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.

On October 28, 2021, the BOD approved to repurchase from FEC the 6.8% of the loan currently due by FGL to PXP amounting to US$346 plus accrued interest, with all other terms of the loan remaining unchanged.

Interest expense incurred for the 6-month period ended June 30, 2022 and 2021 amounted to ₱5,809 and ₱4,226, 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 6-month period ended June 30, 2022 and 2021.

Loans receivable of PXP from FGL as at June 30, 2022 and 2021 amounted to ₱ 281,152 and ₱231,556, respectively These were eliminated upon consolidation.

On July 7 ,2022, PXP approved a ratification on the extension of term of the loan from March 31, 2022 to July 8, 2022 and a further extension of the loan from July 8, 2022 to December 31, 2022 with interest to accrue and payable thereafter on a monthly basis at the end of each calendar month. On July 8, 2022, a partial repayment will be made by FGL to PXP the loan principal of US$500,000 plus full payment of the interest of US$27,733 accrued till July 8, 2022; and subject to the cash position of FGL, a partial loan repayment of US$500,000 on or before September 30, 2022; and a partial loan repayment of US$500,000 on or before October 31, 2022.

b. On November 3, 2021, the BOD of FEL approved the request for funding contribution amounting to $3,300 from its major shareholders, pro-rata to their shareholdings in FEL. The fund was partially used for the pre-drilling activities of SC 72 Recto Bank, with the remaining amount to be used to deliver FEL's two commitment wells in the first half of 2022.

   PXP and FEC share's in the funding contribution in 2021 amounted to $2,416 and $224, respectively, which were eliminated upon consolidation.

   On February 16, 2022, additional funding was requested from major shareholders amounting to $3,407. PXP and FEC's share in the funding contribution amounted to $2,136 and $199, respectively, which were eliminated upon consolidation.

c. 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 Philex Mining Corporation (PMC or the 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 Petroleum Limited and FEL 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.

On March 9, 2022, PXP secured funding from PMC, amounting to $375 through the issuance of interest-bearing notes. On March 16, 2022, additional notes were issued to PXP amounting to $225. These notes are due on demand and bear interest at an annual rate of 3.5% plus LIBOR (or if unavailable, its corresponding replacement benchmark) payable quarterly in arrears. The proceeds of these notes were used to partially fund the Company's exploration expenditures in SC 72 and SC 75.

Interest expense and accrued interest payable as at and for the period ended June 30, 2022 amounted to ₱353.

d. On March 9, 2022, PXP secured funding from its affiliate, Kirtman Limited, amounting to $375 through the issuance of interest-bearing notes. On March 16, 2022, additional notes were issued to PXP amounting to $225. These notes are due on demand and bear interest at an annual rate of 3.5% plus LIBOR (or if unavailable, its corresponding replacement benchmark) payable quarterly in arrears. The proceeds of these notes were used to partially fund the Company's exploration expenditures in SC 72 and SC 75.

   Interest expense and accrued interest payable as at and for the period ended June 30, 2022 amounted to ₱353.

e. In March 2022, PXP made interest bearing advances to FEC amounting to $199 These advances are due on December 31, 2023 and bear interest at an annual rate of 3.5% plus LIBOR (or if unavailable, its corresponding replacement benchmark) payable quarterly in arrears. The proceeds of these advances were used by FEC to partially fund its share of the exploration expenditures in SC 72.

   Interest income and accrued interest income as at and for the period ended June, 2022 amounted to ₱156.

f. 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.

   In 2021, BEMC partially paid advances from PXP amounting to ₱1,500. As at June 30, 2022 and December 31, 2021, advances from PXP amounted to ₱736,315 and ₱736,315, respectively.

g. Material related party transactions (RPT) refer to any related party transaction/s, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual material RPT shall be endorsed by the Corporate Governance and Related Party Transactions committee for approval by at least two-thirds vote of the BOD, with all independent directors voting to approve the material RPT. The material RPT may be further submitted to the stockholders and final approval when the BOD deems it necessary.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require endorsement by the same committee for approval of the BOD.

6. Basic/Diluted Earnings Per Share

Basic/diluted earnings (loss) per share for the period ended June 30, 2022 and 2021 is computed as follows:

	2022	2021
Net loss attributable to equity holders of the Parent Company	**(₱6,326)**	(₱23,150)
Divided by weighted average number of common shares issued during the period	**1,960,000**	1,960,000
Basic and diluted earnings (loss) per share	**(₱0.0033)**	(₱0.0118)

As of June 30, 2022, 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.