

14 April 2010

## Forum Energy

Year End	Revenue (\$m)	PBT* (\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/08	0.7	(4.8)	(16.1)	0.0	N/A	N/A
12/09	1.8	(2.6)	(8.3)	0.0	N/A	N/A
12/10e	2.8	(3.5)	(10.1)	0.0	N/A	N/A
12/11e	2.3	(3.2)	(8.6)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

### Investment summary: Appraising progress

The upside case for Forum Energy made a giant leap forward with the award of the SC72 service contract. SC72 contains the Sampaguita gas field, which previous 3D seismic estimated to hold 3.4tcf of gas in place (GIP) with upside to 20tcf. The award of the contract finally opens up the prospect of the field being appraised in the next 18 months, potentially creating a step change in the valuation of the company. In this report we highlight a base case ReNav of 141p (assuming a \$6/mscf gas price) and illustrate how a \$8/mscf gas price moves our ReNav to 684p.

### Key catalyst: Announcement of the work programme

Under the terms of the SC72 service contract, Forum has a minimum spend commitment of \$3m within the next 18 months. The company is expected to commit to a work programme significantly in excess of the minimum commitments, subject to funding being raised. In our financial model we have assumed the company will shoot \$10m of 3D seismic and drill three appraisal wells at a cost of \$30m per well, and we assume that the company raises funds from existing shareholders.

### High-impact exploration

Were the appraisal programme to prove up the GIP estimate, we would expect the size of the field to attract the attention of larger players. In the context of the UK sector of the North Sea, a 3tcf find would be one of the largest finds in the last 25 years. Similar to Malampaya, such a find would be the foundations of an LNG project.

### Valuation: Carrying Sampaguita at 126.5p in our ReNav

Our core NAV of 15p is based on the producing Galoc and Libertad fields, offset by G&A expenses net of cash. Effectively, this reflects the fact that these two fields cover Forum's day to day operations. Sampaguita is carried at 126.5p based on a 10% WACC and a \$6/mscf gas price. a successful appraisal programme would lift our valuation at \$6/mscf together with current reserve and recovery estimates to 230p. A successful appraisal programme at \$8/mscf would raise our valuation to 894p. These scenarios demonstrate the impact of appraisal and the gas price on the company's valuation.

Price 73.5p  
Market Cap £24m

#### Share price graph



#### Share details

Code FEP  
Listing AIM  
Sector Oil & Gas  
Shares in issue 33.1m

#### Price

52 week High Low  
114p 22.5p

#### Balance Sheet as at 31 December 2009

Debt/Equity (%) N/A  
NAV per share (p) 15  
ReNAV per share (p) 141  
Net cash (\$m) 4.2

#### Business

Forum Energy, focused exclusively on the Philippines, is an AIM-quoted company developing oil and gas assets.

#### Valuation

	2009	2010e	2011e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	11.3	7.7	9.4
ROE	N/A	N/A	N/A

#### Revenues by geography

UK	Europe	US	Other
0%	0%	0%	100%

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## Investment summary: Appraising progress

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### Company description: Philippine oil exploration play with production

Forum Energy is an E&P company with assets in the Philippines. It has a well balanced portfolio of assets, with a mix of high- and low-risk assets. Management is successfully leveraging its portfolio, generating stable cash flows from its producing and low-risk assets while continuing E&P operations at its high-risk assets. The recent award of a service contract in its Sampaguita field has the potential to add significant value.

### Strategy: Sampaguita appraisal programme the key focus

Over the next two years Forum's resources will be focused on appraising the Sampaguita field. While the company has yet to formally announce a drilling programme for SC72, it is expected that it will shoot and interpret new 3D seismic and drill two wells as part of its minimum work commitments in the next 36 months, subject to approval from the Department of Energy.

### Recent news flow and catalysts

- 15 February 2010 – Forum awarded service contract for SC72 (formerly GSEC101).
- 22 February 2010 – Full year results published outlining work commitments for SC72.
- Upcoming – Announcement of work programme and funding plans.

### Valuation: Sampaguita brings significant upside potential

We value Forum's core assets (Galoc and Libertad) at 22.1p/share. This is based on a conservative \$60/bbl flat real price from 2012 onwards. The current share price is building in some upside for the Sampaguita exploration upside, which adds a further 126.5p based on a 10% WACC and a \$6/mscf gas price. Unsurprisingly our ReNAV figure is extremely sensitive to the gas price. If gas prices increased from \$6/mscf to \$8/mscf our ReNAV would move from 141p to 684p.

### Sensitivities: Usual exploration caveats

The two most significant share price drivers are likely to be the gas price and Forum's ability to successfully appraise the Sampaguita prospect. We believe the political risks are minimised by the location of the assets. The requirement to secure funding to complete the appraisal programme is mitigated by Forum's main shareholder Philex Mining having access to a strong balance sheet.

### Financials: Appraisal programme requires funding

Forum's 2009 prelims highlighted a more focused company with a leaner cost base. The company enters the current financial year with \$4.2m of cash on the balance sheet and is expected to generate \$2m to \$3m from Galoc and Libertad to fund the day to day running of the business. At present we believe the company will look to shareholders to fund the SC72 appraisal programme. The minimum work commitments of the SC72 service contract are as follows:

- Within 18 months either drill one exploratory well or shoot 250km of 3D seismic. It is expected that the company will shoot further 3D seismic which we have assumed to cost \$10m in our financial model before drilling the first well.
- Further drilling in the subsequent 24 months. Our financial model assumes the company drills a further three wells at a cost of \$30m per well.

## Company description: Focus on the Philippines

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### Operations

Forum Energy (Forum) is a UK-based E&P company. It has a balanced portfolio of upstream oil & gas projects in the Philippines, which range from pure exploration plays and discoveries at the later stages of the appraisal and development process to producing assets, which provide important and immediate cash flow.

The company has three main asset areas:

- **70% interest in Block SC72 (formerly GSEC 101):** This contains the substantial Sampaguita gas discovery and was recently converted into a service contract.
- **Varying interests in NW Palawan:** This area contains the producing Galoc field, currently producing nearly 10,000mmbbl/d where Forum has a 2.27% interest.
- **66.7% interest in Block SC40:** This contains the onshore Libertad gas field and Maya oil discoveries.

### SC72: Future driver of revenues

Forum recently converted the highly prospective GSEC 101 licence into a service contract. The company has a 70% interest in over 8,800km<sup>2</sup> of underexplored acreage, which contains at least eight leads in addition to the large Sampaguita gas discovery west of Palawan Island. With gas in place (GIP) independently assessed at 3.4 trillion cubic feet (tcf) with potential up to 20tcf, the Sampaguita discovery is a potentially value-changing asset.

The company has been trying to convert the licence since May 2006 but it was delayed due to the signing in 2005 of a three-year Tripartite Agreement for Joint Marine Seismic in the South China Sea between China National Offshore Oil Corporation (CNOOC), Vietnam Oil and Gas Corporation (PetroVietnam) and Philippine National Oil Company (PNOC). However, with this agreement lapsing in July 2008, Forum's management was able to secure a service contract in February 2010, enabling it to start developing assets and infrastructure to realise shareholder value. To confirm the potential upside (between 3.4-20tcf) and de-risk the prospect, Forum would need to drill several appraisal wells, for which it is expected to spend more than \$30m.

There are several options available to Forum for marketing the gas produced from Sampaguita:

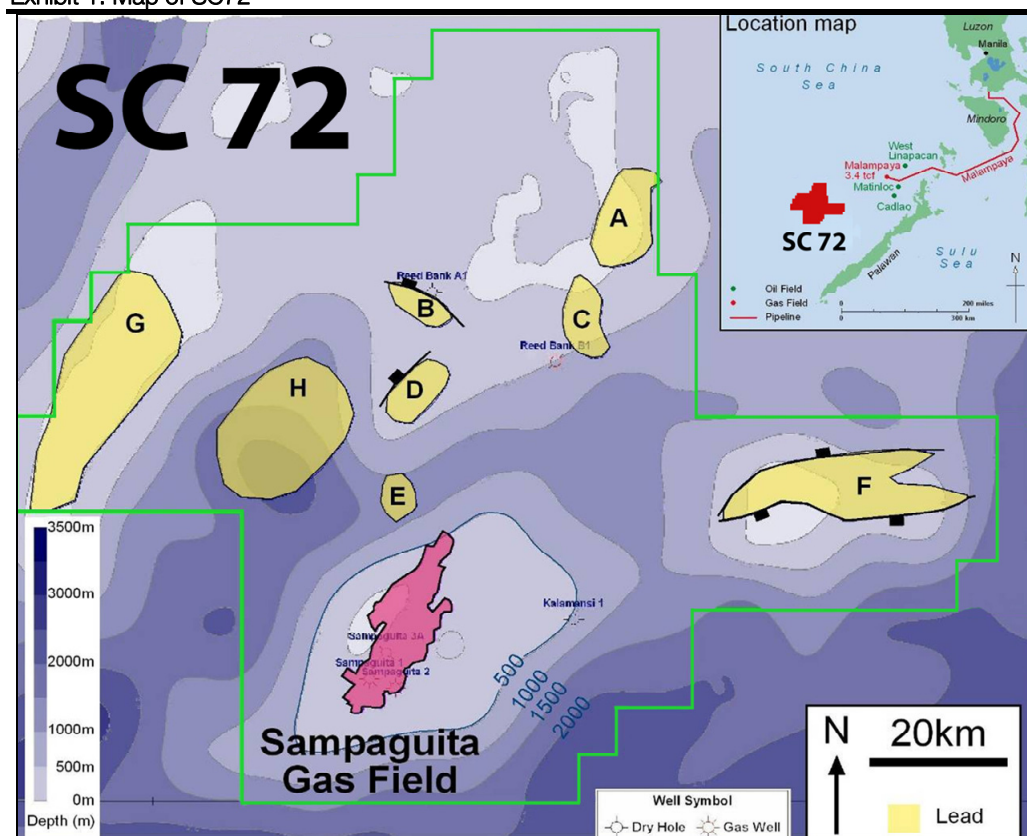
- establishing a new LNG export facility;
- building a pipeline to access capacity in Shell's existing infrastructure at Malampaya; and
- selling into the local Philippine market.

The outcome is partly dependent on how much gas is proved up. In our valuation, we assumed that Forum will establish its own LNG export facility to serve markets in China and Korea. However, given the level of reserves already firmed up, Forum is likely to attract attention from major oil companies that may well have complementary infrastructure, such as Shell.

The valuation is further pushed up because the sale of a 30% interest in the field to Monte Oro Resources in August 2007 allows the company to enjoy the benefits provided by the Filipino Participation Incentive Allowance (FPIA). This is a 7.5% effective royalty given to joint ventures which are at least 30% locally owned. On a multi-billion dollar project such as Sampaguita, this is

an important element, potentially unlocking significant value. We estimate this deal added around 15% extra value. At the same time, the deal brings to the joint venture a credible industrial partner with significant local influence and expertise, which could be vital in securing the confirmation of the service contract and beyond.

**Exhibit 1: Map of SC72**



Source: Forum Energy

## NW Palawan: Providing steady revenues

NW Palawan is expected to be the main driver of Forum's near-term revenue growth. The area holds several licence blocks acquired from Basic Petroleum and Minerals in 2006, which include the following:

- Galoc field;
- Nido field;
- Matinloc field; and
- West Linapacan field.

Forum has a 2.27% holding in the Galoc field, in offshore Philippines, which is already under production, producing 2.5mmbbl gross in 2009 and generating \$0.8m cash net to Forum in its first year of production. In 2010, we expect to see the full year effect of an 80% increase in the price of oil during 2009. Further, management is expected to start the second phase of development, which could provide a substantial upside.

## SC40: Progress on the Libertad Gas Field

Forum holds a 67.7% interest in SC40 in partnership with Forum Pacific, which holds the remaining equity. The SC40 licence covers 4,589km<sup>2</sup> of the northern half of Cebu Island and part of the Visayan Sea to the west. The area has seen sporadic exploration over the past 100 years, with 130 shallow wells drilled onshore, leading to a number of oil and gas discoveries, while offshore, there have been 12 wells drilled since 1994, of which seven encountered hydrocarbon shows.

There are nine key prospects and leads, which have been assessed by Forum and petroleum engineers PGS (see Exhibit 2).

**Exhibit 2: SC40 prospects and leads**

Prospect	PGS's chance of discovery (%)	Reserve potential		Past exploration activity
		Oil (mmboe)	Gas (bcf)	
Libertad	100	-	1.2	Onshore gas discovery, with two wells completed as producers.
Maya	100	0.84	-	Three wells drilled by Forum since 2000; all found oil or gas shows. Acquisition of gravity data in late 2009. Reprocessing of vintage seismic data.
Jibitnil Island	11.5	85	450	Reprocessing of vintage seismic; new data acquired in May 2005.
Toledo	11.3	97	332	One well produced 250 bpd in 1959. The bulk of the prospect lies outside SC40. Acquisition of gravity data in Q1 2010. Reprocessing of vintage seismic data.
North Bantayan	8	250	1,000	Reprocessing of vintage seismic data.
West Malapascua	11.5	80	185	Reprocessing of vintage seismic data.
South Guintacan	9.9	264	660	A number of old wells found oil shows; new seismic acquired in May 2005.
Central Tanon	11.5	264	660	Reprocessing of vintage seismic data; new data acquired in May 2005.
Agojo	10	60	210	Reprocessing of vintage seismic data.

Source: Forum Energy and PGS

Of these discoveries, Forum intends to focus in the near term on Libertad, a 1.2bcf gas field onshore Cebu Island.

## Libertad gas field: Commencing production in 2010

Libertad lies to the south-east of Bogó in the northern part of Cebu Island. In 2004, Forum conducted a feasibility and engineering study to determine the optimum development plan for the 1.2bcf of gas reserves. Given the lack of local gas infrastructure, the company has opted for a gas-to-electricity (GTE) model and has entered into an agreement with Desco, a leading provider of petroleum and geothermal products and services in the Philippines.

Under the agreement, Desco will install 1.0-1.5MW of power generating units in Bogó in 2010. Forum will sell the gas to Desco at an agreed rate of \$1.5 per million BTU (British Thermal Units) for the first 0.7bcf of gas extracted and utilised and \$1.6 per million BTU for any gas produced beyond 0.7bcf.

Forum estimates that 40mcf of gas per day could be produced from the field. The existing completed wells will be used to drain the gas over the field's expected lifespan of around seven years. The company plans to have the field on-stream by September 2010.

## Strategy: Focus on establishing steady cash flows

Management has concentrated on developing its core assets, divesting its non-core coal assets in 2009. The company is also focused on establishing a recurrent cash flow by bringing its Galoc and Libertad fields under production. Now, Forum is planning to develop its high-risk assets, the SC72 and remaining areas of SC40, to increase its top line.

## Key management

Forum's management team has varied experience in successfully managing projects, especially in the Philippines. The company is also supported by Philex Petroleum Corporation, which owns a 64.98% stake in Forum.

**Dr Walter W. Brown, CEO:** Dr Brown brings to Forum experience in the Philippines oil & gas industry. He has held key managerial positions in various oil & gas companies such as Palawan Oil & Gas Exploration, Monte Oro Resources and 7 Seas Oil Company, Inc. Before joining Forum, he was chair and CEO of Philex Petroleum.

**Andrew Mullins, executive director:** Mr Andrew Mullins brings to the company rich experience in the oil & gas and mining sectors. He has played a vital role in the reorganisation of Forum's shares and admission of the company to AIM in 2005. Most recently, he was vice president of NASDAQ-listed Tracer Petroleum Corporation and is also a director and CEO of PhiGold Plc and PhiGold Mining Limited.

**Barry Stansfield, non-executive chairman:** Mr Stansfield brings on board business experience of 30 years in marketing and property investments. Most recently, he was co-owner and managing director of Stansfield Lake, a London-based marketing company, until the company was acquired by Communicator Plc.

**Roberto V Ongpin, non-executive director:** Mr Ongpin has held directorial positions in organisations such as Shangri-La Asia (Hong Kong), Petron Corporation and Araneta Properties. He has also served as chairman of Philweb Corporation, ISM Communications Corporation and Eastern Telecommunications Philippines, Inc. He was minister of trade and industry of the Philippines from 1979 to 1986.

**Robert Charles Nicholson, non-executive director:** Mr Robert Nicholson has a strong background in corporate finance and cross-border transactions, including mergers and acquisitions, debt & equity capital markets and corporate reorganisations. He is also a director in Metro Pacific Investments Corporation, Philex Mining Corporation, Pitkin Petroleum Plc and Level Up! International Holdings Pte Ltd.

## Sensitivities: Normal caveats around exploration

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We see a number of sensitivities that could potentially impact the value of Forum's asset portfolio:

### Exploration risk: Sampaguita appraisal a key focus

Forum's biggest risk is the possibility of failure in appraising the Sampaguita field. The company's current valuation is largely dependent on the success of exploration activities in the Sampaguita field. If the company confirms the commercial viability of its large reserve estimate of nearly 3.4tcf, it could secure long-term contracts to supply gas to high-demand markets in Asia. However, if gas reserves are significantly smaller, the company may have to supply the gas to a local power provider at a lower price. As gas demand in the developing Philippine market is limited by inadequate infrastructure, a sales contract for the complete potential production cannot be guaranteed.

### Political risk: Mitigated by asset location

Political concerns in the Philippines are mitigated by the location of the assets (to the centre and north of the country), which are away from the political hotspots in the south. Management also has long-term operational experience in the Philippines.

### Commercial risk

While the company owns a rig, execution could be limited given the size of reserves and because Forum may look to drill on multiple projects. Furthermore, we have made assumptions about access to the 7.5% FPIA royalty. Until this is delivered, there remains uncertainty.

### Hydrocarbon prices: Valuation driven by local gas price

Considering the lack of any contract for the company's Sampaguita field, valuations are highly sensitive to changing hydrocarbon prices. With gas prices being volatile last year, they remain material in skewing the risk/reward balance. Forum is likely to enter into an off take agreement to provide stability and visibility around gas prices and project economics.

### Financial risk: Forum needs to fund the Sampaguita appraisal

The recent stake sale to Philex Mining Corporation helped the company raise £1.5m, which, coupled with its net cash and cash equivalents of \$4.1m, puts the company in a comfortable position. Further, Forum raised \$1m from the sale of its non-core coal assets. This, along with its expected cash flow from operations, would help the company meet its near-term commitments. However, Forum would need to fund its Sampaguita field operations either through a farm-out or debt financing.

The funding risks are significantly mitigated by Forum's current shareholder structure. Philex Mining currently owns 65% of Forum. Philex is controlled by First Pacific Company, which last year generated \$3.9bn of sales and \$335m of operating profit. First Pacific Company provides Philex access to a strong balance sheet, suggesting that funding risks are significantly mitigated relative to other AIM listed exploration players for the initial appraisal phases.

## Valuation: Sampaguita can transform value

### Core NAV: Galoc and Libertad are key contributors

The core NAV of 15p reflects the Galoc and Libertad fields providing Forum sufficient cash flows to continue running the company, the carrying values of these stakes being offset by G&A expenses in our valuation. It should be noted that we have adopted a conservative view while valuing Forum's assets.

The valuation on the producing Galoc field is based on P50 reserve forecasts. Based on these reserves and an average oil price assumption of \$60/bbl in the long run, our valuation is 21.8p/share. Economic analysis suggests that based on probable reserves and price assumptions of \$75/bbl in 2010 and \$71/bbl in 2011, Forum's share of Galoc post-tax cash flows discounted at 8% (we use an 8% discount rate to reflect the increased certainty on schedule and reserves) should be £10.8m.

We have also valued the soon-to-be-onboard Libertad field, for which the company has signed a contract with DESCO to produce electricity. Forum will be selling gas to DESCO at \$1.50 per million BTU (for production of 1-690 million BTU) and \$1.6 per million BTU (over 690 million BTU). Based on reserves of 0.6bcf and taking into account the 40:60 revenue sharing agreement with the government, the Libertad field is expected to ease immediate working capital requirements. However, because of its limited reserves and fixed price, the field does not have a significant bearing on the overall valuation.

**Exhibit 3: Valuation table**

Exhibit C: Valuation Table										
Current no of shares (million)		33.1								
FD shares (million)		33.1								
\$/£		1.50								
Assets	Country/ Licence	WI %	Hydroc. Fluid	Net CAPEX at risk \$m	CoS %	Unrisked Reserves/Resources		Netback NPV/boe \$/boe	EMV \$m	Value/sh p
						Gross mmboe	Net mmboe			
Developed										
Galoc Fields	Philippines	2.3%	Oil	0	100%	24.5	0.6	19.5	10.8	21.8
						TOT	0.6		TOT	21.8
Under development										
Libertad	Philippines	100%	Gas	0	90%	0.1	0	1.8	0.2	0.3
						TOT	0		TOT	0.3
Cash/(Net Debt)									4	8
G&A									(7.9 )	(16.0)
Core NAV									TOT	15
Exploration/Appraisal										
Sampaguita	Philippines	70.0%	Gas	70.0	75%	302	211.4	0.5	62.8	126.5
									TOT	126.5
RENAV									TOT	141

Source: Edison Investment Research

### Sampaguita upside: Significant, provided gas prices hold or improve

Forum's valuation is expected to be primarily driven by its Sampaguita interest which has 2.5tcf of estimated P50 reserves in place. We assumed that of the available P50 reserves, 72% of the reserves or 1.8tcf will be recovered. However, if more than 1.8tcf of reserves are recovered, we expect a further upside. The valuation does not consider any potential associated liquid production as it is highly likely that associated liquids will be produced along with any gas especially in the early years of production. However, if we assume associated liquid production at a rate of 12,000bbl/d from 325mmscf/d of gas, similar to that at the nearby Malampaya gas field, it would add nearly 30mmboe of associated liquids in Sampaguita in a 3tcf reserve scenario.



The company owns a 70% working interest in the field and is eligible for the 7.5% FPIA. Based on the production sharing contract, Forum is allowed to recover costs up to a maximum of 70% of gross income per year and will share 60% of net income with the government. However, as an incentive, the 35% corporate tax is paid out of the government's share.

Based on these assumptions and taking an average gas price of \$6/mcf and a long-term conversion rate of \$1.50/£, this equates to a value of 126.5p for the Sampaguita field. We used a 10% discount rate to reflect the significant amount of capital required and schedule risk associated with large-scale developments.

The valuation is extremely sensitive to gas prices, and if prices move from \$6 to \$8, there would be a significant upside, Exhibit 4 below showing a range of scenarios. A gas price of \$8/mscf with a 75% chance of success would move the ReNav valuation to 684p. A successful appraisal programme would see this valuation further uplifted as the chance of success figure improves and if further reserves are proved up.

**Exhibit 4: Sensitivity analysis on a range of oil prices and chance of success assumptions**

ReNAV Gas Price (\$/mscf)	CoS (%) - Sampaguita				
	50%	60%	75%	80%	90%
6.0	101	119	145	153	171
7.0	285	339	421	448	502
8.0	461	550	684	728	817
9.0	633	757	942	1,004	1,128
10.0	804	962	1,198	1,277	1,435

Source: Edison Investment Research

## Malampaya provides a reference point

The Philippine government is looking to sell its 10% stake in Malampaya, the largest oil and gas producing field in the Philippines. The Malampaya consortium, which includes Shell, has already recovered the \$4.5bn investment since the field became operational in 2001. The field is currently estimated to have 3tcf of gas and 40mboe of recoverable oil reserves. Press speculation suggests that a price of \$300m is being sought. This would suggest a \$3bn price tag for a resource similar to Sampaguita with all the infrastructure in place.

## Financials: Funded but will raise finance for appraisal

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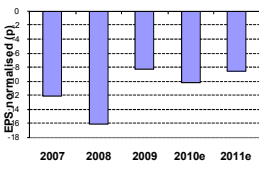
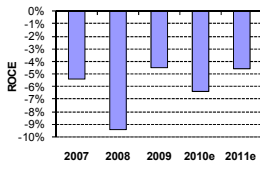
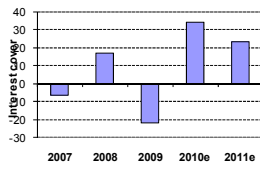
Forum reported its 2009 results on 22 February. The results reflected the start of production in the Galoc field and sale of its non-core coal assets. Led by an increase in production levels and oil prices, revenues rose by 153% to \$1.8m from \$0.7m in 2008. Administrative expenses declined by 41% to \$2.6m causing a significant reduction in net loss to \$2.9m from \$4.4m in 2008. The company ended the year with a cash balance of \$4.1m, of which \$1m was from the sale of its coal assets and \$2.4m from the issue of equity during the year. Forum is faced with a funding gap and will need to raise equity or opt for a farm-in partner to finance its appraisal programme on Sampaguita. We assume that the company raises further equity, which is reflected in both the cash flow statement and the increase in the number of shares outstanding. Our forecast is based on the following assumptions:

- \$2.6m operating expenses in 2010;
- limited revenue from the currently producing Galoc field with contribution from the Libertad field coming in Q310; and
- estimated appraisal cost of \$10m for seismic and \$60m for appraisal wells.

## Exhibit 5: Financials

	\$'000	2005	2006	2007	2008	2009	2010e	2011e	2012e
Period end		Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec
Accounting basis		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>									
<b>Revenue</b>		<b>0</b>	<b>544</b>	<b>876</b>	<b>706</b>	<b>1,786</b>	<b>2,785</b>	<b>2,308</b>	<b>2,265</b>
Cost of Sales		0	(340)	(1,013)	(1,017)	(1,590)	(1,062)	(1,063)	(1,044)
Gross Profit		0	204	(137)	(311)	196	1,723	1,245	1,221
Other Admin expenses		(1,049)	(2,796)	(2,127)	(3,572)	(1,446)	(1,671)	(1,385)	(1,359)
<b>EBITDA</b>		<b>(1,049)</b>	<b>(3,068)</b>	<b>(2,960)</b>	<b>(4,679)</b>	<b>(1,704)</b>	<b>(2,733)</b>	<b>(2,448)</b>	<b>(2,404)</b>
Depreciation		(215)	(129)	(8)	(458)	(796)	(836)	(881)	(947)
<b>Operating Profit (before GW and except.)</b>		<b>(1,264)</b>	<b>(3,197)</b>	<b>(2,968)</b>	<b>(5,137)</b>	<b>(2,500)</b>	<b>(3,569)</b>	<b>(3,328)</b>	<b>(3,351)</b>
Asset Impairments		0	(922)	(84)	0	0	0	0	0
Exceptionals		(51)	(789)	(843)	(334)	(336)	0	0	0
Unwinding of discount		0	(68)	(180)	90	(1,332)	0	0	0
<b>Operating Profit</b>		<b>(1,315)</b>	<b>(4,976)</b>	<b>(4,075)</b>	<b>(5,381)</b>	<b>(4,168)</b>	<b>(3,569)</b>	<b>(3,328)</b>	<b>(3,351)</b>
Net Interest		246	1,064	(472)	306	(115)	104	144	189
<b>Profit Before Tax (norm)</b>		<b>(1,018)</b>	<b>(2,133)</b>	<b>(3,440)</b>	<b>(4,831)</b>	<b>(2,615)</b>	<b>(3,465)</b>	<b>(3,184)</b>	<b>(3,161)</b>
<b>Profit Before Tax (FRS 3)</b>		<b>(1,069)</b>	<b>(3,912)</b>	<b>(4,547)</b>	<b>(5,075)</b>	<b>(4,283)</b>	<b>(3,465)</b>	<b>(3,184)</b>	<b>(3,161)</b>
Tax		0	(7)	(39)	(68)	102	27	35	36
<b>Profit After Tax (norm)</b>		<b>(1,018)</b>	<b>(2,140)</b>	<b>(3,479)</b>	<b>(4,899)</b>	<b>(2,513)</b>	<b>(3,438)</b>	<b>(3,149)</b>	<b>(3,125)</b>
<b>Profit After Tax (FRS 3)</b>		<b>(1,069)</b>	<b>(3,919)</b>	<b>(4,586)</b>	<b>(5,143)</b>	<b>(4,181)</b>	<b>(3,438)</b>	<b>(3,149)</b>	<b>(3,125)</b>
Average Number of Shares Outstanding (m)		19.9	28.2	28.7	30.4	30.4	33.9	36.5	39.7
<b>EPS - normalised (c)</b>		<b>(5.1)</b>	<b>(7.6)</b>	<b>(12.1)</b>	<b>(16.1)</b>	<b>(8.3)</b>	<b>(10.1)</b>	<b>(8.6)</b>	<b>(7.9)</b>
<b>EPS - FRS 3 (c)</b>		<b>(5.4)</b>	<b>(13.9)</b>	<b>(16.0)</b>	<b>(16.9)</b>	<b>(13.8)</b>	<b>(10.1)</b>	<b>(8.6)</b>	<b>(7.9)</b>
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	37.5	(15.6)	(44.1)	11.0	61.9	53.9	53.9
EBITDA Margin (%)		N/A	(564.0)	(337.9)	(662.7)	(95.4)	(98.1)	(106.1)	(106.1)
Operating Margin (before GW and except.) (%)		N/A	(587.7)	(338.8)	(727.6)	(140.0)	(128.1)	(144.2)	(147.9)
<b>BALANCE SHEET</b>									
<b>Fixed Assets</b>		<b>39,575</b>	<b>47,060</b>	<b>46,026</b>	<b>44,398</b>	<b>45,032</b>	<b>54,208</b>	<b>76,701</b>	<b>106,241</b>
Intangible Assets		39,220	43,264	41,900	40,606	40,859	50,675	73,792	103,919
Tangible Assets		355	2,675	4,101	3,784	4,168	3,527	2,905	2,317
Investments		0	1,121	25	8	5	5	5	5
<b>Current Assets</b>		<b>14,511</b>	<b>9,328</b>	<b>7,549</b>	<b>7,082</b>	<b>4,876</b>	<b>6,733</b>	<b>8,398</b>	<b>2,990</b>
Stocks		105	154	117	77	65	52	52	43
Debtors		917	276	364	275	639	916	772	757
Cash		12,635	5,739	2,319	2,574	4,172	5,764	7,574	2,190
Others		854	3,159	4,749	4,156	0	0	0	0
<b>Current Liabilities</b>		<b>460</b>	<b>1,036</b>	<b>283</b>	<b>2,246</b>	<b>810</b>	<b>495</b>	<b>495</b>	<b>486</b>
Creditors		460	1,036	283	2,246	810	495	495	486
Short term borrowings		0	0	0	0	0	0	0	0
<b>Long Term Liabilities</b>		<b>1,238</b>	<b>3,501</b>	<b>4,374</b>	<b>3,841</b>	<b>4,667</b>	<b>4,667</b>	<b>4,667</b>	<b>4,667</b>
Long term borrowings		0	0	0	0	0	0	0	0
Provisions		0	0	4,284	3,739	4,667	4,667	4,667	4,667
Deferred tax liability		0	0	90	102	0	0	0	0
Other payables		1,238	3,501	0	0	0	0	0	0
<b>Net Assets</b>		<b>55,784</b>	<b>60,925</b>	<b>58,232</b>	<b>57,567</b>	<b>55,385</b>	<b>66,102</b>	<b>90,262</b>	<b>114,385</b>
<b>CASH FLOW</b>									
<b>Operating Cash Flow</b>		<b>(1,627)</b>	<b>1,693</b>	<b>(2,135)</b>	<b>(3,837)</b>	<b>(1,361)</b>	<b>(527)</b>	<b>5</b>	<b>(123)</b>
Net Interest		246	328	83	21	2	104	144	189
Others		0	(5,712)	1,893	2,694	813	0	0	0
Tax		0	(7)	0	(2)	0	27	35	36
Capex		(9,033)	(3,934)	(13)	1,153	(274)	(10,012)	(23,374)	(30,487)
Acquisitions/disposals		0	0	0	0	0	0	0	0
Financing		22,823	0	0	488	2,429	12,000	25,000	25,000
Dividends		0	0	0	0	0	0	0	0
Net Cash Flow		12,409	(7,632)	(172)	517	1,609	1,592	1,810	(5,385)
<b>Opening net debt/(cash)</b>		<b>0</b>	<b>(12,635)</b>	<b>(5,739)</b>	<b>(2,319)</b>	<b>(2,574)</b>	<b>(4,172)</b>	<b>(5,764)</b>	<b>(7,574)</b>
HP finance leases initiated		0	0	0	0	0	0	0	0
Exchange rate difference		226	736	24	(262)	(11)	0	0	0
<b>Closing net debt/(cash)</b>		<b>(12,635)</b>	<b>(5,739)</b>	<b>(5,591)</b>	<b>(2,574)</b>	<b>(4,172)</b>	<b>(5,764)</b>	<b>(7,574)</b>	<b>(2,190)</b>

Source: Forum Energy accounts/Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
			Litigation/regulatory	○
			Pensions	●
			Currency	◐
			Stock overhang	○
			Interest rates	●
			Oil/commodity prices	◐

Growth metrics	%	Profitability metrics	%	Balance sheet metrics		Company details	
EPS CAGR 07-11e	N/A	ROCE 10e	N/A	Gearing 10e	N/A	Address:	
EPS CAGR 09-11e	N/A	Avg ROCE 07-11e	N/A	Interest cover 10e	34.2	120-122 Bridge Road, Chertsey, KT16 8LA, United Kingdom	
EBITDA CAGR 07-11e	N/A	ROE 10e	N/A	CA/CL 10e	N/A		
EBITDA CAGR 09-11e	N/A	Gross margin 10e	61.9	Stock turn 10e	6.9	Phone	01932 445 344
Sales CAGR 07-11e	27.4	Operating margin 10e	N/A	Debtor days 10e	120	Fax	01932 445 345
Sales CAGR 09-11e	13.7	Gr mgn / Op mgn 10e	N/A	Creditor days 10e	65	www.forumenergyplc.com	

Principal shareholders		%	Management team
Philex Petroleum Corporation		39	<b>CEO: Dr Walter W. Brown</b>
FEC Resources Inc.		26	Dr Brown brings to Forum vast experience in the Philippines oil & gas industry. He has held key managerial positions in various oil & gas companies such as Palawan Oil & Gas Exploration, Monte Oro Resources and 7 Seas Oil Company, Inc. Before joining Forum, he was chairman and CEO of Philex Petroleum.
Tidemark Holdings Limited		26	
			<b>Chairman: Barry Stansfield</b>
			Mr Stansfield brings on board vast business experience of 30 years in marketing and property investments. Most recently, he was co-owner and managing director of Stansfield Lake, a London-based marketing company, until the company was acquired by Communicator Plc.
Forthcoming announcements/catalysts		Date *	
Interim results		Sept 2010	
<i>Note: * = estimated</i>			

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