



**INTERIM REPORT**

**08**

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# FORUM ENERGY PLC IS A UK-BASED OIL, GAS AND COAL E&P COMPANY WITH A PORTFOLIO OF PROJECTS IN THE PHILIPPINES.

Forum recorded a loss of US\$1,657,000 for the interim period ended 30 June 2008 (US\$1,739,000 for interim period ended 30 June 2007). This was primarily attributed to administrative expenses.

Revenues for the period increased to US\$389,000 (2007: US\$370,000) and were derived from oil production from the offshore North West Palawan interests. An increase in other administrative expenses to US\$1,777,000 (2007: US\$993,000), due primarily to one-off legal, termination and other payments, was offset by lower provisions for share-based payments of US\$32,000 (2007: US\$416,000) and net financial income of US\$297,000 (2007: US\$143,000 net cost).

# HIGHLIGHTS

## OPERATIONAL HIGHLIGHTS

- First Galoc production due 3Q 2008.
- Formalised joint venture with Monte Oro Resources & Energy through a 30% farm-out of GSEC101 crystallising the Filipino Participation Incentive Allowance, influential local involvement and US\$1.7 million in back-costs.
- Agreed final work programme for GSEC101 with the Philippines Department of Energy.
- Finalised sale of COC132, subject to government approvals, and continued optimisation of remainder of portfolio.
- Continued to implement plan to refocus the Company to take full advantage of GSEC101.

## FINANCIAL HIGHLIGHTS

- Revenues of US\$389,000 for the interim period ended 30 June 2008 (US\$370,000 – 30 June 2007).
- Loss of US\$1,657,000 for the interim period ended 30 June 2008 (US\$1,739,000 – 30 June 2007).
- Shareholders' equity of US\$47.3 million as of 30 June 2008 (US\$50.6m – 30 June 2007).
- Working capital of US\$6.2 million as of 30 June 2008 (US\$3.6m – 30 June 2007).
- Exercise in 3Q of 590,000 stock options and issue of 722,412 shares under Forum Long Term Incentive Plan increasing total shares in issue to 30,024,121 following their admission to trading on AIM.

## KEY EVENTS

### Shareholdings

On 2 July 2008, 4,004,000 shares of Forum were acquired by Philex Petroleum Corporation ("PPC") who indirectly controlled 29.5% of the capital of Forum through their 51% shareholding in FEC Resources, Inc.

The acquisition resulted in a mandatory cash offer at 48 pence per share for the remaining issued and outstanding shares and options in Forum. This offer remains open to shareholders until 10 September 2008 and as at 20 August 2008 PPC had acquired an additional 3,333,079 shares bringing their total direct holding to 7,337,079 shares or approximately 25% of the share capital of Forum, and almost 55% of the share capital of Forum including the interest held through FEC.

On 19 August 2008 Wellington Asset Management Limited announced that they had taken a strategic investment in the Company having acquired 4,258,000 shares representing almost 15% of the then issued capital of the Company. Wellington have since increased their holding and as at 1 September held 5,594,579 shares representing over 19% of the issued share capital of Forum.

### Operational GSEC101

On 25 June 2008 Forum entered into an amended Heads of Agreement with Monte Oro Resources & Energy Inc. ("MORE") a Filipino company. Under the terms of the agreement MORE acquired a 30% participating interest in GSEC101 qualifying Forum for the Filipino Participation Incentive Allowance ("FPIA") equating to 7.5% of gross proceeds from future production as well as the injection of US\$1.7 million for past costs.

On 5 August 2008 Forum was notified in writing by the Philippines Department of Energy that the service contract to be entered into under the GSEC101 licence was in its final draft and that planned formal signing of the service contract would take place in the third week of August 2008. On 1 September 2008 the Company announced that it had received no update on the contract conversion and that the contract has not been converted.

The Company continues to try and conclude the contract conversion.

### NW Palawan

The Galoc Field, in which Forum holds a 2.27% carried interest, is due to come on-stream in 3Q 2008 and is forecast to generate net revenues to Forum of approximately US\$7 million over an initial two year period based on current oil prices and production estimates.

### Coal operating contracts

Sale of the Company's Central Cebu Coal Operating Contract for US\$3.5 million continues to await final Government approval. However it is anticipated that Forum will receive necessary approvals by 4Q 2008.

Forum is in discussions with several parties on the sale of the Southern Cebu Coal Operating Contract as part of the refocus to gas and oil exploration and production.

### Basic Energy Corporation

Forum continues to resist Basic's claims to further amounts under the Sale and Purchase Agreement of April 2006, in which Forum acquired Basic's NW Palawan producing assets, on the basis of legal advice provided to the Company. The next step is likely to be arbitration which the Company believes is likely to rule in its favour. Consequently no provision has been made for this claim in these accounts.

4 September 2008

# INDEPENDENT REVIEW REPORT TO FORUM ENERGY PLC

## Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

## Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

## BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors  
London

4 September 2008

# CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD 1 JANUARY 2008 TO 30 JUNE 2008

	Six months ended 30 June 08 US\$000 Unaudited	Six months ended 30 June 07 US\$000 Unaudited	Year ended 31 December 07 US\$000 Audited
<b>Continuing operations</b>			
<b>Revenues</b>	<b>389</b>	370	876
Cost of sales	(524)	(527)	(1,013)
<b>Gross loss</b>	<b>(135)</b>	(157)	(137)
Other administrative expenses	(1,777)	(993)	(2,135)
Permanent impairment of deferred charges and abortive project costs	–	–	(84)
Share-based payments	(32)	(416)	(843)
<b>Total administrative expenses</b>	<b>(1,809)</b>	(1,409)	(3,062)
<b>Loss from operations</b>	<b>(1,944)</b>	(1,566)	(3,199)
Financial income	307	81	137
Financial expense	(10)	(182)	(609)
Share of operating loss of associates net of taxation	–	(42)	–
<b>Loss on ordinary activities before taxation</b>	<b>(1,647)</b>	(1,709)	(3,671)
Taxation	(10)	(30)	(39)
<b>Loss from continued operations</b>	<b>(1,657)</b>	(1,739)	(3,710)
<b>Discontinued operations</b>			
Loss from discontinued operations	(–)	(–)	(180)
<b>Loss for the period</b>	<b>(1,657)</b>	(1,739)	(3,890)
<b>Attributable to:</b>			
Equity holders of the parent	(1,744)	(1,607)	(3,503)
Minority interest	87	(132)	(387)
	(1,657)	(1,739)	(3,890)
<b>Loss per ordinary share (US\$)</b>			
Basic and diluted	(0.060)	(0.056)	(0.122)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1 JANUARY 2008 TO 30 JUNE 2008

	Called up share capital US\$'000	Share premium account US\$'000	Share option and EBT reserve US\$'000	Retained losses US\$'000	Total attributable to equity holders of parent US\$'000	Minority interest US\$'000	Total US\$'000
<b>Balance as at 1 January 2007</b>	<b>5,182</b>	<b>48,597</b>	<b>824</b>	<b>(4,624)</b>	<b>49,979</b>	<b>1,872</b>	<b>51,851</b>
Loss for the period	-	-	-	(1,607)	(1,607)	(132)	(1,739)
Total recognised income and expense for the period	-	-	-	(1,607)	(1,607)	(132)	(1,739)
Share-based payments	-	-	416	-	416	-	416
Issue of shares	15	99	-	-	114	-	114
<b>Balance as at 30 June 2007</b>	<b>5,197</b>	<b>48,696</b>	<b>1,240</b>	<b>(6,231)</b>	<b>48,902</b>	<b>1,740</b>	<b>50,642</b>
Loss for the period	-	-	-	(1,896)	(1,896)	(255)	(2,151)
Total recognised income and expense for the period	-	-	-	(1,896)	(1,896)	(255)	(2,151)
Share-based payments	-	-	427	-	427	-	427
<b>Balance as at 31 December 2007</b>	<b>5,197</b>	<b>48,696</b>	<b>1,667</b>	<b>(8,127)</b>	<b>47,433</b>	<b>1,485</b>	<b>48,918</b>
Loss for the period	-	-	-	(1,744)	(1,744)	87	(1,657)
Total recognised income and expense for the period	-	-	-	(1,744)	(1,744)	87	(1,657)
Share-based payments	-	-	32	-	32	-	32
<b>Balance as at 30 June 2008</b>	<b>5,197</b>	<b>48,696</b>	<b>1,699</b>	<b>(9,871)</b>	<b>45,721</b>	<b>1,572</b>	<b>47,293</b>

# CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	Six months ended 30 June 08 US\$000 Unaudited	Six months ended 30 June 07 US\$000 Unaudited	Year ended 31 December 07 US\$000 Audited
<b>Non-current assets</b>			
Intangible assets	40,292	43,845	41,900
Property, plant and equipment	3,865	2,322	4,101
Financial assets	15	25	25
Investments in associated companies	–	1,039	–
Advances to associated companies	–	3,512	–
<b>Total non-current assets</b>	<b>44,172</b>	<b>50,743</b>	<b>46,026</b>
<b>Current assets</b>			
Inventories	68	71	117
Trade and other receivables	285	315	364
Advances to associated companies	3,882	–	3,848
Cash and cash equivalents	2,619	3,740	2,319
<b>Total current assets</b>	<b>6,854</b>	<b>4,126</b>	<b>6,648</b>
<b>Non-current assets held for sale</b>	<b>901</b>	<b>–</b>	<b>901</b>
<b>Total assets</b>	<b>51,927</b>	<b>54,869</b>	<b>53,575</b>
<b>Liabilities:</b>			
<b>Current liabilities</b>			
Trade and other payables	642	515	283
<b>Non-current liabilities</b>			
Other payables	3,992	3,712	4,374
<b>Total liabilities</b>	<b>(4,634)</b>	<b>(4,227)</b>	<b>(4,657)</b>
<b>Total net assets</b>	<b>47,293</b>	<b>50,642</b>	<b>48,918</b>
Capital and reserves attributable to equity holders of the Company			
Called up share capital	5,197	5,197	5,197
Share premium account	48,696	48,696	48,696
Share option and EBT reserve	1,699	1,240	1,667
Retained losses	(9,871)	(6,231)	(8,127)
	45,721	48,902	47,433
Minority interest	1,572	1,740	1,485
<b>Total equity</b>	<b>47,293</b>	<b>50,642</b>	<b>48,918</b>

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD 1 JANUARY 2008 TO 30 JUNE 2008

	Six months ended 30 June 08 US\$000 Unaudited	Six months ended 30 June 07 US\$000 Unaudited	Year ended 31 December 07 US\$000 Audited
<b>Operating activities</b>			
<b>Loss before taxation</b>	<b>(1,647)</b>	(1,709)	(3,671)
<b>Adjustments for:</b>			
Depreciation	246	364	645
Impairment	-	-	84
Loss on sale of property, plant and equipment	-	-	2
Share-based payments	32	416	843
Exchange (gain)/loss	(289)	182	609
Loss on financial assets	10	-	15
Interest expense	-	1	-
Interest income	(19)	(81)	(137)
Share of operating loss of associate	-	42	-
	<b>(20)</b>	924	2,061
<b>Operating loss before changes in working capital</b>	<b>(1,667)</b>	(785)	(1,610)
Decrease/(Increase) in trade and other receivables	79	(39)	(88)
Decrease in inventories	49	83	37
Increase/(Decrease) in trade and other payables	303	(521)	(617)
	<b>431</b>	(477)	(668)
<b>Cash outflows from operating activities</b>	<b>(1,236)</b>	(1,262)	(2,278)
Taxes paid	-	(30)	(37)
<b>Net cashflow from operating activities</b>	<b>(1,236)</b>	(1,292)	(2,315)
<b>Investing activities</b>			
Interest income	19	81	137
Purchase of property, plant and equipment	(9)	(11)	(109)
Sale of property, plant and equipment	-	-	45
Purchase of intangible assets	(92)	(467)	(489)
Sale of intangible assets	1,700	-	-
Advances to associated companies	(34)	(353)	(689)
<b>Cash flows from investing activities</b>	<b>1,584</b>	(750)	(1,105)

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months ended 30 June 08 US\$000 Unaudited	Six months ended 30 June 07 US\$000 Unaudited	Year ended 31 December 07 US\$000 Audited
<b>Financing activities</b>			
Interest expense	–	(1)	–
<b>Cash flows from financing activities</b>	–	(1)	–
<b>Increase/(Decrease) in cash</b>	<b>348</b>	<b>(2,043)</b>	<b>(3,420)</b>
Cash and cash equivalents at beginning of the period	<b>2,319</b>	5,739	5,739
Foreign exchange movements	<b>(48)</b>	44	–
<b>Cash and cash equivalents at end of the period</b>	<b>2,619</b>	3,740	2,319

# UNAUDITED NOTES FORMING PART OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY 2008 TO 30 JUNE 2008

## 1. Accounting policies

### Basis of preparation

The condensed interim financial statements has been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) and with the Companies Act 1985 applicable to companies preparing their accounts under IFRS adopted by the EU. The condensed interim financial information has been prepared using the accounting policies as applied in the Group's statutory financial statements for the year ended 31 December 2007.

## 2. Financial reporting period

The condensed interim financial information for the period 1 January 2008 to 30 June 2008 is unaudited. In the opinion of the Directors the condensed interim financial information for the period presents fairly the financial position, and results from operations and cash flows for the period are in conformity with generally accepted accounting principles consistently applied. The accounts incorporate comparative figures for the interim period 1 January 2007 to 30 June 2007 and the audited financial year to 31 December 2007.

The financial information contained in this interim report does not constitute statutory accounts as defined by section 240 of the Companies Act 1985.

The comparatives for the full year ended 31 December 2007 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2)-(3) of the Companies Act 1985.

## 3. Loss per share

The calculation of basic and diluted loss per share has been based on the loss for the period of US\$1,744,000 (2007: US\$1,607,000) and the weighted average number of shares being 28,711,709 ordinary shares issued for the period ended 30 June 2008 (2007: 28,695,549).

## 4. Functional currency

All accounts have been prepared in US dollars, this being the Group presentational currency.

## 5. Additional information

Further copies of the Interim Statement are available from the Company Secretary, Forum Energy plc, 120 Bridge Road, Chertsey, Surrey KT16 8LA, United Kingdom, Tel: +44 (0)1932 445 344, Fax: +44 (0)1932 445 345, [info@forumenergyplc.com](mailto:info@forumenergyplc.com) or downloaded from the website: [www.forumenergyplc.com](http://www.forumenergyplc.com).

# SHAREHOLDER INFORMATION

## Directors

Alan Henderson  
(Chairman and  
Chief Executive Officer)  
Andrew Mullins  
(Executive Director)  
Barry Stansfield  
(Non-Executive Director)

## Company Secretary

Andrew Mullins

## Registered office

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## Principal place of business

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## Company number

05411224  
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## Independent auditors

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## NOTES



