

21 February 2012

FORUM ENERGY PLC

("Forum Energy" or the "Company")

Audited results for the year ended 31 December 2011

Forum Energy, the UK incorporated oil and gas exploration and production company with a focus on the Philippines, today announces its audited results for the year ended 31 December 2011.

OPERATIONAL HIGHLIGHTS

- First sub-phase 2D and 3D seismic surveys work programme completed during 2011, results expected by mid 2012
- Continued discussions with potential farm-in partners on the development of SC72
- Planning of second sub-phase of the SC72 licence underway with drilling to commence before June 2013
- Libertad Gas Field power generation commenced in February 2012 and planning for drilling of onshore wells in 2013 at the Service Contract 40 licence area
- Net Galoc production of 56,000 barrels 2011 with net production of 36,000 barrels expected in 2012

FINANCIAL AND CORPORATE HIGHLIGHTS

- Revenues of US\$12.7 million in 2011 (2010: US\$6.1 million)
- Gross Profit of US\$5.8 million in 2011 (2010: US\$2.1 million)
- Fixed overhead costs reduced further to US\$2.0 million in 2011 (2010: US\$2.4 million)
- Net Profit of US\$3.4 million (2010: loss US\$0.6 million)
- Drawdown of US\$6 million facility during 2011 of US\$10 million 3 year facility agreement with Philex
- Total equity of US\$47 million as of 31 December 2011 (2010: US\$44 million)

Robin Nicholson, Executive Chairman, commented:

"The successful implementation of the first sub-phase work programme over our key asset, SC 72, located offshore West Palawan marked a significant step forward for Forum. With the results of last year's seismic shoot carried out in 2011 expected in mid 2012, our plans are now under way for further appraisal and development through the drilling of the first wells in the area since the 1980's - as we move through and beyond the second sub phase of the SC72 contract and the development of this key asset.

I am confident that Forum is well positioned to take full advantage of SC72 with the financial backing from Philex Petroleum Corporation and its major shareholders, Philex Mining Corporation and the First Pacific Group in Hong Kong.

We are extremely excited to be moving forward with the appraisal and development of the SC72 licence and to reporting the results of our seismic over SC72 and our precise plans for the drilling of the second sub-phase wells, which we expect will be executed before June 2013. In addition, support from the Philippine government is encouraging and as we proceed we are well positioned to pursue our goal of establishing the commerciality of the hydrocarbons within SC72."

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OVERVIEW

Forum's principal asset is a 70% interest in Service Contract 72 "SC72" an 8,800-square kilometre ("Km²") offshore petroleum licence situated west of Palawan Island in the West Philippine Sea. In 2006, results from a 248 Km² 3D seismic survey over the licence area indicated a mean volume of 3.4TCF gas-in-place ("GIP") with significant upside potential. It is a primary objective of the company to establish the commerciality of the hydrocarbons within SC72.

During 2008 Philex Mining Corporation ("Philex") a company listed on the Philippine Stock Exchange, acquired an effective 61.44% controlling stake (held directly and indirectly) in the Company. An additional fundraising in November 2009 of £1.5 million increased Philex's stake (held directly and indirectly) to 62.59%.

In September 2011, the Philex subsidiary which held these investments, Philex Petroleum Corporation, was listed on the Philippine Stock Exchange. Philex Petroleum Corporation now directly and indirectly controls 64.45% of the Ordinary Share capital of the Company.

In 2010, the Company entered into a US\$10 million facility agreement with Philex. The facility is available for a three year period at an interest rate of US LIBOR + 4.5% and enabled the Company to fund its 70% share of the first sub-phase work programme over SC72. As at 31 December 2011 the Company had utilised US\$6 million of this facility with US\$4 million still available for draw down.

In March 2011, a total of 565 Km² of 3D seismic data was acquired over the Sampaguita Gas Field and 2,202 Line-Km of 2D seismic data was acquired to further define additional leads identified within the SC72 acreage and to possibly upgrade existing leads to prospects. This work, which satisfied Forum's obligations with the Philippine Department of Energy under the first sub-phase of the SC72 contract, was primarily designed to provide a more comprehensive evaluation of the SC72 property and to identify potential sites for appraisal wells.

The Company commenced processing and interpretation of the acquired data in 2011 and the results of this are expected to be available by mid 2012.

The Company is in the process of planning the execution of the second sub-phase work programme which is expected to involve the drilling of up to two wells before June 2013.

In addition to moving ahead with the approved work programme, the Company continues to have discussions with potential strategic partners for the purpose of accelerating the development of SC72.

The Company's shares are traded on AIM under the symbol FEP.

ASSET SUMMARY

SC72

In February 2010, the GSEC101 exploration licence was converted into Service Contract 72. The area of the block was reduced from 10,360 Km² to 8,800 Km² as part of this conversion.

The block contains the Sampaguita Gas Discovery with expected mean GIP of 3.4 TCF and a number of additional leads. In 2008, a Joint Venture was formed with Monte Oro Resources and Energy, Inc. ("MORE") which qualified the JV for the Filipino Participation Incentive Allowance "FPIA". Through a 30% farm-out to MORE, the JV will receive 7.5% of any gross revenues, prior to sharing revenues with the government. In the first quarter of 2011, the Company completed 565 Km² of 3D seismic acquisition over the Sampaguita Gas Field and 2,202 Line-Km of 2D seismic data was also acquired over the block in order to further define additional leads.

The Company is currently planning the execution of the second sub-phase work programme at SC72 which is expected to involve the drilling of up to two wells before June 2013.

The Company is also continuing to discuss potential partnerships with regards to SC72 to assist and augment in the successful acceleration of the development of the project.

NW PALAWAN

Forum's main interest in this area is a 2.27% interest in the producing Galoc Field. Galoc produced a total of 2.4 million barrels in 2011 with an estimated total of 1.61 million barrels expected to be produced in 2012. Forum received net revenues after deduction of share of operating costs of US\$10.1 million in 2011 (2010: US\$4.1 million). The projected fall in production for 2012 reflects the fact that the operations will be closed for the period December 2011 to March 2012 whilst new lifting equipment is installed which is expected to extend production.

Forum also has nominal production from the SC6/14 Nido/Matinloc fields also contained within this block.

SC40

The SC40 block in which Forum has a 66.67% interest contains numerous onshore prospects and leads with offshore potential. In addition, the Libertad Gas Field contained within the block is now currently being developed with DESCO and, whilst not material to the group's revenues, first production commenced in February 2012. Further ventures to produce across this significant acreage are underway and the Company is planning to drill onshore wells in 2013. The Company also continues to explore the possibility of co-operation with other companies in this area.

The Company's Hycalog drilling rig is located in the Central Maya Bulge "CMB" area located in the Northern area onshore SC40 and can be transported via land and utilised for further drilling activities contingent on the results of the Company's on-going exploration programme.

EXECUTIVE CHAIRMAN'S STATEMENT

Dear Shareholder,

The successful implementation of the first sub-phase work programme over our key asset, SC72, located offshore West Palawan marked a significant step forward for Forum. The results of last year's seismic shoot carried out are expected in mid 2012 and our plans are now under way for further appraisal and development through the drilling of the first wells in the area since the 1980's - as we move through and beyond the second sub phase of the SC72 contract and the development of this key asset.

I am confident that Forum is well positioned to take full advantage of SC72 with the financial backing from Philex Petroleum Corporation and its major shareholders, Philex Mining Corporation and the First Pacific Group in Hong Kong.

SC72 (70% interest)

The SC72 licence covers an area of 8,800 Km² and contains the Sampaguita Gas Discovery with expected mean gas-in-place ("GIP") of 3.4 TCF and a number of additional leads. The results of the seismic interpretation are expected to be available in mid 2012 and this work is expected to define up to two drilling locations which we expect to be implemented as part of the Company's second sub-phase work programme to be initiated by mid 2013. It remains our goal to establish the commerciality of the hydrocarbons within SC72.

A total of 565 Km² of 3D seismic data was acquired over the Sampaguita Gas Field and 2,202 Line-Km of 2D seismic data was also acquired over the block in early 2011, exceeding the government of the Philippines minimum contractual requirements under the first sub-phase of the contract.

The Company is also continuing to assess potential partnerships in SC72, although there are no proposals currently in place.

Galoc (2.27% interest)

Production from the Galoc development reached 2.4 million barrels gross in 2011 (56,000 barrels net to the Company) and is expected to produce 1.61 million barrels in 2012 (36,000 barrels net to the Company). The Company has a 2.27% interest in the field and received US\$10.1 million (US\$4.1 million in 2010) after deduction of share of operating costs from crude sales from the field in 2011. A second phase of development is expected to commence in 2012.

SC40 (66.67% interest)

The Gas Sale and Purchase Agreement with Desco was approved by the Department of Energy in July 2009 and production from the Libertad field has commenced, the Philippine Energy Regulation Commission (ERC) granted a certificate of compliance (COC) to Desco allowing operation of the 1MW facility and enabling Desco to sell the generated power to the local grid through Cebu II Electric Cooperative ("Cebeco")

On 30 January 2009, Forum entered into a Gas Sale and Purchase Agreement (“GSPA”) agreement with Desco, Inc. to develop the Libertad Gas Field. Under the agreement Desco will install up to 3MW of power generating units at the site in Northern Cebu using gas turbines. Currently, a GE Jenbacher Turbine rated at 1mw has been installed.

The gas will be sold to Desco at an agreed rate of US\$1.50 per million BTU (British Thermal Units) for the first 0.70 billion cubic feet of gas (BCF) extracted and utilized, and US\$1.60 per million BTU for any gas produced beyond 0.70 BCF. Desco will sell the electricity produced to Cebeco under a power supply agreement.

On 6 February 2012, commercial production at the Libertad Field commenced, although these revenues are not material to the group’s cash flow this represents key progress at SC40.

In addition, further ventures to produce across the significant SC40 acreage are underway with drilling on the block planned for 2013. The Company’s Hycalog drilling rig is also located in the North Cebu area and may be utilised for further drilling activities contingent on the results of the Company’s on-going exploration programme.

Financial Results and Key Financial Indicators

The Group recorded a gross profit of US\$5.8 million for the 12 months ended 31 December 2011 compared to US\$2.1 million profit for the previous year. Our revenues increased by 110% to US\$12.7 million due to full production at Galoc and a 18.7% increase in oil prices. G&A costs continued to reduce by 17% year-on-year to US\$2 million.

The Group recorded a net profit after tax of US\$3.4 million, compared to a net loss after tax of US\$0.6 million in 2010.

This generated earnings per share of US\$0.104 (2010: loss per share US\$0.013).

Cash Flow

The Company’s working capital decreased from US\$11.7 million to US\$4.7 million, including the US\$4 million available of the facility agreement with Philex and taking into account US\$3.3 million of liabilities at year end due to Basic Energy (Note 8). Cash and cash equivalents at the end of the period stood at US\$2.8 million.

During the year payments totalling US\$4.9 million (2010 – US\$1.8 million) were made to Basic Energy under the 2005 purchase agreement of the Company’s existing N.W.Palawn assets which include Galoc. It is expected that final liabilities to Basic totalling US\$3.3 million at year end will be settled within 2012.

Outlook for 2012

We are extremely excited to be moving forward with the appraisal and development of the SC72 licence and to reporting the results of our seismic over SC72 and our precise plans for the drilling of the second sub-phase wells, which we expect will be executed before June 2013. In addition, support from the Philippine government is encouraging and as we proceed we are well positioned to pursue our goal of establishing the commerciality of the hydrocarbons within SC72.”

We take this opportunity to thank our shareholders, our staff and the Board of Directors, employees and consultants for their valuable assistance in our endeavours to add value to your investment in the Company.

Yours sincerely,

Robert C. Nicholson

Executive Chairman

21 February 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Year ended 31 December 2011 US\$'000	Year ended 31 December 2010 US\$'000
Revenue	12,734	6,068
Cost of sales	(6,913)	(4,009)
Gross profit	5,821	2,059
Administrative expenses	(1,987)	(2,397)
Profit/(loss) from operations	3,834	(338)
Finance income	7	15
Finance expenses	(421)	(235)
Profit/(loss) before tax	3,420	(558)
Taxation	–	–
Profit/(loss) for the year	3,420	(558)
Total comprehensive profit/(loss) for the year	3,420	(558)
Profit/(loss) and total comprehensive profit/(loss) attributable to:		
Owners of the Parent	3,457	(438)
Non-controlling interest	(37)	(120)
	3,420	(558)
	US Cents	US Cents
Earnings/(loss) per Ordinary Share (US cents) attributable to equity holders of the Parent		
Basic and diluted	10.4	(1.3)

All of the results of the Group during the year relate to continuing activities.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

Group	Share capital US\$'000	Share premium US\$'000	Share option reserve US\$'000	Retained deficit US\$'000	Total US\$'000	Non- controlling interest US\$'000	Total capital and reserves US\$'000
Balance as at 1 January 2010	5,941	50,869	493	(14,326)	42,977	1,454	44,431
Total comprehensive loss for the year	–	–	–	(438)	(438)	(120)	(558)
Transfer to retained deficit	–	–	(55)	55	–	–	–
Issue of shares (net of issue costs)	41	95	–	–	136	–	136
Balance as at 31 December 2010	5,982	50,964	438	(14,709)	42,675	1,334	44,009

Total comprehensive income for the year	-	-	-	3,457	3,457	(37)	3,420
Balance as at 31 December 2011	5,982	50,964	438	(11,252)	46,132	1,297	47,429

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2011

	2011 US\$'000	2010 US\$'000
Assets:		
Non-current assets		
Property, plant and equipment	5,888	3,673
Intangible assets	50,730	42,630
Investments	24	18
Total non-current assets	56,642	46,321
Current assets		
Inventories	57	419
Trade and other receivables	1,862	1,151
Cash and cash equivalents	2,761	2,464
Total current assets	4,680	4,034
Total assets	61,322	50,355
Liabilities:		
Non-current liabilities		
Loans	6,000	-
Other liabilities and provisions	3,929	3,994
Total non-current liabilities	9,929	3,994
Current liabilities		
Trade payable and other payables	3,964	2,352
Total current liabilities	3,964	2,352
Total liabilities	13,893	6,346
Total net assets	47,429	44,009
Capital and reserves attributable to equity holders of the Company		
Share capital	5,982	5,982
Share premium	50,964	50,964
Share option reserve	438	438
Retained deficit	(11,252)	(14,709)
	46,132	42,675
Non-controlling interest	1,297	1,334

Total equity	47,429	44,009
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The financial statements were approved and authorised for issue by the Board on 21 February 2012.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	Year ended 31 December 2011 US\$'000	Year ended 31 December 2010 US\$'000
Cash flows from operating activities		
Profit/(loss) before tax for the year	3,420	(558)
Adjustments for:		
Depreciation	4,718	2,454
Gain on financial assets	(6)	(13)
Finance income	(1)	(2)
Foreign exchange losses	160	35
Interest paid on loan facility	261	-
	8,552	1,916
Increase in trade and other receivables	(711)	(512)
Decrease/(increase) in inventories	362	(354)
Increase in trade and other payables	1,547	843
Increase in provisions and employee benefits	-	26
Net cash flows from operating activities	9,750	1,919
Investing activities:		
Purchase of property, plant and equipment	(6,934)	(2,001)
Disposal of property, plant and equipment	1	42
Purchase of intangible assets	(8,100)	(1,771)
Finance income	1	2
Finance expense	(261)	-
Net cash from investing activities	(15,293)	(3,728)
Financing activities:		
Issue of ordinary share capital (net of issue costs)	-	136
Loan facility drawn down	6,000	-
Net cash from financing activities	6,000	136
Net increase/(decrease) in cash and cash equivalents	457	(1,673)
Cash and cash equivalents at beginning of the year	2,464	4,172
Exchange losses on cash and cash equivalents	(160)	(35)
Cash and cash equivalents at end of the year	2,761	2,464

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

Basis of preparation

The accounting policies have been consistently applied to all the years presented, unless otherwise stated. The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards IFRSs and IFRIC interpretations, issued by the International Accounting Standards Board (IASB) as endorsed for use in the EU ("IFRSs") and those parts of the Companies Act 2006 that are applicable to companies that prepare their financial statements under IFRS.

The financial information for the years ended 31 December 2011 and 31 December 2010 does not constitute statutory accounts as defined by section 435 of the Companies Act 2006 but is extracted from the audited accounts for those years. The 31 December 2010 accounts have been delivered to the Registrar of Companies. The 31 December 2011 accounts will be delivered to Companies House within the statutory filing deadline. The auditors have reported on those accounts; their report was unqualified and did not contain statements under Section 498 (2) - (3) of the Companies Act 2006.

Going concern

On 15 February 2010, the Company was awarded the Service Contract over the SC72 licence area. The first sub phase Work Programme was completed in March 2011. The second sub phase Work Programme requires a minimum spend commitment of US\$6 million by 30 June 2013.

There is also \$3.3 million of additional consideration payable to Basic Petroleum the Galoc oil field, after paying US\$6.7 million.

The Group expects to be able to meet the requirements of these commitments through the remaining US\$4 million facility agreement entered into between the Group and Philex Mining Corporation, the 30% farm-out to Monte Oro Resources and from revenues generated from the Galoc oil field.

On this basis and after making enquiries, the Directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2 SEGMENT ANALYSIS

The Group has three reportable segments:

- Producing assets
- Exploration assets
- Head office costs

The operating results of each of these segments are regularly reviewed by the board of Directors in order to make decisions about the allocation of resources and assess their performance:

The segmental results for the year ended 31 December 2011 are as follows:

	Producing Assets US\$'000	Exploration Assets US\$'000	Head Office Costs US\$'000	Total US\$'000
Revenue	12,734	-	-	12,734
Cost of sales	(6,913)	-	-	(6,913)
Gross profit	5,821	-	-	5,821
Administrative expenses	(135)	-	(1,852)	(1,987)
Profit/(loss) from operations	5,686	-	(1,852)	3,834

Finance income	-	-	7	7
Finance expenses	-	(261)	(160)	(421)
Profit for the year	5,686	(261)	(2,005)	3,420

The segmental results for the year ended 31 December 2010 are as follows:

	Producing Assets US\$'000	Exploration Assets US\$'000	Head Office Costs US\$'000	Total US\$'000
Revenue	6,068	-	-	6,068
Cost of sales	(4,009)	-	-	(4,009)
Gross profit	2,059	-	-	2,059
Administrative expenses	(120)	-	(2,277)	(2,397)
Profit/(loss) from operations	1,939	-	(2,277)	(338)
Finance income	-	-	15	15
Finance expenses	-	-	(235)	(235)
Profit for the year	1,939	-	(2,497)	(558)

The segmented assets and liabilities at 31 December 2011 are as follows:

	Producing Assets US\$'000	Exploration Assets US\$'000	Head Office Costs US\$'000	Total US\$'000
Total non-current assets	5,811	50,730	101	56,642
Total current assets	3,173	418	1,089	4,680
Total assets	8,984	51,148	1,190	61,322
Total non-current liabilities	(15)	(9,914)	-	(9,929)
Total current liabilities	(3,685)	(213)	(66)	(3,964)
Total liabilities	(3,700)	(10,127)	(66)	(13,893)
Net assets	5,284	41,021	1,124	47,429

The segmented assets and liabilities at 31 December 2010 are as follows:

	Producing Assets US\$'000	Exploration Assets US\$'000	Head Office Costs US\$'000	Total US\$'000
Total non-current assets	3,580	42,630	111	46,321
Total current assets	2,253	508	1,273	4,034
Total assets	5,833	43,138	1,384	50,355
Total non-current liabilities	(79)	(3,915)	-	(3,994)
Total current liabilities	(1,861)	(275)	(216)	(2,352)
Total liabilities	(1,940)	(4,190)	(216)	(6,346)
Net assets	3,893	38,948	1,168	44,009

Other segmented items 31 December 2011 are as follows:

	Producing Assets US\$'000	Exploration Assets US\$'000	Head Office Costs US\$'000	Total US\$'000
Capital expenditure	6,923	8,100	11	15,034
Depreciation	4,692	-	26	4,718

Other segmented items 31 December 2010 are as follows:

	Producing Assets US\$'000	Exploration Assets US\$'000	Head Office Costs US\$'000	Total US\$'000
Capital expenditure	1,896	1,771	105	3,772
Depreciation	2,415	-	39	2,454

Revenue

All of the 2011 revenues (2010 – 100%) were generated from Philippine based assets the Galoc, Nido & Matinloc fields.

3 EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per Ordinary Share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue for the period is 33,364,533 (2010: 33,256,478).

Profits for the Group attributable to the equity holders of the Company for the year are US\$3,457,000 (2010: Loss - US\$438,000).

The effect of the share options in issue under the Share Option Plan is anti-dilutive.

4 PROPERTY, PLANT AND EQUIPMENT

	Oil and gas costs US\$'000	Transport and motor equipment US\$'000	Furniture, fixtures and fittings US\$'000	Tools and other equipment US\$'000	Group Total US\$'000
Cost					
At 1 January 2011	7,907	98	206	116	8,327
Additions	6,923	2	9	-	6,934
Disposals	-	(11)	-	-	(11)
At 31 December 2011	14,830	89	215	116	15,250
Depreciation					
At 1 January 2011	4,327	20	191	116	4,654
Charge for the year	4,692	19	7	-	4,718
Disposals	-	(10)	-	-	(10)
At 31 December 2011	9,019	29	198	116	9,362
Cost					
At 1 January 2010	6,011	74	196	116	6,397
Additions	1,896	95	10	-	2,001
Disposals	-	(71)	-	-	(71)
At 31 December 2010	7,907	98	206	116	8,327
Depreciation					
At 1 January 2010	1,912	28	177	112	2,229
Charge for the year	2,415	21	14	4	2,454
Disposals	-	(29)	-	-	(29)
At 31 December 2010	4,327	20	191	116	4,654
Net book value					
At 31 December 2011	5,811	60	17	-	5,888

At 31 December 2010	3,580	78	15	–	3,673
At 31 December 2009	4,099	46	19	4	4,168

5 INTANGIBLE ASSETS

Group	Unevaluated oil, gas and mining costs	Unevaluated oil, gas and mining costs
	US\$'000 2011	US\$'000 2010
Cost and Net book value		
At 1 January	42,630	40,859
Additions	8,100	1,771
At 31 December	50,730	42,630

The unevaluated oil, gas and mining costs relate to the acquisition of the Group's assets in the Philippines.

The net book value of assets included within intangible fixed assets are as follows:

- SC40 – US\$29,024,000 (2010: US\$28,689,000)
- SC72 – US\$21,474,000 (2010: US\$13,720,000)
- Others – US\$232,000 (2010: US\$221,000).

The Group have considered the intangible assets for indications of impairment and have concluded that the recoverable amount of assets is considered higher than the current book values therefore, an impairment provision is not required

6 COMMITMENTS

At 31 December 2011, the Group had commitments totalling US\$6 million in operational and exploration expenditure, for the second sub-phase programme over Service Contract SC72 ("SC72") (31 December 2010: US\$3 million).

7 RELATED PARTY TRANSACTIONS

During the year the following related party transactions occurred within the Group:

Philex Mining Corporation is the majority shareholder and ultimate controlling party of the Group.

Forum Philippines Holdings Ltd, a wholly-owned subsidiary of the Group, entered into a US\$10 million Facility Agreement ("the Facility") with Philex Mining Corporation on 24 November 2010.

The Facility will be available for a three year period from the 24 November 2010 and funds can be borrowed at an interest rate of US LIBOR + 4.5%. During 2011 US\$6 million was drawdown to enable the Group to fund its 70% share of a first sub-phase work programme over Service Contract 72 ("SC72") which has now been completed. Obligations arising from funds drawn under this Facility are not convertible into the Company's or Forum Philippines' Ordinary Shares.

Amounts due to Philex Mining Corporation in respect of this facility agreement as at 31 December 2011 amounted to US\$6,000,000 (2010: US\$Nil). Arrangement fees paid to Philex Mining Corporation during the year for the facility were US\$Nil (2010: US\$200,000). Interest charged for use of the facility during the year was US\$261,952 (2010: US\$Nil).

8 CONTINGENT LIABILITIES

Further to the announcement of 10 May 2011, the Company remains in an arbitration process with Basic Energy Corporation ("BEC") in relation to certain assets acquired from BEC.

Although the Company had signed a conditional settlement agreement with BEC which would have concluded the arbitration process this settlement agreement was not completed because certain third party consents could not be obtained.

Out of the US\$12 million of potential additional consideration, the Directors have assessed that US\$10 million would be payable (approximately US\$9 million net of the US\$650,000 payment made, as announced on 10 May 2011).

However, of this total US\$10 million, US\$6.7 million has been paid up to the end of 2011, and the balance of US\$3.3 million is accrued within current liabilities (2010: US\$1.2 million).

The Directors consider that a potential additional liability of US\$2 million is dependent upon net future field production levels from the acquired assets and will not become payable due to the current and forecast levels of production of these assets.

- END