

22 February 2010

FORUM ENERGY plc

(“Forum Energy” or the “Company”)

Audited results for the year ended 31 December 2009

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 2009.

OPERATIONAL HIGHLIGHTS

- Company-changing development via award of Service Contract 72 (SC 72) over the GSEC101 licence area on 15 February 2010;
- Galoc production of 2.5 million barrels gross in 2009; expected to stabilise at 2.3 million barrels gross in 2010; Forum Energy has a 2.27% interest in the field;
- Completion of rationalization of non-core coal assets through sale of Forum Cebu Coal Corporation for US\$1 million in cash;
- Department of Energy approval of Gas Sale and Purchase Agreement (GSPA) on the development of the Libertad Gas Field in Cebu; and
- Continued programme to review multiple domestic and international opportunities.

FINANCIAL AND CORPORATE HIGHLIGHTS

- Net cash and cash equivalents of US\$4.1million as at 31 December 2009 (2008: US\$2.6 million);
- Shareholders' equity of US\$44 million as of 31 December 2009 (2008: US\$45 million);
- Revenues of US\$1.8 million in 2009 (2008: US\$0.7 million); and
- Fixed overhead costs reduced by 41% in 2009 compared to 2008.

Water Brown, Chief Executive Officer, commented:

“Forum Energy is extremely well placed to take the fullest advantage of its SC72 asset. Forum now has the ability to move forward with the development of the potentially world class gas discovery at SC72 and to move into the appraisal process. We believe that this will create material value for our shareholders and we look forward to releasing more specific details shortly.”

The technical information in this announcement has been reviewed and approved by Count Geophysics Limited and Oilfield Production Consultants (OPC) Limited, both independent consultancies which performed the interpretation of the Company's 3D and 2D seismic programmes.

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Overview

The Company's principal asset is a 70% interest in Service Contract 72 (SC72), formerly GSEC101, an 8,800-square kilometre offshore petroleum licence situated west of Palawan Island in the South China Sea.

In 2006, results from a 248-square kilometre 3D seismic survey over the licence area indicated mean 3.4 Trillion Cubic Feet (TCF) gas-in-place (GIP) with significant upside potential.

During 2008, Philex Mining Corporation, a company listed on the Philippine Stock Exchange, acquired an effective 61.44% controlling stake (held directly and indirectly) in the Company through a tender offer for all shares at 48 pence per share. An additional fundraising in November 2009 of £1.5 million (approximately US\$2.4 million) at 50p has increased Philex Mining Corporation's stake (held directly and indirectly) to 62.59%.

On 15 February 2010, GSEC101 was converted to SC72 by the Philippine Department of Energy.

CHIEF EXECUTIVE'S STATEMENT

Forum Energy has made significant progress with the recent award of SC 72 (formerly GSEC101). Having worked for over three years on the conversion of GSEC101 to a Service Contract, this award paves the way to the delivery of material value to Forum Energy's shareholders with the exploitation of a potentially world class gas deposit. Forum will announce its future plans regarding further appraisal of SC72 shortly. It is the Company's intention to commence further appraisal work, without delay.

In 2009, Forum Energy recorded a gross profit of US\$0.2 million in the year ended 31 December 2009 compared to a loss of US\$0.3 million for the previous year due to the commencement of production revenues from Galoc and the increase in oil prices during 2009. Revenues increased by 153% to US\$1.8 million, G&A costs reduced by 41% to US\$2.6 million, and net cash and cash equivalents increased to US\$4.1

million. The Company finalized the streamlining of its non-core coal assets successfully through the sale of its last coal concession.

SC72 (formerly GSEC101)

The SC72 licence covers an area of 8,800 sq km and was formerly referred to as GSEC 101.

Results from the Company's 3D seismic programme and its interpretation performed by independent consultants, Count Geophysics Limited and Oilfield Production Consultants (OPC) Limited, in 2006 confirmed a mean volume of 3.4 TCF gas in place (GIP). An extended GIP estimate from the Volumetric Analysis carried out by Count Geophysics Limited and Oilfield Production Consultants (OPC) Limited is included below. It should be noted that, in the 5% case, analysis of 2D seismic data was also used.

Reservoir section	GIP (TCF)
Early Tertiary	
Lowest Known Gas at S-2 Most Likely area (115 km ²)	3.41 Mean
Max. closure, 5% result (290 km ²)	9.74
Cretaceous	
Most Likely area (115 km ²)	4.39 Mean
Max. closure, 5% result (257 km ²)	9.83

This Volumetric Analysis supports the Company's view that there is the potential for significant upside within the SC72 licence area, both within the Early Tertiary and the Cretaceous zones.

In 2008, a Joint Venture ("JV") 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.

On 15 February 2010, the GSEC 101 contract was converted into SC72. The Company intends to carry out immediate appraisal work on the field.

The key provisions of the SC72 contract are as follows:

- The new contract covers an area of 8,800 sq km, which is 85% of the original GSEC 101 block.
- The initial exploration period has a term of seven years and is subdivided into four sub-phases.

- Under the first sub-phase, the Company is committed to perform within an 18-month period either of the following: (a) drilling of one exploratory well, or (b) acquisition of at least 250 sq km of 3D seismic data or its equivalent high resolution 2D seismic data.
- The agreed minimum financial expenditure for this sub-phase is US\$3 million.
- Further drilling and/or seismic work during the second sub-phase, which will have a duration of 24 months.
- In case of a discovery, the Company, at its discretion, may enter the Production Period of the Service Contract, which will have a 25 year duration.

The Company will be announcing further details of its planned Work Programme over SC72 in due course. It is the Company's intention, subject to funding, to commit expenditures significantly in excess of the minimum work programme requirements.

Galoc

Production from the Galoc field reached 2.5 million barrels gross in 2009, and is expected to stabilise at 2.3 million barrels gross in 2010. Forum Energy has a 2.27% interest in the field and received US\$0.8 million from crude sales from the field in 2009. The Directors expect this to increase significantly in 2010 following completion of an extended production testing period and the full year effect of an 80% increase in the price of oil during 2009. A second phase of development which would provide substantial upside is set to move forward this year and Forum Energy is committed to supporting this additional development.

SC40

The Gas Sale and Purchase Agreement with DESCO, a well established drilling company in the Philippines, was approved by the Department of Energy in July 2009 and production from the Libertad field is expected to start by September 2010. In addition, further ventures to produce across this significant acreage are underway and the company has commenced a land-based gravitational survey over the Central Maya Bulge (CMB) area to the north of the concession to identify possible additional drillable prospects. The Company's Hycalog drilling rig is also located in the CMB area and may be utilized for further drilling activities contingent on the results of the Company's ongoing exploration programme. We look forward to making further announcements on this in due course.

Coal

We completed our programme of rationalizing our portfolio down to our core energy assets through the sale of Forum Cebu Coal Corporation which holds the COC131 Coal Operating Contract, our last remaining coal asset. This resulted in a gross cash receipt of US\$1 million.

Financial Results and Key Financial Indicators

Revenues increased 153% from US\$0.7 million in 2008 to US\$1.8 million in 2009 due to the full year of production for Forum Energy at Galoc and an 80% increase in oil prices during 2009. As a result, Forum Energy recorded a gross profit of US\$0.2 million for the year ended 31 December 2009 compared to a loss of US\$0.3 million for the previous year. The Board expects an additional increase in revenue during 2010 following completion of an extended production testing period at Galoc during 2009 and a more stable outlook for oil prices. The Board will continue to seek to maximize the revenue streams for the Group.

Total administrative expenses decreased 41% to US\$2.6 million in 2009 compared to US\$4.4 million in the previous year. The decrease was primarily attributable to direct costs in relation to the mandatory offer in 2008 and changes in key management. The Board will continue to monitor the Group's expenses in order to ensure value for money is always obtained for services provided to the Group.

Financial income and expense recorded a net loss of US\$0.1 million compared to a net gain of US\$0.3 million in the previous year due to unrealised losses on a Philippines peso-based long term payable.

There is tax income of US\$0.1 million compared to a charge of US\$0.07 million in 2008 due to a reduction in the Group's potential deferred tax liabilities. The loss from continued operations therefore reduced by 46% to US\$2.4 million from US\$4.4 million in 2008. The loss from disposal of discontinued operations of US\$1.3 million (2008: Nil) increased the overall loss to US\$3.7 million (2008: US\$4.3 million).

This generated a loss per share of US\$0.119 (2008: US\$0.152) which reduced to US\$0.075 (2008: US\$0.155) excluding discontinued operations.

Cash Flow and Capital Expenditure

The Company's net cash and cash equivalents increased to US\$4.1 million. This is primarily due to US\$2.4 million issue of equity during the year, the sale of Forum Cebu Coal Corporation for US\$1 million, increased income and reduced costs.

As noted above, following the award of SC72 (formerly GSEC 101) the Group has a part share of the licence commitment of US\$3 million. The Directors anticipate that through the existing farm-out arrangements with MORE, and from the availability of existing working capital, the Group will be able to meet the requirements of its commitment in this regard. Further announcements will be made about the anticipated work programme for the licence area and future financing proposals in due course.

Balance Sheet and Financing

The Group has no long-term debt, with the exception of a liability it has recognised to Forum Exploration Inc (FEI) which would become payable as and when the cost recovery commences from anticipated production at SC40.

The minority interest represents the minority shareholder in FEI (33.33%) and reflects its net share in the recognised losses or profits for the year.

Outlook

We believe Forum Energy is extremely well placed to take the fullest advantage of SC72 with the support of its principal shareholders. The Company now has the ability to move forward with the development of the potentially world class gas discovery at SC72 and to move into the appraisal process. We believe that this will create material value for our shareholders and we look forward to releasing more specific details in due course.

Summary

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.

Walter W. Brown
Chief Executive Officer

19 February 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Year ended 31 December 2009 US\$'000	Year ended 31 December 2008 US\$'000
Revenue		1,786	706
Cost of sales		(1,590)	(1,017)
Gross profit/(loss)		196	(311)
Other administrative expenses		(2,242)	(4,030)
Share-based payments expense		(336)	(334)
Total administrative expenses		(2,578)	(4,364)
Loss from operations		(2,382)	(4,675)
Finance income		2	306
Finance expenses		(117)	-
Loss before tax		(2,497)	(4,369)
Tax income/(expense)		102	(68)
Loss from continued operations		(2,395)	(4,437)
(Loss)/Profit on discontinued operations, net of tax		(1,332)	90
Loss for the year		(3,727)	(4,347)
Total comprehensive loss for the year		(3,727)	(4,347)
Total comprehensive (loss) / income attributable to:			
Owners of the parent		(3,618)	(4,425)
Non-controlling interest		(109)	78
		(3,727)	(4,347)
Loss per ordinary share (US\$) attributable to equity holders of the parent			

Basic and diluted	3	(0.119)	(0.152)
Loss per ordinary share (US\$) on continued operations			
Basic and diluted	3	(0.075)	(0.155)
(Loss)/Profit per ordinary share (US\$) on discontinued operations			
Basic and diluted	3	(0.044)	0.003

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	Note	2009 US\$'000	2008 US\$'000
Assets			
Non-current assets			
Property, plant and equipment		4,168	3,784
Intangible assets	4	40,859	40,606
Investments		5	8
Total non-current assets		45,032	44,398
Current assets			
Inventories		65	77
Trade and other receivables		639	275
Advances to associate companies		-	3,165
Cash and cash equivalents		4,172	2,574
Non-current assets classified as held for sale		-	991
Total current assets		4,876	7,082
Total assets		49,908	51,480
Liabilities:			
Non-current liabilities			
Provisions		4,667	3,739
Deferred tax liability		-	102
Total non-current liabilities		4,667	3,841
Current liabilities			
Trade payable and other payables		810	2,246
Total current liabilities		810	2,246
Total liabilities		(5,477)	(6,087)
Total net assets		44,431	45,393
Capital and reserves attributable to equity holders of the Company			
Share capital		5,941	5,443
Share premium reserve		50,869	48,938
Share options reserve		493	157
Retained deficit		(14,326)	(10,708)
		42,977	43,830
Non-controlling interest		1,454	1,563
Total equity		44,431	45,393

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Year ended 31 December 2009 US\$'000	Year ended 31 December 2008 US\$'000
Cash flows from operating activities		
Loss before tax for the year	(3,829)	(4,279)
Adjustments for:		
Depreciation	796	458
Loss on sale financial assets	3	17
Finance income	(2)	(21)
Equity settled share-based payment expense	336	334
	1,133	788
Cash flows from operating activities before changes in working capital and provisions		
	(2,696)	(3,491)
Decrease / (Increase) in trade and other receivables	1,124	(68)
Decrease in inventories	12	40
Increase/(Decrease) in trade and other payables	178	(365)
Increase in provisions and employee benefits	21	47
	1,335	(346)
Cash used by operations	(1,361)	(3,837)
Income taxes paid	-	(2)
Net cash flows from operating activities	(1,361)	(3,839)
Investing activities		
Purchase of property, plant and equipment	(21)	(141)
Purchase of intangible assets	(253)	(406)
Disposal of intangible assets	-	1,700
Sale of discontinued operations	813	2,694
Interest received	2	21
Net cash from investing activities	541	3,868
Financing activities		
Issue of ordinary share capital (net of issue costs)	2,429	488
Net cash from financing activities	2,429	488
Net increase in cash and cash equivalents	1,609	517
Cash and cash equivalents at beginning of the year	2,574	2,319
Exchange losses on cash and cash equivalents	(11)	(262)
Cash and cash equivalents at end of the year	4,172	2,574

ABRIDGED NOTES

1 BASIS OF PREPARATION

Both the parent company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards IFRS's and IFRIC interpretations, issued by the International Accounting Standards Board (ISAB) as endorsed for use in the EU ("Endorsed 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 2009 and 31 December 2008 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 2008 accounts have been delivered to the Registrar of Companies. The 31 December 2009 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) of (3) of the Companies Act 2006.

2 SEGMENT ANALYSIS

The Group operated in one principle operating segment, 'the exploration for and production of oil and gas'. The Group's other segment, 'the exploration for coal' did not meet the quantitative threshold required by IFRS 8, Management have therefore concluded that no separate segment reporting is required.

The exploration for coal segment ceased to be operational upon its sale during 2009. The asset was treated as held for sale in 2008.

3 LOSS PER SHARE

Earnings per Ordinary Share have 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 30,372,599 (2008: 29,167,761). Losses for the Group attributable to the equity holders of the Company for the year are US\$ 3,618,000 (2008: US\$4,425,000). Losses for the Group attributable to the equity holders of the Company for the year on continued operations are US\$2,286,000 (2008: US\$4,515,000). Losses for the Group attributable to the equity holders of the Company for the year on discontinued operations are US\$1,332,000 (2008: US\$90,000 profit). The effect of the share options in issue under the Share Option Plan is anti-dilutive.

4 INTANGIBLE ASSETS

Group	Unevaluated Oil, Gas and Mining Costs US\$*000 2009	Unevaluated Oil, Gas and Mining Costs US\$*000 2008
Cost and Net book value		
At 1 January	40,606	41,900
Additions	253	406
Disposals	-	(1,700)
At 31 December	40,859	40,606

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	- \$28,372,000 (2008 -\$28,224,000)
GSEC101	- \$12,266,000 (2008 - \$12,161,000)
Others	- \$221,000 (2008 - \$221,000)

The Group have considered the intangible assets for indications of impairment and have concluded that an impairment provision is not required because the recoverable amount (value in use) is considered to be in excess of the carrying value.

5 RELATED PARTY TRANSACTIONS

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

The ultimate controlling party of the Group is the majority shareholder 'Philex Petroleum Corporation', a subsidiary of 'Philex Mining Corporation'. The Group performed consultancy services for 'Philex Petroleum Corporation' and received total fees of US\$194,500 in the year (2008 - Nil). There were no amounts due to or from Philex Petroleum Corporation at 31 December 2009 (2008 -Nil).

Expenses paid on behalf of Forum Energy Plc by Forum Philippine Holdings Limited were US\$139,020 (2008 - US\$205,193).

6 CONTINGENT LIABILITIES

The Company has a potential additional consideration of up to US\$10.84 million (2008 - US\$12 million) payable on the acquisition of Basic Petroleum & Minerals Inc. During 2009, US\$1,160,000 has been recognised in the current year as becoming payable in future years based on the latest field production estimates for the Galoc oil field. Payments of the US\$10.84 million will depend upon future field developments and production levels from the acquired oil and gas assets. The Directors consider that the maximum of any potential payments will not materialise, due to acquired field performances development plans and current oil prices. The timing of any payment is therefore uncertain.

7 POST BALANCE SHEET EVENTS

On 15 February 2010, the Company was awarded the Service Contract relating to the GSEC101 license by the Philippine Department of Energy. The GSEC101 licence in which the Company has a 70% interest is the principal asset of the Company. The Company has a minimum commitment for its 70% share of the first sub phase of US\$3 million. Further terms of the contract are included within the Chief Executive's Statement.

On 4 February 2010, the Company initiated the arbitration process with Basic Petroleum & Minerals Inc, over disputed clauses in the Sale and Purchase Agreement signed in April 2006.