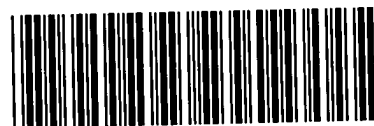


COMPANY NO. 05411224

**FORUM ENERGY LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2019**

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# **FORUM ENERGY LIMITED IS A UK INCORPORATED OIL & GAS EXPLORATION AND PRODUCTION COMPANY WITH A FOCUS ON THE PHILIPPINES.**

Forum Energy Limited ("FEL" or the "Company"), a private company limited by shares, holds investments in the following companies with the primary focus of developing oil and gas exploration and production licences entered into with the Philippine Government, through the Department of Energy ("DOE"):

## **FORUM (GSEC 101) LIMITED (100%)**

Forum (GSEC 101) Limited ("FGL") is a foreign corporation organized and existing under the laws of Jersey. It was duly licenced by the Philippine Securities and Exchange Commission ("SEC") to establish a branch office (the Branch) in the Philippines primarily to conduct geological, geophysical, and all kinds of exploration work and to engage generally, as may be permitted by law, in the business of oil and gas exploration.

FGL's principal asset is a 70% interest in Service Contract ("SC") 72, an 8,800-square kilometre (km<sup>2</sup>) offshore petroleum licence situated in the West Philippine Sea ("WPS") west of Palawan Island. In 2012, results from a 565 km<sup>2</sup> 3D seismic survey over the Sampaguita Gas Field indicated a mean volume of 2.6 trillion cubic feet ("TCF") of gas-in-place ("GIP") with significant upside potential.

## **FORUM ENERGY PHILIPPINES CORPORATION (100%)**

Forum Energy Philippines Corporation ("FEPC") is a wholly-owned subsidiary incorporated and registered with the Philippine SEC on 27 March 1998. Its primary purpose is to engage in the exploration, development, and production of petroleum and related products, as well as other mineral and chemical substances. FEPC has participating interests in several sub-blocks in SC 6 and SC 14 located in Northwest Palawan, Philippines.

FEPC's main producing asset is its 2.27% participating interest in SC 14C-1 Galoc Oil Field, which accounts for 95% of its total revenue (2018: 93%).

## **FORUM EXPLORATION INC. (66.67%)**

Forum Exploration, Inc. ("FEI") is a 66.67% subsidiary of the Company through FEPC. It was incorporated on 11 September 1997 with primary purpose to engage in the exploration, development, and production of petroleum and related products, as well as other mineral and chemical substances.

FEI is the legal and beneficial owner and holder of a 100% interest in SC 40, an upstream oil and gas contract area located in northern Cebu, Philippines.

# HIGHLIGHTS

## OPERATIONAL HIGHLIGHTS OF SUBSIDIARIES

- Due to the maritime dispute over the WPS, SC 72 has been placed by the DOE under Force Majeure ("FM") since 15<sup>th</sup> December 2014. In 2015, with all exploration activities currently suspended over the block, FGL completed the interpretation of reprocessed 2D seismic data and the interpretation of gravity and magnetic data acquired by the Company in 2011. The seismic data interpretation confirmed and refined the North Bank Prospect, which was first mapped in 2012 by Weatherford Petroleum Consultants ("Weatherford"). New 3D seismic data will be required in order to mature the prospect into drillable status.

The Sampaguita 3D was acquired in 2011 and has an area of 565 sq. km and in October 2018, FGL started the Broadband and Pre-Stack Depth Migration ("PSDM") reprocessing of said seismic data with Australia-based contractor, DownUnder GeoSolutions. The reprocessing work was completed in June 2019, followed by an interpretation of the newly-reprocessed seismic data and the formulation of an appraisal program for the Sampaguita Gas Field. The results of these are expected to be available in late 2020.

- The Galoc Oil Field produced a total of 746,189 barrels of oil or 2,044 barrels of oil per day ("bopd") in 2019 (2018: 1,166,755 barrels or 3,198 bopd) with FEPC's share at 16,981 barrel or 46 bopd (2018: 26,552 barrel or 73 bopd) representing a year-to-year decline of 36%. In 2019, three (3) liftings were completed with 993,761 barrels of oil sold to refineries in the region of Asia at an average price of US\$65.51 per barrel. Cumulative production from start of production in October 2008 up to 31 December 2019 was 22.15 million barrels ("MMbbl") of oil.
- Production forecast for 2020 is 668,000 barrels of oil as the operator of SC14 Block C-1, Galoc Production Company WLL ("GPC"), has set a temporary cessation of operation during the last week of September 2020. This is following the operator's receipt of a notice of termination from Rubicon Offshore International ("ROI"), the owner of the Floating Production Storage and Offloading ("FPSO") vessel Rubicon Intrepid.
- From February to March 2020, FEI conducted a land gravity survey in Libertad and Dalingding areas in onshore Cebu, which is aimed to further delineate the carbonate bodies detected in the said areas by previous 3D gravity modelling studies. FEI is currently reviewing the raw gravity, coordinates, and elevation readings to update the current depth models for northern Cebu. Data reduction, processing, and interpretation will immediately follow.

## ASSETS SUMMARY

### FORUM (GSEC 101) LIMITED

#### SC 72 (70% interest)

The SC 72 contract area is located in the Recto Bank, offshore West Palawan, Philippines, and comprises 8,800 square kilometres ("km<sup>2</sup>"). It contains the Sampaguita Gas Field, along with a number of prospects and leads. The Sampaguita Gas Field has the potential to contain In-Place Contingent Resources of 2.6 TCF of gas based on a resource assessment performed in 2012 by Weatherford, an independent qualified competent person. The current Joint Venture ("JV") consists of FGL (Operator, 70%) and Monte Oro Resources & Energy Inc. (30%).

The exploration period of SC 72 has a term of seven (7) years and is divided into four (4) sub-phases ("SPs"). During the first SP, which ended on 14 August 2011, FGL acquired 2,202 line-kilometres of 2D seismic over SC 72 in order to further define additional leads already identified, while 565 km<sup>2</sup> of 3D seismic data were acquired over the Sampaguita Gas Field. These activities fulfilled the work commitment under the SP.

On 28 July 2011, the DOE approved the JV's decision to enter SP 2, which originally covered the period from 15 August 2011 to 14 August 2013. The minimum work commitment under the SP is the drilling of two (2) wells.

On 9 January 2013, the DOE issued a letter granting FGL's request to extend the expiry date of SP 2 from 14 August 2013 to 14 August 2015 as the period covering 15 August 2012 to 15 August 2014 was attributable to FM. As such, pursuant to Section 26.01 (a) and (b) of SC 72, the schedule of the succeeding SP and the remaining term of the Exploration Period in the SC were adjusted accordingly.

On 8 July 2014, the DOE approved FGL's request to uplift the FM in SC 72 effective 15 August 2014 and to further extend the second SP from 15 August 2015 to 15 August 2016.

On 26 February 2015, FGL received the DOE's advice on the suspension of all exploration activities in certain portions of the WPS and has again placed SC 72 under FM status effective from 15 December 2014 until further notice.

On 12 July 2016, the Permanent Court of Arbitration in The Hague released a ruling on the maritime case filed by the Republic of the Philippines against the People's Republic of China. In particular, the Tribunal ruled that Reed Bank (Recto Bank), where SC 72 lies, is within the Philippines' Exclusive Economic Zone ("EEZ") as defined under the United Nations Convention on the Law of the Sea ("UNCLOS").

On 20 November 2018, a Memorandum of Understanding ("MOU") on oil and gas development between the Philippines and China was signed by the Philippine Department of Foreign Affairs ("DFA") Secretary Teodoro Locsin, Jr. and Chinese Foreign Minister Wang Yi. This aimed to pave the way for the creation of an inter-governmental Steering Committee that will work out a program of cooperation, which could lead to joint exploration over the WPS through the creation of one or more Inter-Entrepreneurial Working Groups. The Working Groups would consist of representatives authorized by China and the Philippines for the inter-entrepreneurial, technical and commercial aspects. China has appointed China National Offshore Oil Corporation ("CNOOC"), while the Philippines will authorize other enterprises with service contracts such as FGL in the case of SC 72.

As directed by the DOE, FGL requested for the lifting of the FM over SC 72 on 21 December 2018 as being bound by the former's directive over the lifting of the FM and the resumption of activities in SC 72.

The Steering Committee was established in October 2019. The Philippine contingent is to comprise of officials from the DFA, DOE, Department of Justice ("DOJ"), and the National Mapping and Resource Information Authority ("NAMRIA"). The Chinese contingent will be comprised of officials of their Ministry of Foreign Affairs, the National Energy Administration, the Office of Foreign Affairs Commission, and the Communist Party of China Central Committee.

Once the FM is lifted, FGL will have 20 months (equivalent to the remaining SP 2 period) to complete the SP 2 work commitment comprising the drilling of two wells. The terms of the succeeding SP will remain the same but the inclusive dates will be adjusted accordingly.

## **FORUM ENERGY PHILIPPINES CORPORATION**

### **SC 14A, B & B-1 Nido, Matinloc & North Matinloc Fields [FEPC: 8.468% - 19.463%]**

Production in the Nido and Matinloc fields was terminated permanently on 13 March 2019. Before the termination, total production from the three fields during 2019 totalled 22,162 barrels, or an average of 185 BOPD with FEPC share at 1,937 or 16 bopd. Shell Philippines was the sole buyer for the crude during the period.

Nido started oil production in 1979 while Matinloc started in 1982. The final inception-to-date production figures for the two fields are: 18,917,434 barrels for Nido and 12,582,585 barrels for Matinloc. The North Matinloc Field, which was in production from 1988 to 2017 produced a total of 649,765 barrels.

In early June 2018, the permanent plug and abandonment ("P&A") of the Libro-1 and Tara South-1 wells located with SC 14 block was completed. The two wells had been shut since 1989 and 1990, respectively.

In May 2019, seven production wells in SC 14 consisting of Nido (3 out of 5), Matinloc (3), and North Matinloc (1) fields were successfully plugged and abandoned. Following the suspension of field operations, Philodril, the operator, conducted the stripping and disposal of equipment and materials aboard the production platforms from June to October 2019.

The P&A of the two (2) of five (5) remaining Nido wells, originally planned for April 2020, was suspended due to the Enhanced Community Quarantine ("ECQ") imposed by the Philippine government in the entire Luzon area brought about by the COVID-19 pandemic. The current crisis made an impact on Philodril's ability to mobilize personnel and equipment to carry out the P&A of the wells. The JV is now looking around September 2020 to carry out the P&A, depending on the situation on COVID-19.

### **SC 14 C-1 Galoc (2.27% interest)**

The Company has a 2.27% interest in the Galoc Oil Field. The Galoc Oil Field has already produced approx. 22.15 MMbbl of oil since start of production in October 2008.

On 12 July 2018, Tamarind Galoc Pte Ltd, a subsidiary of Singapore-registered Tamarind Resources, acquired Nido Petroleum's subsidiaries GPC and Nido Production (Galoc) Pte Ltd, giving Tamarind 55.88% equity and operatorship of the Galoc Oil Field.

Gross production during the year averaged 2,044 BOPD (2018: 3,198 BOPD), FEPC's share is approximately 46 BOPD (2018: 73 BOPD). Total gross oil production for 2020 is expected to be approximately 668,000 barrels. GPC has set a cessation of operation this September 2020. This comes after operator's receipt of a notice of termination from the FPSO owner. The operator has relayed its total commitment to the long term future of Galoc asset and is currently

evaluating several scenarios to retain flexibility for the earliest possible production re-start as and when the market conditions improve.

Three liftings were made in January, June, and November 2019 with a total of 993,761 barrels sold to refineries in the region. GPC plans to have three (3) liftings in 2020 with about 220,000 barrels per cargo.

#### **SC 14 C-2 West Linapacan (9.103% interest)**

FEPC's interest in the block is 9.103% (previously 2.27%) following the termination of RMA (the former operator) as the operator and consortium member on 12 March 2015 by the DOE. Following this, the DOE re-appointed Philodrill as the SC Operator.

In 2018, the Consortium completed the mapping and interpretation work on the reprocessed PSDM data by DUG in 2014. The study focused on the West Linapacan "B" structure, which was drilled in 1991. The Consortium is studying options to develop the field, which has estimated contingent resources of 8 MMbbl of oil.

In 2019, the SC 14C-2 and SC 74 Consortia have a joint Rock Physics Quantitative Interpretation ("QI") studies over the West Linapacan and Linapacan areas using existing 3D combined seismic and well data. The initial phases of the study, which included the Well Feasibility Study, Rock Physics Analysis, and Test Inversion, were carried out and completed by Ikon Science in Kuala Lumpur, Malaysia. The SC 14C-2 Consortium decided not to proceed with Phase 2 of the QI Study.

#### **SC 6A Octon Block (5.56% interest)**

Philodrill re-assumed the block's operatorship beginning 1 January 2015 and the Company's participating interest in the block returned to its pre-farm out interest of 5.56% following the exit of Pitkin Petroleum plc in the consortium.

In 2018, Philodrill completed the seismic interpretation/mapping work on the northern sector of the block using the Pre-Stack Depth Migration (PSDM) volume. The evaluation focused on the Malajon, Salvacion, and Saddle Rock prospects. The Malajon and Saddle Rock closures were previously tested by wells which encountered good oil shows in the Galoc Clastic Unit ("GCU") interval. However, no tests were conducted in this interval due to operational constraints. The forward program for the SC's northern block will progress the mapping and understanding of the channel system in the area by doing additional attribute studies to identify and mature a drilling location in the area.

The 2019 work program included the completion of seismic attribute analysis of the northern part of SC 6A to characterize the target reservoirs and determine their distribution in terms of porosity, thickness, and lithology.

On 18 November 2019, the DOE approved the work program for 2020 submitted by Philodrill which consists of the following:

- G&G studies in support of establishing a final well location and well design to test the hydrocarbon potential of the Malajon-Salvacion-Saddle Rock anticlinorium.
- Continue to do G&G work to identify additional resources at the Octon South structure and other opportunities immediately around the Octon Field to support its development.

#### **SC 6B Bonita Block (8.182% interest)**

The in-house evaluation completed by Philodrill in early 2016 indicated that the East Cadlao Prospect has marginal resources and cannot be developed on a "stand-alone" basis. Hence, to remain prospective, it has to be developed along with the Cadlao Field, which lies in an adjacent contract area. In view of this, Philodrill has requested for the reconfiguration of SC 6B to append the Cadlao Field for possible joint development in the future. On 14 March 2018, the DOE approved the annexation of Cadlao Block to SC 6B.

On 28 June 2018, Philodrill received DOE's approval for the assignment of the relinquished participating interest of Trans-asia Petroleum (now ACE Enexor) in SC 6B to the remaining JV partners. As a result, FEPC's interest in SC 6B has increased to 8.182%.

On 17 October 2019, the Farm-In Agreement ("FIA"), DOA and the transfer of operatorship from Philodrill to Manta Oil Company Ltd. ("Manta") were approved conditionally by the DOE, requiring Manta to submit additional financial documents. Under the FIA, Manta will carry the JV up to First Oil to earn 70% interest. FEPC's interest will be reduced to 2.4546% upon completion of the farm-in.

A plan of development ("POD") for the Cadlao Field will be submitted by Manta around Q3 2020 which includes the drilling of 1-2 deviated production wells. Cadlao has an estimated Recoverable Reserves (P50) of 6.32 MMbbl of oil.

## **FORUM EXPLORATION, INC.**

### **SC 40 (66.67% interest)**

SC 40 contains the Libertad gas field, the Maya oil field, as well as several other prospects and leads. On 30 January 2009, the Company entered into a Gas Sales & Purchase Agreement (GSPA) with Desco, Inc., for the development of the Libertad gas field for power generation.

Gas production from the Libertad Field commenced on 3 February 2012.

On 01 August 2015, production was suspended due to fluctuating wellhead pressure on the L95-1 well that caused the Desco engine to shut down. It was deemed that FEI would not be able to resume operations due to fluctuating pressure, thus FEI decided to decommission the field and to P&A the L95-1 production well permanently.

On 15 November 2016, the DOE approved the mandatory relinquishment of 25% of the extent of SC 40 submitted by FEI in compliance to SC provision on Exclusion of Areas. SC 40 now has an area of 340,000 hectares, which is 74% of the previous area of 458,000 hectares.

A P&A program was submitted to the DOE on 21 July 2017, which was approved on 01 August 2017. From 08-11 November 2017, FEI's contractor Desco was able to successfully plug and abandon the L95-1 well.

In April 2018, FEI conducted a land gravity survey in the Daanbantayan-Medellin area consisting of two parts: a traverse program and a grid program. The purpose of the traverse survey was to produce a gravity profile to be subjected to forward modelling, and to define fault structures in order to confirm if the mapped central depression in onshore Cebu is a graben or a trough. The grid survey, on the other hand, would help locate the apex of an identified lead in the Dalingding area. The interpretation of the new gravity data is divided into two stages. The first stage, which is the reduction and structural interpretation by 3D inverse grid modelling, was completed in Q3 2018. The second stage is a detailed interpretation by 3D multi-sectional forward modelling on profiles. The second stage, a detailed stratigraphic 3D multi-sectional modelling, is ongoing. This is being done in-house under the quality control supervision of Cosine Global Limited ("Cosine"). The results will be correlated later with existing well and seismic data in the area.

During the first half of 2019, the facilities and structures onsite were removed and the area was restored to its original state.

The field produced a total of 208.90 million cubic feet of gas while the gas engine generated a total of 20,005 megawatt-hours (MWh) of electricity.

FEI has started planning for the drilling of an onshore well, Dalingding-2, in 2021. FEI has engaged the services of an operations geologist to prepare the geological program and prospect montage. The Dalingding Prospect is a reefal structure defined by seismic with Barili Limestone as the primary target. A well, Dalingding-1, was drilled by Cophil Exploration in 1996 and was plugged and abandoned as a dry hole with minor gas shows after reaching a total depth of 460 m. Following FEI's recent re-evaluation of the prospect, it was concluded that Dalingding-1 did not reach the Barili target, which is estimated at 531 m, or 71 m below the well's total depth. The current plan is to drill a well down to at least 1,220 m to penetrate the Barili and secondary targets underneath.

In addition to the drilling of Dalingding-2, FEI plans to move the rig to Brgy. Maya, Daanbantayan, Cebu for the permanent plugging and abandonment of Forum-1X and Forum-2X wells, which were drilled in 2003.

On 21 November 2019, FEI submitted the WP&B for 2020, which includes the continuation of the Gravity Interpretation - Stage 2, and the conduct of a gridded Land Gravity Survey which was approved by the DOE on 02 December 2019. The 2020 Land Gravity Survey is for the acquisition of gravity data along profiles in parts of the Municipality of Daanbantayan and Bogo City that aims to further delineate the carbonate bodies detected in the said areas by the initial 3D gravity modelling exercise. The survey began on 18 February 2020 and was completed on 14 March 2020. A total of 84 stations, 300m to 500m apart were acquired during the survey. The data acquired will be incorporated with results of the previous gravity surveys and will be used to update the current depth model for northern Cebu.

# COMPANY INFORMATION

## Board of Directors

Joseph H.P. Ng	Director
Marilyn A. Victorio-Aquino	Director
Eric O. Recto	Director

## Company Secretary

Mark Raymond H. Rilles	Appointed on 01 June 2019
Paul Forrest	Resigned on 31 May 2019

## Registered Office

16 High Holborn  
London WC1V 6BX  
United Kingdom

## Principal Place of Business

2/F LaunchPad, Reliance corner Sheridan Streets,  
Highway Hills, Mandaluyong City 1550  
Philippines

## Company Number

05411224.  
(England and Wales)

## Auditor

BDO LLP  
55 Baker Street  
London W1U 7EU  
United Kingdom

## Solicitors

GIBSON, DUNN & CRUTCHER  
32/F Gloucester Tower, The Landmark  
15 Queen's Road Central  
Hongkong

Migallos and Luna Law Offices  
7th Floor, The PHINMA Plaza  
39 Plaza Drive, Rockwell Center  
Makati City 1210  
Philippines



# STRATEGIC REPORT

## Business Review

### Investment in FGL

#### SC72

The encouraging results of the resource assessment study conducted in early 2012 by Weatherford supported the case to proceed with the drilling of the Sampaguita-4 and Sampaguita-5 wells in 2013. However, commencement of the drilling programme was put on hold due to the ongoing maritime dispute between the Philippine and Chinese governments, which resulted in the DOE placing SC 72 under FM starting December 2014. In the meantime, the Company carried out a seismic reprocessing program involving close to 3,000 line-km of 2D data with CGG as contractor, which was completed in November 2013.

The interpretation of the reprocessed 2D data was completed in mid-2015, fulfilling the Company's work commitment to the DOE for the year. The work has confirmed and refined the North Bank Prospect, which was first mapped in 2012. New 3D data will be required in order to mature the prospect into drillable status.

On 29 October 2015, the United Nations Arbitral Tribunal (the "Tribunal") unanimously decided that it has jurisdiction over the maritime dispute between China and the Philippines over the WPS, and it was the proper body to decide on the case filed by the Philippines in January 2013. It also ruled that China's decision not to participate in these proceedings does not deprive the Tribunal of jurisdiction and that the Philippines' decision to commence arbitration unilaterally was not an abuse of the UNCLOS dispute settlement procedures.

The Tribunal's decision on the arbitration case was released on 12 July 2016. Among others, the Tribunal declared China's "nine-dash line" as "invalid", and therefore it does not provide China historic rights over the WPS, and fails to meet the UNCLOS requirements on maritime features. More importantly, it ruled that Reed Bank, where SC 72 is located, lies within the Philippines' 200 nautical mile EEZ, which under UNCLOS grants the Philippines rights over the resources located within its EEZ.

On 20 November 2018, an MOU on Cooperation on Oil and Gas Development between the Government of the Republic of the Philippines and the Government of the People's Republic of China was signed by Philippines DFA Secretary Teodoro Locsin, Jr. and Chinese Foreign Minister Wang Yi. The MOU paves the way for the creation of an inter-governmental Steering Committee that will work out a program of cooperation that could lead to joint exploration, as well as the creation of one or more Inter-Entrepreneurial Working Groups.

The Steering Committee is co-chaired by the DFA Secretary and the Chinese Foreign Minister, and co-vice chaired by their respective vice ministers, with the participation of relevant agencies of the two governments (the DOE in the case of the Philippines).

On the other hand, the Working Groups would consist of representatives authorized by China and Philippines for the inter-entrepreneurial, technical, and commercial aspects. China has appointed CNOOC, while the Philippines will authorize other enterprises with service contracts, such as FGL in the case of SC 72, or the PNOG.

The two governments will endeavour to agree on the cooperation arrangements after the signing of the MOU.

In early December 2018, the DOE directed FGL to request for the lifting of the FM over SC 72. Such a request was made through a letter sent by FGL to the DOE on 21 December 2018. As a service contractor in SC 72, FGL is bound by the DOE's directive over the lifting of the FM and the resumption of activities in SC 72 as well as in SC 75 which is similarly under FM at the moment.

FGL will continue to take guidance from the Philippine Government in respect of any future activity in SC 72 and other areas that are under FM. Upon lifting of the FM, the Company will have 20 months, equivalent to the remaining SP 2 period from the effective date of the FM, to complete the drilling of two wells.

### Investment in FEPC

#### SC14 C-1 Galoc

The Company has a 2.27% interest in the Galoc Oil Field. Gross production during the year averaged 2,045 BOPD (2018: 3,198 BOPD), FEPC's share is approximately 46 BOPD (2018: 73 BOPD); the decrease is due to normal depletion of production from the four wells, as well as the recent shut-in of the Galoc-4 well due to technical issues. Phase II of the development commenced in December 2013 with the drilling of two additional production wells, Galoc-5 and Galoc-6.

## **STRATEGIC REPORT (CONTINUED)**

The Galoc-7 well was spudded on 31 March 2017 using the drillship Deepsea Metro I, and drilling operations were completed on 01 May 2017. At this stage the Galoc-7 well results are inconclusive in terms of the potential commerciality of the Galoc Mid Area and, in consideration of the prevailing low crude prices, the JV decided to temporarily suspend all activities related to a possible Phase III development. As a result of an assessment made in 2016, investment in FEPC was impaired amounting to US\$1,938,621.

The current COVID-19 pandemic and oil price dispute among the major exporting countries during the early part of 2020 have resulted to a steep decline in worldwide oil price, which affected the Galoc Oil Field's viability to continue commercial production. On 25 March 2020, ROI, owner of the FPSO Intrepid, issued a Notice of Termination to Galoc Production Company (GPC). The termination period under the contract is six (6) months, thus, Galoc Oil Field will remain in operation only up to September 2020. From thereon, the Company, through FEPC, shall continue its participation in Galoc Oil Field and support the JV's commitment to a long term future of the asset which includes an evaluation of several scenarios to retain flexibility to extend its production.

GPC estimates Galoc's remaining ultimate recovery (RUR) of 5.0 MMbbl of oil. With Increased Oil Recovery (IOR) techniques such as gas lift in Galoc 3 & Galoc 4 wells, this could potentially increase to 7.2 MMbbl of oil. A Galoc re-start in the future will depend on many variables such as oil price; availability of facilities including the replacement of the FPSO; extension of SC 14C-1 permit beyond December 2025; and the amount of capital expenditures under prevailing market conditions.

In consideration of the said suspension of the Galoc Oil Field and the cash forecast projected for 2020, management decided to fully impair the remaining investment in FEPC amounting to US\$441,700 in 2019.

### **SC14 C-2 West Linapacan**

In March 2014, Gaffney Cline and Associates (GCA) completed reserves certification work on the West Linapacan "A" field. The gross 1P (Proved), 2P (Proved plus Probable), and 3P (Proved plus Probable plus Possible) reserves estimates as at 01 January 2014 are 11.6 MMbbl of oil, 16.51 MMbbl of oil, and 21.03 MMbbl of oil, respectively, and classified under the sub-category "Development Pending". The estimates were made based on a three multi-lateral well development scenarios.

In 2017, the West Linapacan consortium led by Philodrill acquired a copy of the 3D seismic data reprocessed by the previous operator RMA in 2014. The interpretation of the said dataset was the Consortium's main activity for 2018, as well as to create a conceptual plan to re-develop the West Linapacan "A" field as a tie-back to the SC 14 C-1 Galoc Oil Field. In the meantime, Philodrill continues to look for potential farminees to assist in the development of the West Linapacan "A" field.

In 2019, expressions of interest were received from foreign firms on the possible re-development of the West Linapacan Field. Consequently, UK-based Desert Rose Petroleum Limited (DRPL) progressed into a full farm-in negotiation. DRPL initially offered separate non-binding offers to the JV partners willing to divest interests on the block by outright sale of their working interest or by farm-out.

Eventually, DRPL executed a Sale and Purchase Agreement (SPA) with the JV partners composed of Oriental Petroleum, Logpocor, PetroEnergy, Philodrill, Alcorn Petroleum, and FEPC. FEPC and Alcorn opted for the full divestment of their interests on the block.

A separate Farm-out Agreement (FOA) with the farming-out partners composed of Oriental, Logpocor, PetroEnergy and Philodrill who retained a combined 20% participating interest was executed with DRPL. Under the FOA, the farmors agreed to assign 15% interest to DRPL and retain a combined interest of 5%. Separately, a draft Deed of Assignment (DOA) arising from the FOA has been prepared and is currently being reviewed by DRPL. Once finalized and executed, the DOA and SPA will be submitted to the DOE together with DRPL's work program, legal, technical and financial documentation in support for transfer of interests and operatorship of the block to DRPL.

### **SC6A Octon**

Late last year, Philodrill executed a Letter of Agreement with Malaysia-based LMKR for a pilot study that will involve a Quantitative Interpretation (QI) utilizing around 508 sq. km of 3D seismic and available wireline data from old wells within the northern part of SC 6A at no cost to the JV. Being a pilot study, the JV will be provided with a trimmed data result with the option to subsequently acquire the full data result of the study. The JV will decide whether to proceed to a full QI study depending on the results of the initial study.

### **SC6B Bonita**

Manta has commenced pre-development tasks and activities as part of the new Plan of Development (POD) for the planned re-development of the Cadlao Field. This follows the DOE's approval of the FIA and transfer of operatorship to

## **STRATEGIC REPORT (CONTINUED)**

Manta Oil last October 2019. Manta has engaged a local environmental group for the preparation of reports and securing environmental permits and has put-up their branch office in Manila.

### **Business Model**

The Company operates exclusively in the oil and gas sector of the Philippines.

The senior management of the Company have over 30 years' experience in the Philippines oil and gas sector, which gives the Company an edge in maximizing the value of its investments and its producing and exploration assets.

According to the World Bank ("WB"), the Philippine economy grew by 6.0 % year-on-year (2018: 6.2%). It noted the increasing urbanization, a growing middle class, and a large and young population as among the factors that contributed in making the Philippines a strong economic performer in the East Asia Pacific Region. The WB added that said growth was anchored in strong consumer demand supported by vibrant labor market and robust remittances from the country's millions of overseas workers. The services sector, which includes the business process outsourcing, real estate, and finance and insurance industries, has been among the strongest performers in the country for the past few years.

Growth is now projected to significantly decelerate in 2020 due to the impact of the COVID-19 pandemic. A slowdown in trade, investment and tourism is expected, while remittance inflows will decrease since the pandemic has affected a number of countries where millions of Filipinos work as foreign workers.

Nevertheless, economic growth is expected to rebound gradually in 2021-2022 as global conditions improve, and with more robust domestic activity bolstered by the public investment momentum and a boost from 2022 election-related spending. The Philippine government continues with its thrust to implement a massive "Build, Build, Build" infrastructure development program, and coupled with investment in human capital will be essential in ensuring continued and sustaining economic growth in the coming years.

### **Objectives and Strategy**

The core objective of the Company is to maximise the potential of its investments and its current licences, to generate income and the continuous reduction of administrative expenses.

The Company plans to achieve these objectives by:

- the development of SC 72 through the completion of its obligations under the second SP of the licence;
- the continued participation in Galoc Oil Field and support the JV's commitment to a long term future of the asset and by evaluating several scenarios to retain flexibility to extend its production;
- the continued review of the exploration blocks of FEPC and FEI to identify any potential drilling targets; and
- the continued review of the Company's administrative expenses.

### **Section 172 Statement**

Under Section 172, Directors have a duty to promote the success of the Company for the benefit of the members as a whole and, in doing so, they should have regard to (amongst other matters) six specified areas that relate, by-and-large, to wider stakeholder interest.

The main principal focus has been on the move to continue the exploration activities of SC72 wherein the Directors believed that the asset will yield substantial return to members and stakeholders.

- **Likely consequences of any decision in the long term**  
The Company's activities focused solely on its oil and gas activities in the Philippines. The major asset is SC72 wherein the exploration activities has been put in hold due to the ongoing maritime dispute between the Philippines and China. SC72 was declared under FM since December 2014. With the favourable diplomatic relationship of the current Philippine Administration towards China, the Company together with its subsidiaries exert its best effort to support the negotiation between the Philippines and China in view of lifting the FM and continue the exploration within the disputed area.
- **Interests of Company's employees**  
Given the size of the Company's business, there are no current employees during the year except for Directors. All personnel are in the Philippines employed by its majority shareholder, PXP Energy Corporation ("PXP"), who provides administrative services to the Company. PXP recognises that its employees are critical to the success of the Company and takes steps to ensure that their interests protected.

## STRATEGIC REPORT (CONTINUED)

- **Need to foster the Company's business relationships with suppliers, customers and others**  
PXP, as a parent company, has policies in place to support and maintain business relationship with its suppliers and customers. PXP acknowledges the importance of maintaining good relations with its suppliers, creditors and service providers and communicates with them on a regular basis.
- **Impact on the environment and the community**  
The Company maintains its business while keeping in mind the highest standards of health, safety, security and environmental ("HSSE") protection. The Company has a sustainability policy in place that considers these aspects a high priority.
- **The aspiration of the Company to maintain a reputation for having a high standard of business conduct**  
With the view of being one of the major players in the oil and gas upstream industry, the Company believes that ensuring the appropriate governance structures are in place and taking the right decisions will bolster the Company's reputation of having a high standard of business conduct.
- **The need to act fairly as between shareholders of the Company**  
As a company administered by UK regulations, the Company is subject to governance requirements and rules which are intended to ensure that shareholders are treated fairly. The Board of Directors (the "Board") seriously takes its obligations to comply with these requirements and has full support to ensure that these requirements are satisfied.

### Principal Risks and Uncertainties

#### BUSINESS RISKS

The Directors have identified the following current principal risks in relation to the Company's future performance. The relative importance of risks faced by the Company can change with progress in the Company's strategy and developments in the external business environment.

Strategic:

##### *Strategy risk*

The Company's strategy may not deliver the results expected by shareholders thus, the Directors regularly monitor the appropriateness of the strategy, taking into account both internal and external factors, and the progress in implementing and modifying the strategy as may be required based on results. Key elements of this process are annual business plans and strategy reviews, quarterly reporting, and regular Board meetings.

The Permanent Court of Arbitration in The Hague released a ruling on 12 July 2016 on the maritime case filed by the Republic of the Philippines against the People's Republic of China. In particular, the Tribunal ruled that Reed Bank (Recto Bank), where SC 72 lies, is within the Philippines' Exclusive Economic Zone (EEZ) as defined under the UNCLOS. The uncertainty of how these issues will be resolved may be a source of continuing risk to the operations in offshore Palawan. However, the signing last November 2018 of the MOU between the Philippines and China is another step towards the lifting of the moratorium on exploration activities in SC 72. The Board identifies the development of SC 72 as an important element of the Company's strategy, recognises the risks to this development and will continue to take guidance from the Philippine Government in respect of any future activity in SC 72 and other areas that are under FM.

Operational:

##### *Exploration risk*

Exploration activities within the Company's licences may not result in a commercial discovery. The Company is pursuing a growth strategy with a concentrated portfolio of exploration assets. The historic industry average exploration drilling success rate is approximately one for every five wells. There is no certainty of success from the Company's existing portfolio.

The Company mitigates the exploration risk by employing highly experienced oil and gas experts, application of modern technology, and selecting prospective exploration assets with phased exit points.

##### *Health, Safety, Security and Environment ("HSSE") risk*

There is always a risk of an HSSE incident in any company that can potentially impact its staff, contractors, communities, environment and ultimately, its reputation. This risk is mitigated through the implementation of the Company's HSSE

## STRATEGIC REPORT (CONTINUED)

management system, staff training and development, and selection of reputable contractors.

### Financial:

#### *Counterparty risk*

FEL's cash resources may be negatively affected by failure of a counterparty. To mitigate this risk, the Company holds a large proportion of its cash reserves in US Dollars on deposit with banks and institutions with creditable financial institutions. The currency for most contracts, procurement, services, and oil sales is in US Dollars and therefore the Company believes minimal exposure to currency fluctuations.

#### *Credit risk*

Credit risk is such a risk where the Company could incur a loss if its counterparties fail to discharge their contractual obligations. The Company manages credit risk by doing business mostly with affiliates and recognized creditworthy third parties. With respect to credit risk arising from the financial assets of the Company, which comprise of cash in banks and cash equivalents, and receivables, the Company's exposure to credit risk could arise from the default of the counterparty, having a maximum exposure equal to the carrying amount of the instrument.

#### *Liquidity risk*

Liquidity risk is such a risk where the Company is unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company's objective is to maintain a balance between continuity of funding and flexibility, and addresses its liquidity concerns through advances from FEPC, a subsidiary and securing continued financial support from its major shareholders.

#### *Commodity Price Risk*

The Company is exposed to commodity price fluctuations through the sale of crude oil denominated in US dollars. The operator of Galoc Oil Field may enter into commodity crude price oil swap and option contracts to manage commodity price risk. As at 31 December 2019, the operator had no open oil price swap and option contracts (2018: nil).

### External:

#### *Country risk*

The Company's assets are located in a non-OECD country. Government regulations and security environment may change with a consequential effect on the Company's assets.

Country risk is mitigated by monitoring the political, regulatory, and security environment within the country in which FEL holds assets by engaging in constructive discussions where and when appropriate, and employing third party expertise to assist in the resolution of issues affecting the Company's assets.

In addition to the current principal risks identified above and general business risks, the Company's business is subject to risks inherent in oil and gas exploration, development, and production activities.

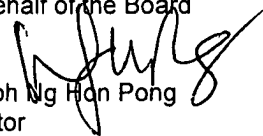
## COVID 19

In a move to contain the Covid-19 outbreak, countries around the world imposed stringent measures to mitigate the impact of the outbreak. This include Jersey and the Philippines where the Company's subsidiary is located. Management believe that Covid-19 will have minimal impact on the operation since the major asset SC72 is in force majeure. Also, management is taking the necessary measures to mitigate potential impact on its business operations, in accordance with government guidelines, by communicating and enforcing preventive guidelines within the work area against the spread of the virus.

## Financial Results and Key Financial Indicators of subsidiaries

During the year, loss from operations consisting primarily of company overhead were minimal at US\$34,155 (2018: US\$74,270). This was a result of management's continuing cost reduction efforts which includes sharing of overhead among the other subsidiaries within the PXP group. During the year, a reversal on impairment of receivable from FGL amounting to US\$5,457,249 was recorded in the Company's books representing FGL's ability to pay said amount (see note 14). Also, an impairment of investment in FEPC in 2019 amounted to US\$441,700 (2018: Nil) was recorded as a result of the suspension of Galoc Oil Field in September 2020.

On behalf of the Board

  
Joseph Ng Hon Pong  
Director  
9 October 2020

# REPORT OF THE DIRECTORS

## Results and Dividends

The Company's Statement of Comprehensive Income is set out on page 17 and shows income of US\$4,982,559 after impairment adjustments (2018: Loss of US\$75,742) for the year. The Directors do not recommend the payment of a dividend this year (2018: Nil).

In 2018, a notable progress was witnessed by the Company with the signing of a Memorandum of Understanding (MOU) on cooperation on Oil and Gas Development between the Philippines and China. This will pave the way for the creation of a Steering Committee that will work out a program of cooperation which could lead eventually to joint exploration. Due to this, the Company is still working with the Philippine Government to lift the FM on its major asset, SC 72 (operated by FGL) as of signing date.

## Employment Practices

The Company through its parent company PXP, which is providing technical and administrative support to the Company since August 2015, is an equal opportunity employer. Where applicable, recruitment, remuneration, and career progression are not influenced by race, gender, marital status or disability. The Company promotes workforce diversity and has a business unit in the Philippines which is staffed by regional employees. The Company has no direct employees other than its directors.

## Health, Safety, Security and Environment

The Company is committed to effective Health, Safety, Security, and Environmental practices, which will benefit its employees, contractors, and the community of the areas where the Company conducts its operations.

## Details of Directors

The Directors who held office are as follows:

Joseph H.P. Ng	Director	Appointed on 21 March 2019
Marilyn A. Victorio-Aquino	Director	Appointed on 01 June 2019
Eric O. Recto	Director	
Robert C. Nicholson	Executive Chairman	Resigned on 21 March 2019
Paul F. Wallace	Director	Resigned on 31 May 2019

## Political Donations

No political donations were made during the year (2018: Nil).

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the strategic report, the directors' report, and the financial statements in accordance with applicable law and regulations.

UK Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company's financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Under the UK Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue doing business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## REPORT OF DIRECTORS (CONTINUED)

### Indemnification of Directors and Officers

The Directors and Officers of the Company and its controlled entities are covered by PXP's group Directors' and Officers' insurance against liabilities incurred while performing duties as Directors or Officers to the extent permitted by the Companies Act 2006.

### Post reporting date events

See Note 14.

### Going Concern

The Company primarily depends on its subsidiary, FEPC, particularly from the cash generated from SC 14-C-1 Galoc Oil Field and also from the support of its major shareholders. During 2020, Galoc announced the suspension of its operations effective September 2020, partially due to the oil price collapse following the economic downturn resulting from COVID-19. As such, it is expected that FEL will not be able to obtain financing from FEPC in the short term. However, on April 16, 2020, a capital call was made to the Company's shareholders through the issuance of 8,333,330 new ordinary shares in FEL at US\$0.30 per share or a total of US\$2,499,999. Its major shareholders PXP, FEC Resources, Inc. ("FEC") and Tidemark Holdings Limited ("Tidemark") subscribed 6,099,626, 567,038 and 1,666,666, shares respectively, which was paid in cash. Proceeds of the capital call was used to fund the partial repayment of an existing Loan by FGL in PXP consisting of US\$431,073 in principal and US\$957,994 in accrued interest as of April 15, 2020. Subsequently, PXP agreed to extend the repayment date of the remaining balance of the loan principal amounting to US\$5,091,204 up to 31 December 2021. The cash proceeds will enable FEL and its subsidiaries to operate for at least the next 2 years and at the same time substantiates PXP's financial support to the Company.

Management is taking the necessary measures to mitigate potential impact of COVID-19 on its business operations in accordance with government guidelines. The Company and its subsidiaries have measures in place within the work area to prevent the risk associated with the virus and this policy are well communicated and strictly enforced.

Management believes that Covid-19 has a minimal impact on the major asset of the Group which is SC72, since the asset is still under force majeure.

### Exemption to file group accounts

Under Section 401 of Companies Act 2006, the Company is exempted from preparing group accounts as it is a 75.92% subsidiary of its immediate parent, PXP, which is listed on the Philippine Stock Exchange and was not established under the law of an EEA state. Section 401 exemption applies as PXP holds an interest between the range of 50% and 90% and no notice to prepare group accounts was served within 6 months at the year-end by the shareholders holding in aggregate at least 5% of the allotted shares in the Company.

The 2019 audited PXP group accounts, including the group audit report, in which the Company is consolidated, are prepared in accordance with Philippines Financial Reporting Standards and will be filed together with the Company's accounts at Companies House. The PXP group accounts are available at <https://www.pxpenergy.com.ph/company-disclosure/financial-reports/2019-yearend/>.

### Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed above. Having made enquiries of fellow Directors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor are aware of that information.

On behalf of the Board



Joseph Ng Hon Pong  
Director  
9 October 2020

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORUM ENERGY LIMITED

## Opinion

We have audited the financial statements of Forum Energy Limited ("the Company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Emphasis of matter – Recoverability of Investments in and Amounts receivable from related parties

We draw attention to note 1.4 to the financial statements concerning the uncertain outcome of the force majeure situation afflicting the SC 72 license concession which is held by a subsidiary, Forum (GSEC 101) Limited. If the maritime dispute is not resolved, the investment included in the balance sheet with a carrying value of US\$ 8,607,571 (Note 5) and carrying value of amounts due from related parties of US\$23,407,983 (Note 9) would be fully impaired, as the company would not be able to recover the carrying amount. The ultimate outcome of the matter cannot presently be determined and no impairment has been recorded in respect of the investment or the amounts due from related parties in the financial statements. Our opinion is not modified in this respect of this matter.

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORUM ENERGY LIMITED (CONTINUED)

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Anne Sayers (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
Date: 9 October 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# FORUM ENERGY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 US\$	2018 US\$
<b>Loss from operations</b>	2	<b>(34,155)</b>	<b>(74,270)</b>
<b>Other income / (expense)</b>			
Reversal of impairment of receivable	9 and 14	5,457,249	-
Impairment of investment in a subsidiary	5 and 14	(441,700)	-
Realized foreign exchange gain / (loss)	4	1,165	(1,472)
<b>Income / (loss) before taxation</b>		<b>4,982,559</b>	<b>(75,742)</b>
<b>Taxation</b>	8	<b>-</b>	<b>-</b>
<b>Income / (loss) for the year</b>		<b>4,982,559</b>	<b>(75,742)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>4,982,559</b>	<b>(75,742)</b>

The notes on pages 21 to 31 form an integral part of these financial statements.

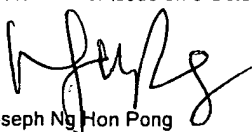
# FORUM ENERGY LIMITED

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 US\$	2018 US\$
<b>Assets</b>			
<b>Noncurrent assets</b>			
Investments	5	8,607,571	9,049,271
Other noncurrent asset	6 and 9	206,652	-
<b>Total noncurrent assets</b>		<b>8,814,223</b>	<b>9,049,271</b>
<b>Current assets</b>			
Other receivables		30	29
Amounts due from related parties	6 and 9	23,439,270	4,939,116
Cash and cash equivalents		28,410	23,888
<b>Total current assets</b>		<b>23,467,710</b>	<b>4,963,033</b>
<b>Total assets</b>		<b>32,281,933</b>	<b>14,012,304</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other payables		3,389	3,389
Amounts due to related parties	9	22,140,400	8,853,330
<b>Total current liabilities</b>		<b>22,143,789</b>	<b>8,856,719</b>
<b>Total net assets</b>		<b>10,138,144</b>	<b>5,155,585</b>
<b>Capital and reserves</b>			
Share capital	7	11,844,348	11,844,348
Share premium		59,343,803	59,343,803
Accumulated deficit		(61,050,007)	(66,032,566)
<b>Total capital and reserves</b>		<b>10,138,144</b>	<b>5,155,585</b>

The financial statements of Forum Energy Limited (registered number 05411224) were approved by the Board of Directors and authorised for issue on 9 October 2020. These were signed on behalf of the Board of Directors by:

  
Joseph Ng Hon Pong  
Director

The notes on pages 21 to 31 form an integral part of these financial statements.

# FORUM ENERGY LIMITED

## STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019

	Share capital US\$	Share premium US\$	Accumulated deficit US\$	Total capital and reserves US\$
Balance as at 1 January 2018	11,844,348	59,343,803	(65,956,824)	5,231,327
Total comprehensive loss for the year	-	-	(75,742)	(74,742)
Balance as at 31 December 2018	11,844,348	59,343,803	(66,032,566)	5,155,585
Total comprehensive income for the year	-	-	4,982,559	4,982,559
Balance as at 31 December 2019	11,844,348	59,343,803	(61,050,007)	10,138,144

Share capital represents the nominal value of shares issued. The share premium account holds the balance of consideration received in excess of the nominal value of the shares.

The notes on pages 21 to 31 form an integral part of these financial statements.

# FORUM ENERGY LIMITED

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 US\$	2018 US\$
<b>Cash flows from operating activities</b>			
Income (loss) for the year		4,982,559	(75,742)
Adjustments for:			
Impairment of investment in a subsidiary	5 and 14	441,700	-
Reversal of impairment of receivable	9 and 14	(5,457,249)	-
(Increase) Decrease in other receivables		(1)	544
<b>Net cash flows used in operating activities</b>		<b>(32,991)</b>	<b>(75,198)</b>
<b>Cash flows from financing activity</b>			
Advances from a subsidiary and related parties		37,513	76,597
<b>Net cash flows from financing activity</b>		<b>37,513</b>	<b>76,597</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,522</b>	<b>1,399</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>23,888</b>	<b>22,489</b>
<b>Cash and cash equivalents at end of year</b>		<b>28,410</b>	<b>23,888</b>

The notes on pages 21 to 31 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

## 1. ACCOUNTING POLICIES

### 1.1 Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The Company's financial statements have been prepared in accordance with IFRS and interpretations issued by the IFRS Interpretations Committee (IFRIC), as adopted by the EU and with the Companies Act 2006 as applicable to companies reporting under IFRS.

Under Section 401 of the Companies Act 2006, the Company is exempted from preparing group accounts as it is a 75.92% subsidiary of its immediate parent, PXP, which is a group listed on the Philippine Stock Exchange and was not established under the law of an EEA state. The Section 401 exemption applies as PXP holds an interest between the range of 50% and 90% and no notice to prepare group accounts was served within 6 months at the year-end by the shareholders holding in aggregate at least 5% of the allotted shares in the Company.

These financial statements have been prepared under the historical cost convention and are presented in United States dollars (US\$).

The 2019 audited PXP group accounts, including the group audit report, in which the Company is consolidated, are prepared in accordance with PFRS and will be filed together with the Company's accounts at Companies House. The PXP group accounts are available at <https://www.pxpenergy.com.ph/company-disclosure/financial-reports/2019-yearend/>.

### Basis of accounting and adoption of new and revised standards

The Company's financial statements have been prepared in accordance with IFRS as adopted by the EU.

#### New and amended standards adopted by the Company

Apart from the new and amended standards mentioned below, the adoption of other new and amended standards did not have any impact on the Company's financial position and results, unless otherwise indicated.

- **IFRS 16, Leases**  
IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.

The Company do not have current contractual lease for the year 2019 that falls within the scope of IFRS 16.

- **IFRIC 23, Uncertainty over Income Tax Treatments**  
An entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company determined, based on its tax compliance assessment that it is probable that its tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the financial statements of the Company.

## **1. ACCOUNTING POLICIES (CONTINUED)**

### **1.1 Basis of preparation (Continued)**

- Amendments to IFRS 9, Prepayment Features with Negative Compensation
- Amendments to International Accounting Standards ("IAS") 19, Employee Benefits, Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28, Long-term Interests in Associates and JV
- Annual Improvements to IFRSs 2015-2017 Cycle,

Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early

The Company has not early applied any new and revised IFRSs, that have been issued but are not yet effective for the year ended 31 December 2019. The Company intends to adopt the standards when they become effective.

### **1.2 Going concern**

The Company primarily depends on its subsidiary, FEPC, particularly from the cash generated from SC14 C-1 Galoc Oil Field and also from the support of its major shareholders. During 2020, Galoc announced the suspension of its operations effective September 2020, partially due to the oil price collapse following the economic downturn resulting from COVID-19. As such, it is expected that FEL will not be able to obtain financing from FEPC in the short term. However, on April 16, 2020, a capital call was made to the Company's shareholders through the issuance of 8,333,330 new ordinary shares in FEL at US\$0.30 per share or a total of US\$2,499,999. Its major shareholders PXP, FEC, Inc. and Tidemark subscribed 6,099,626, 567,038 and 1,666,666, respectively, and paid in cash. Proceeds of the capital call was used to fund the partial repayment of an existing Loan by FGL from PXP consisting of US\$431,073 in principal and US\$957,994 in accrued interest as of April 15, 2020. Subsequently, PXP agreed to extend the repayment date of the remaining balance of the loan principal amounting to US\$5,091,204 up to 31 December 2021. The cash proceeds will enable FEL and its subsidiaries to operate for at least the next 2 years and at the same time substantiates PXP's financial support to the Company.

Management is taking the necessary measures to mitigate potential impact of COVID-19 on its business operations in accordance with government guidelines. The Company and its subsidiaries have measures in place within the work area to prevent the risk associated with the virus and this policy are well communicated and strictly enforced.

Management believes that COVID-19 has a minimal impact on the major asset of the Group which is SC72, since the asset is still under force majeure.

### **1.3 Significant Accounting Policies**

#### **Subsidiaries**

The Company's investments in subsidiaries are accounted for at cost, less any impairment in value. A subsidiary is an entity in which the Company is exposed, or has rights, to variable returns from its involvement with such entity and has the ability to affect those returns through its power over such entity. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other companies, are considered when assessing whether a Company has control. The Company recognizes dividend income from its subsidiaries when its right to receive dividends is established.

#### **Foreign currency**

The functional and presentation currency of the Company is the US Dollar. Transactions entered into by the entity in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the Statement of Comprehensive Income.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to the cash flow expires or when substantially all the risk and rewards of ownership are transferred. Financial liabilities are de-recognised when the obligations specified in the contract are either discharged or cancelled.

## **1. ACCOUNTING POLICIES (CONTINUED)**

### **1.3 Significant Accounting Policies (continued)**

#### *Financial assets*

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Receivables and other financial assets* – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through other types of contractual monetary asset such as advances made to affiliated entities. They are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost, using the effective interest method, less any provision for impairment. If the need for impairment of a receivable arises, the value of the provision, representing the expected loss from not being able to recover such receivables, is recognised as an expense.

#### *Receivables from subsidiaries*

For amounts due from related parties, the Company has applied IFRS's general approach and has calculated ECL based on possible default within the next twelve months and continuously tracks changes in credit risks. The key inputs in the ECL model includes subsidiary's capability to pay, fair value of collateral and estimated net recoveries, definition of default, and expected manner of recovery.

*Cash and cash equivalents* – Cash comprises cash on hand and in bank. Any interest earned is accrued monthly and classified as interest income. Cash equivalents comprise short-term, highly liquid investments with original maturities of three months or less at the date acquired, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### *Financial liabilities*

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

After initial recognition, the following financial liabilities are measured at amortized cost using the effective interest method: (i) loans and borrowings, and (ii) payables. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs.

#### *Equity*

*Share Capital* – Ordinary shares are classified as equity. The proceeds for the issuance of ordinary shares are presented in equity as share capital to the extent of the par value of the issued shares, and any excess of the proceeds over the par value or shares issued is presented in equity as Share Premium.

#### *Current and Deferred Taxation*

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of UK tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

### **1.4 Accounting estimates and judgements**

#### *Judgements*

In the process of applying Company's accounting policies, the Company has made the following judgements, which have the most significant accounting impact on the Company's financial results:

*Impairment review* – While conducting an impairment review of its investments, the Company makes certain judgements in making assumptions about the subsidiaries' likelihood of licence conversion, the future prices, reserve levels, and future development and production costs. Changes in the estimates used can result in significant charges to the statement of comprehensive income. The review is performed solely for the purposes of considering the recoverability of the carrying value of the Company's assets.



## **1. ACCOUNTING POLICIES (CONTINUED)**

### **1.4 Accounting estimates and judgements (continued)**

#### *Key estimations and assumptions*

The Company has used estimates and assumptions in arriving at certain figures within the financial statements. The resulting accounting estimates may not equate to the actual results which will only be known in time. Those areas believed to be key areas of estimation are noted below, with further details of the assumptions contained in the relevant note.

#### *Recoverability of investments*

The Company's investments in subsidiaries will ultimately be recovered through the Company's subsidiaries successfully developing and continuing to produce from their assets.

Under the subsidiaries' policy, such costs are capitalised as intangible assets and assessed for impairment on a cash generating unit (CGU) basis when circumstances suggest that the carrying amount of the CGU may exceed its recoverable value and, therefore, there is a potential risk of an impairment adjustment. Methods used to determine the recoverable value in use include discounted cash flow-based methods, which require the subsidiary to make an estimate of the expected future cash flows from that CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Determination as to whether, and how much, an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for global or regional market supply-and-demand conditions for crude oil and natural gas. For such assets the expected future cash flows are estimated using management's best estimate of future crude oil and natural gas prices, reserves volumes and discount rate. Prices for crude oil and natural gas used for future cash flow calculations are based on market prices for the first five years and the subsidiaries' long-term price assumptions thereafter.

With respect to exploration license SC72, there is significant uncertainty about the future outcome of the territorial maritime dispute between the Philippine and Chinese Governments in relation to the WPS area where the entity's subsidiary SC 72 asset is located and the asset has been placed in force majeure. Further exploration works in relation to the second SP and all subsequent SPs have been suspended until the territorial dispute in the WPS has been resolved. There is currently no fixed timeframe for the matter to be concluded. However, there have been Bilateral Consultation Meetings (BCM) between the Philippines and China held in 2018 aimed at addressing the territorial and jurisdictional disputes by peaceful means and through negotiations. A Memorandum of Understanding (MOU) on oil and gas development between the Philippines and China was also signed in November 2018 which aims to pave the way for the creation of a Steering Committee that will work out a program of cooperation that could lead to joint exploration in the WPS. In turn, the Steering Committee will create one or more inter-entrepreneurial Working Groups to cover the technical and commercial aspects of the joint exploration. It is expected that such a Working Group will be established for SC 72 that would consist of Company's representatives authorized by the two governments. In the case of China, the state-owned China National Offshore Oil Corporation has already been appointed. The Company is awaiting the Philippine government's formal appointment of FGL, being the current operator of SC 72.

In October 2019, the Steering Committee was created, with Philippine Foreign Affairs Undersecretary for Policy and the Chinese Vice Foreign Minister as co-chairmen. During the initial meeting held in Beijing, China, both sides agreed to further push forward communication and coordination on oil and gas development. The Steering Committee also agreed to hold the second meeting in the Philippines in early 2020, but was deferred due to the COVID-19 pandemic.

The Company's best estimate as at the date of these financial statements is that the territorial dispute will ultimately be resolved in such a way that the Company will be able to recover the carrying amount of asset recorded at the reporting date but significant uncertainty remains as to how, and when, this will be resolved. The ultimate outcome of these matters cannot be presently determined and therefore the Directors consider that at present it is too early for any impairment to be recorded in respect of the investment in SC 72 asset in the financial statements. If the maritime dispute is not resolved, the investment included in the balance sheet with a carrying value of US\$ 8,607,571 and carrying value of amounts due from related parties from Forum (GSEC 101) Limited of US\$23,407,983 (Note 9) would be fully impaired, as the company would not be able to recover the carrying amount.

#### *Impairment of financial assets*

The Company's cash and cash equivalents, other receivables, and amounts due from related parties are subject to the ECL model. While cash and cash equivalents and other receivables are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

## 1. ACCOUNTING POLICIES (CONTINUED)

### 1.4 Accounting estimates and judgements (continued)

The Company uses the general approach model as impairment requirement of IFRS 9 based on ECL. An assessment of the ECL relating to amounts due from related parties are undertaken upon initial recognition and each financial year by examining the financial position of the subsidiary and the market in which the subsidiary operates applying the general approach of the ECL impairment model of IFRS 9. The general approach of the ECL impairment model involves exercise of significant judgment. Key areas of judgment include: defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; debtor's capacity to pay, and incorporating forward-looking information in calculating ECL. Total carrying value of amounts due from related parties amounted to US\$23,439,270 as of 31 December 2019 (2018: US\$4,939,116).

## 2. LOSS FROM OPERATIONS

	For the year ended 31 December	
	2019	2018
	US\$	US\$
Audit fee	23,065	20,100
Legal & professional fees	3,759	2,608
Administrative service fees	1,398	1,476
Other expenses	5,933	50,086
	<b>34,155</b>	<b>74,270</b>

## 3. SALARIES

The Company had no employees and incurred no salaries and employee benefits during the years ended 31 December 2019 and 2018. The employees of the parent company, PXP Energy Corporation, provides administrative support to the Company since August 2015.

Directors' emoluments:

There was no remuneration paid to Directors during the years ended 31 December 2019 and 2018. Payment of Director's emoluments were agreed to be discontinued since 2016 as part of the Company's cost reduction exercise.

## 4. FOREIGN EXCHANGE GAIN / (LOSS)

	For the year ended 31 December	
	2019	2018
	US\$	US\$
Realized foreign exchange gain / (loss)	1,165	(1,472)

## 5. INVESTMENTS

	For the year ended 31 December	
	2019	2018
	US\$	US\$
Cost		
At 1 January	9,049,271	9,049,271
Impairment	(441,700)	-
At 31 December	<b>8,607,571</b>	<b>9,049,271</b>

## 5. INVESTMENTS (CONTINUED)

GPC, the Operator of SC14 C-1, has set the Cessation of Operation of the Galoc Oil Field on September 2020. This comes after GPC's receipt of a Notice of Termination from ROI, the owner of the floating production storage and offloading (FPSO) vessel, Rubicon Intrepid. This will have a negative impact on the Company's cash forecast related to the FEPC and as such, management recorded a full impairments on its investment in FEPC amounting to US\$441,700 (2018: NIL).

The subsidiaries of the Company who are engaged in the exploration and development of oil and gas assets are as follows:

Name	Country of incorporation	Ownership	Proportion of ownership interest and ordinary share capital held	
			2019	2018
FGL <sup>(1)</sup>	Jersey <sup>(2)</sup>	Direct	100%	100%
FEI	Philippines <sup>(3)</sup>	Indirect	66.67%	66.67%
FEPC	Philippines <sup>(3)</sup>	Direct	100%	100%

(1) FGL has established a registered branch office in the Philippines.

(2) Registered address at Charter Place 23-27 Seaton Place, St. Helier, Jersey JE11JY.

(3) Registered address at 2/F LaunchPad, Reliance corner Sheridan Streets, Highway Hills, Mandaluyong City 1550, Philippines.

## 6. OTHER NONCURRENT ASSET

During the year, additional advances were obtained by the Company from FEPC amounting to US\$206,652 used for the capital requirements of Philippine SEC to establish a new wholly-owned subsidiary of the Company. Subsequent to 31 December 2019, the SEC approved the creation of this new wholly-owned subsidiary named Forumph SC72 Holdings, Inc. ("SC72 Holdings"), with a subscribed capital of 10,500,000 shares. SC72 Holdings shall act as an intermediary holding company that will reorganize the holding in SC72 (see Note 14).

## 7. SHARE CAPITAL

	2019 Number of Shares	2018	2019 Amount US\$	2018
<b>Ordinary shares allotted, called up and fully paid of 10 pence each:</b>				
At 1 January and 31 December	81,567,120	81,567,120	11,844,348	11,844,348

All of the shares in issue have equal voting rights.

## 8. TAXATION

	For the year ended 31 December	
	2019 US\$	2018 US\$
(a) Tax charged in the Statement of Comprehensive Income		
Current income tax charge for the year	-	-
(b) Reconciliation of the total tax charge		
A reconciliation between tax expenses and the accounting loss multiplied by the tax rate for the year is as follows:		
Income (loss) before tax	4,982,559	(75,742)

## 8. TAXATION (CONTINUED)

	For the year ended 31 December	
	2019	2018
	US\$	US\$
Current tax payable at United Kingdom rate at 19% (2018: 19%)	946,686	(14,391)
Tax adjustment for non-taxable income and non-deductible expenses:		
Non-taxable Income (recovery of impairment)	(1,036,877)	-
Non-deductible expenses	83,923	-
Tax losses carry forward	6,268	14,391
Tax expense	-	-

The Company has carried forward losses converted in UK pounds amounting to £10,746,848 as at 31 December 2019 (2018: £10,727,085). Carry forward losses for each year amounts to US\$28,418 in 2019 and US\$28,141 in 2018, converted to UK pounds using annual average forex rate of £0.6954 and £0.7443 respectively. As the timing and extent of taxable profits of the Company are uncertain, the deferred tax asset arising on these losses has not been recognized in the financial statements.

## 9. RELATED PARTY TRANSACTIONS

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

The Company has advances to/from subsidiaries to fund the overhead expenses of the Company and exploration costs of its related parties. The following balances and nature of transactions are detailed below:

	Transaction amount US\$	2019 Closing balance US\$	Terms and Conditions
<b>Amounts due from related parties</b>			
PXP	31,287	31,287	Unsecured, non-interest bearing
FGL	19,361,588	23,407,983	Unsecured, non-interest bearing
<b>Total</b>	<b>19,392,875</b>	<b>23,439,270</b>	
<b>*Amounts due to related parties</b>			
FEPC**	8,522,365	17,375,695	Unsecured, non-interest bearing
FEI**	4,764,705	4,764,705	Unsecured, non-interest bearing
<b>Total</b>	<b>13,287,070</b>	<b>22,140,400</b>	

- a. In December 2019, the Company made a reorganization of its due to/from related parties, the purpose of which is to consolidate the intercompany balances of the subsidiaries within the group to their parent, FEL. As such, the Company shall be the sole creditor and debtor of all of its subsidiaries. This resulted to the following transactions:

## 9. RELATED PARTY TRANSACTIONS (CONTINUED)

FGL assigned to FEL its due from PXP amounting to US\$31,287 as payment of its payable to the latter. This resulted to a decrease of FEL's receivable from FGL and an increase in its receivable from PXP for the same amount.

FGL Philippine Branch assigned to FGL its due to FEL amounting to US\$892,721 which resulted to the increase in due from FGL and a corresponding decrease in due from FGL - Philippine Branch for the same amount.

FGL assigned its due to related parties in FEPC and FEI amounting to US\$8,278,199 and US\$4,764,705, respectively, to FEL. This resulted in FEL recognizing a due to FEPC and FEI for the corresponding amounts and a due from FGL for the total amounting to US\$13,042,904.

- b. During the year, a reversal on impairment of receivable from FGL amounting to US\$5,457,249 was recorded in the Company's books representing FGL's ability to pay a total of US\$23,407,983 based on a proposed sale transaction subsequent to 31 December 2019 (see Note 14).
- c. During the year, FEPC made payments on FEL's behalf amounting to US\$37,514 for overhead costs and US\$206,652 for capital requirements related to the creation of a new wholly-owned subsidiary (see Notes 6 and 14).

		2018	
	Transaction amount US\$	Closing balance US\$	Terms and Conditions
<b>Amounts due from related parties</b>			
FGL - Philippine Branch	-	892,721	Unsecured, non-interest bearing
FGL	-	4,046,395	Unsecured, non-interest bearing
<b>Total</b>	<b>-</b>	<b>4,939,116</b>	
<b>Amounts due to related parties</b>			
FEPC	76,597	8,853,330	Unsecured, non-interest bearing
<b>Total</b>	<b>76,597</b>	<b>8,853,330</b>	

## 10. FINANCIAL INSTRUMENTS

The table below shows the classification of the Company's financial instruments.

	Under IFRS 9 measurement category US\$
<b>CY2019</b>	
<b>Financial Assets</b>	Amortized Cost
Other noncurrent asset	206,652
Other receivables	30
Amounts due from related parties	23,439,270
Cash and cash equivalents	28,410
<b>Financial liabilities</b>	Amortized Cost
Other payables	3,389
Amounts due to related parties	22,140,400

## 10. FINANCIAL INSTRUMENTS (CONTINUED)

CY2018	Under IFRS 9 measurement category US\$
<b>Financial Assets</b>	Amortized Cost
Other receivables	29
Amounts due from related parties	4,939,116
Cash and cash equivalents	23,888
<b>Financial liabilities</b>	Amortized Cost
Other payables	3,389
Amounts due to related parties	8,853,330

Due to the short-term nature of cash and cash equivalents, other receivables, other payables, and amounts due from/to related parties, the fair value of the Company's financial assets and liabilities approximates their carrying values.

## 11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Risk Management Structure

The Board of Directors is responsible for the overall risk management and approval of the risk strategies and principles of the Company.

### Financial Risks

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, and market risk. The market risk exposure of the Company can further be classified to foreign currency risk and interest rate risk. The Board of Directors reviews and approves policies for managing these risks.

### Credit risk

Credit risk is such risk where the Company could incur a loss if its counterparties fail to discharge their contractual obligations. The Company manages credit risk by doing business mostly with affiliates and recognized creditworthy third parties. With respect to credit risk arising from the financial assets of the Company, which mainly comprising of cash and cash equivalents, and amounts due from related parties, the Company's exposure to credit risk could arise from the default of the counterparty, having a maximum exposure equal to the carrying amount of the financial asset.

The following table summarizes the Company's maximum credit risk exposure and credit quality per class of financial assets:

CY 2019	Not Credit-impaired		Credit-impaired		Total	
	Gross Carrying Amount US\$	Allowance for ECL US\$	Gross Carrying Amount US\$	Allowance for ECL US\$	Gross Carrying Amount US\$	Allowance for ECL US\$
Other Receivables	30	-	-	-	30	-
Amounts due from related parties	23,439,270	-	-	-	23,439,270	-
Advances to related parties	206,652	-	-	-	206,652	-
Cash and cash equivalents	28,410	-	-	-	28,410	-

## 11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CY 2018	Not Credit-impaired		Credit-impaired		Total	
	Gross Carrying Amount US\$	Allowance for ECL US\$	Gross Carrying Amount US\$	Allowance for ECL US\$	Gross Carrying Amount US\$	Allowance for ECL US\$
Other Receivables	29	-	-	-	29	-
Amounts due from related parties	4,939,116	-	-	-	4,939,116	-
Cash and cash equivalents	23,888	-	-	-	23,888	-

### *Liquidity risk*

Liquidity risk is such risk where the Company is unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company's objective is to maintain a balance between continuity of funding and flexibility, and addresses its liquidity concerns through advances from its subsidiary, FEPC. As the Company's payables are intra-group, the Company considers the risk to be manageable.

### *Market Risk*

#### *Foreign currency risk*

Foreign currency risk is the risk where the value of the Company's financial instruments diminishes due to unfavourable changes in foreign currency exchange rates. The Company's transactional currency exposures arise from cash and cash equivalents. Given the size of the cash and cash equivalents, the Company's exposure to foreign currency risk is limited.

#### *Interest rate risk*

The Company is not exposed to interest rate risk on assets and liabilities (cash and cash equivalents and loan from related company). Receivables and other payables are interest free so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

## 12. CAPITAL MANAGEMENT

The overall objective of the Company is to maximise shareholder returns and minimise risks by keeping a reasonable balance between debt and equity. The Company addresses its liquidity concerns through advances from FEPC, a subsidiary.

On a regular basis, the Board of Directors receive financial and operational performance reports that enable continuous management of assets, liabilities and liquidity.

The Company maintains a capital base to cover risk inherent in the business. The primary objective of the Company's management is to optimise the Company's resources. No significant changes have been made in the objectives, policies and processes of the Company from the previous year.

The table below summarizes the total capital and reserves considered by the Company:

	For the year ended 31 December	
	2019 US\$	2018 US\$
Share capital	11,844,348	11,844,348
Share premium	59,343,803	59,343,803
Accumulated deficit	(61,050,007)	(66,032,566)
	<b>10,138,144</b>	<b>5,155,585</b>

## 13. CONTINGENT LIABILITIES

There are no contingent liabilities to date.

## **14. POST REPORTING DATE EVENTS**

### **Investment in a new subsidiary**

On 08 January 2020, FEL incorporated a new wholly-owned subsidiary, Forumph SC72 Holdings, Inc (SC72 Holdings), to act as a holding company in its plan to reorganize the holding in SC72. On 23 January 2020, SC 72 Holdings created a new subsidiary Forumph SC 72 ProjectCo Inc. (ProjectCo) and on 27 March, 2020, FGL entered into an agreement with Projectco for the assignment of the former's 70% Participating Interest in SC 72 to the latter amounting to US\$23,407,983 subject to the approval from the DOE which is pending as of 9 October 2020 (the "Transaction"). The total balance of FEL's receivable from FGL amounted to US\$17,950,734, including an impairment of US\$26,099,000. As the Transaction indicates FGL's ability to pay a portion of its payable to FEL, a recovery of impairment amounting to US\$5,457,249 was recorded in the Statement of Comprehensive Income in 2019.

### **Fund raising through subscription of new shares**

On 16 April 2020, a capital call was made to the Company's shareholders through the issuance of 8,333,330 new ordinary shares in FEL at US\$0.30 per share or a total of US\$2,499,999. Its major shareholders PXP, FEC and Tidemark subscribed 6,099,626, 567,038 and 1,666,666, respectively, paid in cash. Proceeds of the capital call was used to fund the partial repayment of an existing Loan by FGL in PXP consisting of US\$431,073 in principal and US\$957,994 in accrued interest as of April 15, 2020. Subsequently, PXP agreed to extend the repayment date of the remaining balance of the loan principal amounting to US\$5,091,204 up to 31 December 2021.

### **Suspension and evaluation of Galoc**

The current COVID-19 pandemic and oil price dispute among the major exporting countries during the early part of 2020 have resulted to a steep decline in worldwide oil price, which affected the Galoc Oil Field's viability to continue commercial production. On 25 March 2020, ROI, owner of the Floating Production Storage and Offloading (FPSO) Intrepid, issued a Notice of Termination to the operator GPC, thus, Galoc Oil Field temporarily stop operations beginning September 2020. Moving forward, GPC, has relayed its total commitment to the long term future of the Galoc asset and is currently evaluating several scenarios to retain flexibility to extend its production.

### **COVID-19**

In a move to contain the COVID-19 outbreak, countries around the world imposed stringent measures to mitigate the impact of the outbreak. This include Jersey and the Philippines where the Company's subsidiary is located. Since the Company's major investment is an exploration asset in SC 72 currently under FM, management believes that COVID-19 will have minimal impact on the asset. To protect the welfare and safety of the personnel providing support for the Company, PXP, being provider of has measures in place to reduce the risk of infection on its personnel and strictly follows government guidelines to contain the spread of the virus.



## GLOSSARY

Board	The Board of Directors of Forum Energy Limited
BOPD	Barrels of oil per day
Company/FEL	Forum Energy Limited
DOE	Philippine Department of Energy
FEC	FEC Resources, Inc.
FEI	Forum Exploration, Inc.
FEPC	Forum Energy Philippines Corporation
FGL	Forum (GSEC 101) Limited
FEL	The Company
GIP	Gas-in-place
GSPA	Gas Sales & Purchase Agreement
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
MMbbl	Million barrels of oil
Pitkin	Pitkin Petroleum Plc
PXP	PXP Energy Corporation
SC	Service Contract
TCF	Trillion cubic feet
Tidemark	Tidemark Holdings Limited
WPS	West Philippine Sea