

FORUM PACIFIC, INC.

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MEMORANDUM

Date : 24 March 2026

For : The Board of Directors

From : Ms. Elvira A. Ting   
President

Mr. Ricky Ricardo   
Investor Relations Officer

Re : Status Report on Forum Exploration, Inc. (FEI)

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Background

33% of FEI is owned by FPI, and the controlling block of 67% is held by Forum Energy Philippines Corporation (FEPCO) of PXP (formerly Philex Petroleum, a part of the Manny Pangilinan Group). FEI holds Service Contract No. 40 (SC40), the North Cebu Block which will expire in November 2030.

The Libertad gas field within SC40 was operated by FEI from 2012 to 2015, producing around 200 million cubic feet of gas, which translated to approximately 20,000 megawatt hours of electricity which was sold to the grid. By 2017, water intrusion and fluctuating well-head pressures forced FEI to plug and abandon the gas field. This gas field was operated at mere operational break-even levels. FEPCO, which had advanced explorations costs, was not able to recover any advances made.

The Dalingding Prospect

Despite the disappointment at the early plugging and abandonment of the Libertad gas field, FEI has continued in searching for other viable locations within the SC40 area. To this end, FEPCO has been providing for the exploratory and operations funding of FEI, and together with previous exploration costs at Libertad, the payable to FEPCO now stands at US\$10.2 million (the "historical costs" of SC40).

The Dalingding prospect has been identified as the remaining possibility for gas and oil find within the area of SC40. The probability to find gas is placed at 33% while the

probability to find oil is placed at 10%. In order to continue exploration, the drilling and seismic mapping budget is estimated at US\$21 million. FEPCO had initially proposed to contribute US\$14 million in fresh funds for its 67% equity stake, and FPI was asked to raise \$7 million anew to cover its 33% stake. The drilling program would take around 2 years to complete, and if positive results were obtained, the development phase to set up a power plant would take another two years after the drilling program. The question therefore, was the quantity of gas and oil that would be found—if the discovery would yield limited and non-commercial gas/oil volumes, then the US\$21 million would be a sunk cost.

However, prior to commencing any drilling operations, FEPCO also asked FEI to pay the long-standing advances FEPCO has made to sustain FEI operations in the amount of US\$10.2 million. The 33% portion of FPI would then translate to US\$3.367 million.

To continue participating in SC40, FPI would therefore have to contribute US\$3.367 million to pay for prior years' liabilities, and another US\$7 million to fund the new drilling in Dalingding, a total of US\$10.367 million. Weighing this against a 33% chance to find gas or a 10% chance to find oil, volumes of which cannot be ascertained at the moment, management cannot recommend a further US\$7 million fresh equity participation by FPI to fund SC40 Dalingding drilling at the present time. This is especially in light of the abandonment of the Libertad field in 3 years when we had expected the field to be productive for a minimum of 8 years.

#### Proposal of FEPCO

Because FPI cannot agree to the risk scenario, in mid-2025, FEPCO had also determined not to contribute its own money into the new drilling program at Dalingding.

In late 2025, a new development came into the picture. The Australian exploration group Gas2Grid (G2G, listed in Sydney on the ASX) had expressed interest in a farm-in arrangement in which G2G would contribute the US\$21 million needed to explore the Dalingding prospect, in return for 60% of the gas/oil revenue plus participation on historical costs of SC40. Simply put, assuming a substantial gas/oil find, aside from taking 60% of the gas/oil revenues, the US\$10.2 million historical costs of SC40 would also be recovered by G2G from future gas/oil revenue instead of being recovered by FEI. However, FEI would be able to get 40% of the new gas/oil revenues (if any) in Dalingding without investing any further money. G2G is interested in SC40, as it already has operations in nearby SC44 (onshore exploration area, also in Cebu), and has the benefit of economies of scale.

The deal with G2G would mean that FPI would have to pay its US\$3.367 million (approximately P200 million) as its 33% share in historical costs, which would no longer be recoverable by FPI since the recovery would accrue to G2G. To push the deal, FEPCO insisted on a new round of share issuance in FEI such that FEPCO can collect from FEI, for which our P200 million cash equity contribution would be paid to them (33% of the US\$10.2 million historical cost). On their end, FEPCO would merely convert 67% of the US\$10.2 million historical cost into their corresponding payment for the newly issued shares. FEPCO argues that because the SC40 will expire in 2030, if we do nothing, all previous costs will definitely become sunk costs. The farm-in arrangement with G2G allows us the possibility of gas/oil discovery instead of a certainty of booking sunk costs.

However, upon analyzing the matter, management has determined that as it is, FEPCO has already sunk the money in and is relying on the offer of G2G to at least have a possibility of recovery of costs, while for FPI, the payment of P200 million is putting up new money after knowing that the quantity of nearby Libertad well was used up and plugged in only 3 years. If we have already rejected putting up US\$7 million in the new drilling scenario, then it follows that pouring in new money of US\$3.367 million for the sole benefit of G2G to recover is also not a viable option for FPI.

#### Course of Action

FEPCO had proposed to continue with the new share issuance and has called for a board and stockholders' meeting for the purpose. Because FEPCO has 67% control of FEI, FEPCO has the resolutions in the bag and will push the G2G deal in order to have a chance to gain some cash flow if ever gas/oil is found. However, while we want to participate in any future gas/oil find of G2G, management cannot recommend the payment of an additional \$3.367 million to subscribe to new FEI shares in view of the risks entailed in the Dalingding prospect.

As a result of the issuance of new FEI shares and the non-participation of FPI in the subscription thereof, as described above, FPI participation in FEI is diluted to 8.35%, and if gas/oil is found by G2G, then FPI participates in 8.35% of the 40% revenues of SC40 (equivalent to 3.34% of the revenue of SC40). This is a possible cash stream for FPI without having to put in new money into the drilling prospect.

#### Other Possible Collections from FEI

The beauty of the G2G arrangement is that FPI has a collectible of US\$2,9 million from FEI which we have already booked a provision for loss. If G2G will find gas/oil, this amount can be fully recovered as a windfall profit.

The course of recommended action therefore, is to do nothing and contribute nothing to the drilling program in Dalingding, and reap possible benefits from the G2G farm-in agreement.