COVER SHEET

AS93000120
SEC Registration No.

FORUM PACIFIC, INC.

(Company's Full Name)

35TH FLR. ONE CORPORATE CENTRE, DOÑA JULIA VARGAS COR. MERALCO AVE. ORTIGAS CENTER, PASIG CITY

(Business Address : No. Street City / Town / Province)

Atty. Arsenio A. Alfiler Jr.
Contact Person

(632) 706-7888
Contact Tel No./Fax No.

12 31
Fiscal Year

20-IS
DEFINITIVE
FORM TYPE

3rd Monday of April
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

865
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

20-IS Preliminary: FPI

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FORUM PACIFIC INC.

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
SEP 13 2019
MARKET REGULATION DEPT.
BY: TIME: 8:45

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Stockholders' Meeting of FORUM PACIFIC, INC. will be held at One Café and Events Place 6th Floor, One Corporate Center Pasig, on Tuesday, 8 October 2019 at 1:00 p.m., with the following agenda:

1. Call to Order
2. Certification of Notice and determining of Quorum
3. Approval of Minutes of Previous Meeting
4. Approval of Annual Report for the year ended December 31, 2018
5. Ratification of act of the Board and Management
6. Election of Directors
7. Election of External Auditor
8. Election of External Counsel
9. Other Matters
10. Adjournment

Only stockholders of record as at the close of business on 16 September 2019 are entitled to notice, and to vote at the meeting. The Stock and Transfer Books of the Corporation will be closed from 17 September 2019 to 8 October 2019. Please bring this notice and any form of identification such as driver's license, TIN card, passport, etc. to facilitate registration.

You may attend in person or through authorized representative with the execution of a proxy. Deadline for submission of proxies is on 27 September 2019. Please note that the Corporation is not soliciting proxies.

Thank you.

Arsenio A. Alfiler, Jr.

ARSENIO A. ALFILER, JR.
Corporate Secretary

Unit 3104, 31st Floor
Antel Global Corporate Center
#3 Julia Vargas Avenue
Ortigas Center, Pasig Center

We are not soliciting your proxy. However, if you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the enclosed proxy form and submit the same on or before 2 October 2018 to the Office of the Corporate Secretary at Unit 3104, 31st Floor, Antel Global Corporate Center, #3 Julia Vargas Avenue, Ortigas Center, Pasig Center. Thank you

PROXY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, stockholder of **FORUM PACIFIC, INC.,** do hereby constitute and appoint ____________________ as my attorney-in-fact and proxy, to attend and represent me at the Annual Stockholders Meeting of **FORUM PACIFIC, INC.** on **8 October 2019,** and thereat to vote upon ________________________ shares of stock owned by me on the following agenda items as I have indicated below and any and all business that may come before said meeting. If I fail to indicate my vote on the items specified below, my proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 9, and a "FOR" vote for proposals 1 through 8.

ITEM NO.	SUBJECT MATTER	ACTION		
		Yes	**No**	**Abstain**
3	• Approval of Minutes of Previous Meeting			
4	• Approval of Annual Report			
5	• Ratification of all acts and resolutions of the Board of Directors and Management adopted during the preceding year.			
6	• Election of Directors *All nominees listed below Peter S. Salud Kenneth T. Gatchalian Elvira A. Ting Sergio R. Ortiz-Luis, Jr. *(Independent Director)* Byoung Hyun Suh *(Independent Director)* Ruben D. Torres *(Independent Director)* Lamberto B. Mercado, Jr. Arthur R. Ponsaran Joaquin P. Obieta Richard L. Ricardo Omar M. Guinomla *Note:* *To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.*	FOR ALL*	WITHHOLD FOR ALL*	EXCEPTION
7	• Appointment of Diaz Murillo Dalupan and Co. as external auditor			
8	• Appointment of Corporate Counsels, Phils. Law Offices as external legal counsel			
9	• At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the Meeting.			

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE SEPTEMBER 27, 2019, THE DEADLINE FOR SUBMISSION OF PROXIES.

THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANYTIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

IN WITNESS WHEREOF, the undersigned has executed this PROXY this _____ of ___________ 2019 in ___________________.

____

Name and Signature of Stockholder/Authorized Representative

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
SECURITIES REGULATION CODE

1. Check the appropriate box:
   Preliminary Information Statement
   ☐ Definitive Information Statement

2. Name of Registrant as specified in its charter	:	**FORUM PACIFIC, INC. (the "Corporation")**
3. Province, country or other jurisdiction of incorporation or organization	:	**Metro Manila, Philippines**
4. SEC Identification Number	:	**SEC Registration No. AS93000120**
5. BIR Tax Identification Code	:	**TIN No. 002-155-598-000**
6. Address of Registrant's Principal Office	:	**35th Floor One Corporate Center, Doña Julia Vargas Ave., Cor. Meralco Ave., Ortigas Center, Pasig City**
7. Registrant's telephone number, including area code	:	**(632) 706-7888**
8. Date, time and place of Stockholder's Meeting	:	**October 8, 2019 at 1:00p.m. One Café Events Place 6th Floor One Corporate Center, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City**
9. Approximate date on which the Information Statement are first to be sent or given to security holders	:	**September 17, 2019**
10. In case of Proxy Solicitation	:	**Not Applicable**

11. Securities registered pursuant to Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	No. of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares – P1.00 par value	**Issued and Outstanding – 1,838,943,246**

12. Are any or all of registrants securities listed on the Philippine Stock Exchange?

    Yes __x__ No ____

    The common shares of the Corporation are listed on the Philippine Stock Exchange.

PART 1

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

Date, Time, and Place of Meeting	:	**October 08, 2019** **1:00 P.M.** **One Café and Events Place** **6th Flr., One Corporate Centre,** **Doña Julia Vargas Ave. cor.** **Meralco Ave., Ortigas Center,** **Pasig City**
Complete Registrant's Mailing Address	:	**35th Flr., One Corporate Centre,** **Doña Julia Vargas Ave. cor.** **Meralco Ave., Ortigas Center,** **Pasig City**
The approximate date on which the Information Statement are first to be sent and given to the security holders shall be on	:	**September 17, 2019**

Item 2. Dissenters' Right of Appraisal

Under Section 80 of the Revised Corporation Code of the Philippines, stockholders who dissent to certain corporate actions are given the right of appraisal. Among others, appraisal rights are available to dissenters in case the corporation invests its funds in another corporation or business for any purpose other than its primary purpose. The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a demand on the corporation within thirty (30) days after the date on which the vote was taken for the payment of the fair value of his shares.

There are no matters or proposed corporate actions to be taken up during the annual stockholders meeting which may give rise to a possible exercise by security holders of their appraisal rights under Title X of the Revised Corporation Code of the Philippines.

THE STOCKHOLDER MUST VOTE AGAINST THE PROPOSED CORPORATE ACTION IN ORDER TO AVAIL HIMSELF OF THE APPRAISAL RIGHT

Item 3. Interest of Certain Persons in or Opposition to Matters to be acted upon

Each of the incumbent Directors or Officers of the Corporation since the beginning of the last fiscal year or any associate of any of the foregoing persons do not have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon.

None of the incumbent Directors of the Corporation has issued any notice in writing of an intention to oppose any action to be taken by the registrant at the meeting.

B. CONTROL AND OTHER INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Shares as of July 31, 2019;

Common Shares:	Shares Outstanding	No. of Vote Each Share is Entitled
Filipino	1,787,808,304	One (1) vote per share
Foreign	51,134,942	One (1) vote per share
Total	1,838,943,246	

The Corporation has 1,838,943,246 outstanding common shares, the only shares traded by the Corporation as of July 31, 2019. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

Record Date:

(b) All stockholders of record as of September 16, 2019 are entitled to notice and vote at the Corporation's Annual Meeting of the Stockholders.

(c) Manner of Voting:
The election of directors shall be taken up at the meeting and pursuant to Section 23 of the Revised

Corporation Code. The holders of common stock (Class A) are entitled to one vote per share but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted by secret balloting and/or raising of hands. In all matters included in the agenda, except the election of directors, the counting of vote will be done through the regular method.

The report attached to this SEC Form 20-IS is the management report to stockholders required under SRC Rule 20 to accompany the SEC Form 20-IS and is hereinafter referred to as the "Management Report".

Security Ownership of Certain Record and Beneficial Owners and Management

(1.) Security Ownership of Certain Record and Beneficial Owners

As of July 31, 2019, the Corporation knows of no one who beneficially owns in excess of 5% of the Corporation's common stock except as set forth in the table below.

The percentage of shares held is based on the outstanding shares of 1,838,943,246 plus the treasury shares of 36,056,750.

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of total o/s shares
Common	International Polymer Corporation T. Santiago St., Canumay, Valenzuela City (Stockholder)	same as record owner*	Filipino	496,887,494	27.020
Common	PCD Nominee Corporation 37/F Tower 1, The Enterprise Center, 6766 Ayala Ave. Cor. Paseo De Roxas, Makati City (Stockholder)	PCD Participants and their clients**	Filipino	416,850,574	22.668
Common	The Wellex Group Inc., 35th Flr., One Corporate Center, Doña Julia Vargas Ave., cor, Meralco Ave., Ortigas Center, Pasig City (Stockholder)	same as record owner***	Filipino	376,950,000	20.498

**International Polymer Corporation ("IPC") is a significant shareholder of the Company. As per By-laws and the Corporation Code, the Board of Directors of IPC has the power to decide how the IPC shares in Forum Pacific Inc. are to be voted.*

***The clients of each company have the power to decide how their shares are to be voted. Natural persons authorized to vote the shares of PCD Nominee cannot be identified until the proxy shall have been appointed in writing by the stockholder himself of by his duly authorized attorney-in-fact.*

****The Wellex Group, Inc. ("TWGI") is a significant shareholder of the Company. As per By-laws and the Corporation Code, the Board of Directors of TWGI has the power to decide how the TWGI shares in Forum Pacific Inc. are to be voted.*

(2.) Security Ownership of Directors and Management (As of July 31, 2019)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Elvira A. Ting	400,001 (direct)	Filipino	0.022
Common	Peter S. Salud	29,990 (direct)	Filipino	0.002
Common	Kenneth T. Gatchalian	100 (direct)	Filipino	0.000
Common	Arthur R. Ponsaran	1 (direct)	Filipino	0.000
Common	Lamberto B. Mercado, Jr.	100 (direct)	Filipino	0.000

Common	Joaquin P. Obieta	1 (direct)	Filipino	0.000
Common	Omar M. Guinomla	100 (direct)	Filipino	0.000
Common	Richard L. Ricardo	100 (direct)	Filipino	0.000
Common	Byoung Hyun Suh	1,000 (direct)	Korean	0.000
Common	Sergio R. Ortiz-Luis, Jr.	100 (direct)	Filipino	0.000
Common	Ruben Torres	100 (direct)	Filipino	0.000
	Atty. Arsenio A. Alfiler , Jr.	-	Filipino	0.000
All directors and officers as a group		**431,593**		**0.024**

(3.) Voting Trust Holders of 5% or more
There are no voting trust holders of 5% or more.

(4.) Changes in Control
There is no change in control of the Corporation and there is no arrangement of which may result in change of control.

(d) No change in control of the corporation has occurred since the beginning of its last year.

Item 5. Directors and Executive Officers
Information required hereunder is incorporated by reference to the section entitled "Directors and Executive Officers of the Registrant" on pages 46 to 50 of the Management Report.

Presented below is the final list of candidates for directors. The following are expected to be nominated to the Board of Directors of the Corporation for the ensuing year:

1.	Elvira A. Ting	7.	Omar M. Guinomla
2.	Peter S. Salud	8.	Richard L. Ricardo
3.	Kenneth T. Gatchalian	9.	Byoung Hyun Suh – Independent Director
4.	Arthur R. Ponsaran	10.	Sergio R. Ortiz-Luis, Jr. – Independent Director
5.	Lamberto B. Mercado, Jr.	11.	Ruben D. Torres – Independent Director
6.	Joaquin P. Obieta		

The aforementioned nominees are all incumbent directors. Their qualifications are presented on pages 46 to 50 of Management Report. The independent directors, Mr. Byoung Hyun Suh, Mr. Sergio R. Ortiz-Luis, Jr. and Ruben Torres will be serving their 8th, 6th and 2nd year, respectively, as independent directors when elected during the annual meeting. A company's independent director shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders'' meeting pursuant to SEC Memorandum Circular No. 4 Series of 2017 (Term Limit of Independent Directors).

The Certifications of Independent Directors executed by the aforementioned independent directors of the Corporation are attached hereto (Please refer to pages 17 and 20).

Ms. Elvira A. Ting recommended the nomination of the foregoing candidates for independent directors. She has no relationships with these nominees.

None of the candidates for independent directors of the Corporation are related to Forum Pacific Inc.

The members of the Nomination Committee of the Corporation are the following:

1. Peter S. Salud – Chairman
2. Elvira A. Ting – Member
3. Sergio R. Ortiz-Luis, Jr. – Member

Information required by the SEC under SRC Rule 38 on the nomination and election of Independent Directors.

A. Definition

1. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his

responsibilities as a director in the corporation and includes, among others, any person who:

1.1 Is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;

1.2 Does not own more than two percent (2%) of the shares of the corporation and/or its related companies or any of its substantial shareholders;

1.3 Is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

1.4 Is not acting as a nominee or representative of any director or substantial shareholder of the corporation, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

1.5 Has not been employed in any executive capacity by the corporation, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;

1.6 Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the corporation, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or

1.7 Has not engaged and does not engage in any transaction with the corporation and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.

2. No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice to other disqualifications which the corporation's Manual on Corporate Governance provides.

3. Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the Commission by appointing independent directors from the list of nominees submitted by the stockholders.

4. When used in relation to a company subject to the requirements above:

   4.1 Related company means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and

   4.2 Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

B. Qualifications and Disqualifications of Independent Directors

1. An independent director shall have the following qualifications:

   1.1 He shall have at least one (1) share of stock of the corporation;

   1.2 He shall be at least a college graduate or he has sufficient management experience to substitute for such formal education or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;

   1.3 He shall be twenty one (21) years old up to seventy (70) years old, however, due consideration shall be given to qualified independent directors up to the age of eighty (80);

   1.4 He shall have been proven to possess integrity and probity; and

   1.5 He shall be assiduous.

2. No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:

   2.1 He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under letter (A) hereof;

   2.2 His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the corporation where he is such director;

   2.3 Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family;

   2.4 Such other disqualifications that the Corporate Governance Manual provides.

C. Number of Independent Directors

All companies are encouraged to have independent directors. However, issuers of registered securities and public companies are required to have at least two (2) independent directors or at least twenty percent (20%) of its board size, whichever is the lesser.

D. Nomination and Election of Independent Directors

1. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the corporation's information or proxy statement or such other reports required to be submitted to the Commission.
2. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
3. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.
4. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Corporation is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.
5. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained nor allowed on the floor during the actual annual stockholders' meeting.
6. Election of Independent Director/s
   6.1 Except as those required under this Rule and subject to pertinent existing laws, rules and regulations of the Commission, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the company or its by-laws.
   6.2 It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent director/s is elected during the stockholders' meeting.
   6.3 Specific slot/s for independent directors shall not be filled-up by unqualified nominees.
   6.4 In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

E. Termination/Cessation of Independent Directorship

In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

The procedures for the "Nomination and Election of Independent Directors pursuant to SRC Rule 38" are to be incorporated in the By-Laws of the Corporation. The Board of Directors approved the amendments to the Corporation's By-Laws to adopt SRC Rule 38 on December 14, 2004.

The By-Laws of the corporation were amended after the Stockholders' meeting on July 1, 2011 which includes the provisions of SRC Rule 38, as approved by the Board of Directors and Stockholders during the last Stockholders' meeting dated December 14, 2004.

F. Term Limits for Independent Directors

Pursuant to SEC Memorandum Circular No. 4 Series of 2017, the Commission in its en banc meeting on March 9, 2017 resolved to amend its rules on the term limit of independent directors as follows:

1. A company's independent director shall serve for a maximum cumulative term of nine (9) years;
2. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as a non-independent director;
3. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and
4. Reckoning of the cumulative nine-year term is from 2012.

Significant Employees

There are no other employees other than the officers mentioned in the preceding subsection who are expected to make significant contribution to the business.

Family Relationships
Ms. Elvira A. Ting, the President/Director, is Mr. Kenneth T. Gatchalian's aunt, the Treasurer/Director. There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the corporation to become directors, or executive officers other than the above.

Involvement in Certain Legal Proceedings
For the past 5 years up to July 31, 2019, the Company is not aware of any bankruptcy proceedings filed by or against any business of a director, person nominated to become a director, executive officer or control person of the Company is a party or of which any of their property is subject.

For the past 5 years up to July 31, 2019, the Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any of its director, person nominated to become a director, executive officer, or control person.

For the past 5 years up to July 31, 2019, the Company is not aware of any order, judgment or decree not subsequently reversed, superseded, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director, person nominated to become a director, executive officer, or control person of the Company in any type of business, securities, commodities, or banking activities.

For the past 5 years up to July 31, 2019, the Company is not aware of any findings by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of its director, person nominated to become a director, executive officer, or control person has violated a securities or commodities law.

Certain Relationships and Related Transactions
In previous years, Forum Pacific, Inc. extended/obtained advances to/from related parties to finance the exploration activities of the related parties and to fund the overhead expenses of the Company. These advances are, in general, do not have fixed repayment terms and do not carry interest. (See Note 10 of the Audited Financial Statements as of and for the year ended December 31, 2018).

Ownership Structure and the Company
Forum Pacific Inc. previously owned 60% of the stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI), a domestic corporation registered with the Philippine SEC on February 3, 2006. Its primary purpose is to acquire, hold and dispose of bonds, debentures, promissory notes, shares of capital and the likes, without engaging as a dealer or broker of securities. Its registered office is located at 14th Floor, Pearlbank Centre, 146 Valero Street, Salcedo Village, Makati City. FCCHI has 60% ownership of Forum Cebu Coal Corporation (FCCC), a domestic corporation which holds 100% interest in one (1) Coal Operating Contract in Cebu-COC 131.

FCCHI sold all of its shareholdings of FCCC on September 23, 2009 and decided to liquidate its business through shortening of its corporate term until November 30, 2009. FCCHI was formally dissolved pursuant to a resolution duly adopted by the FCCHI's Board of Directors and Stockholders representing at least two-thirds (2/3) of the outstanding capital stock dated October 9, 2009. Such dissolution was subsequently approved by the SEC on July 6, 2012.

On July 19, 2012, FPI Board of Directors approved the write-off of the investment in FCCHI. As per Corporation Code of the Philippines, upon approval by the SEC of the amended Articles of Incorporation to shorten the corporate term, the corporation shall be deemed dissolved without any further proceedings. Hence, starting 2012, the Company needs not present consolidated financial statements.

Resignation of Directors Due to Disagreement
There are no directors who resigned or decline to stand for re-election because of disagreement.

Item 6. Compensation of Directors & Executive Officers
The following table lists the names of the Corporation's Directors and Executive Officers Annual Compensation for the two most recent years including the estimated compensation for year 2019.

As observed, there was no compensation, in any form, to all Directors and key officers for the previous years due to the Company's tight cash position.

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Peter S. Salud Chairman/Director	2019	-	-	100,000
	2018	-	-	100,000
	2017	-	-	100,000
Elvira A. Ting President/CEO/Director	2019	-	-	50,000
	2018	-	-	50,000
	2017	-	-	50,000
Kenneth T. Gatchalian Treasurer/Director	2019	-	-	50,000
	2018	-	-	50,000
	2017	-	-	50,000
All other officers & directors as a Group Unnamed	2019	-	-	340,000
	2018	-	-	340,000
	2017	-	-	340,000

The Chairman, President, Treasurer and three independent directors are the only key officers who will be compensated for 2019.

The members of the Compensation Committee are the following:

1. Peter S. Salud – Chairman
2. Sergio R. Ortiz-Luis, Jr. – Member
3. Kenneth T. Gatchalian – Member

Standard Arrangement

Except for a nominal amount of per diem amounting to ₱10,000 during attendance in special meetings, there are no standard arrangements to which directors of the Corporation are compensated, or are to be compensated, directly or indirectly for any services provided as a director for the last completed calendar year and ensuing year.

Other Arrangements

There are no other arrangements pursuant to which any director of the Corporation was compensated, or is to be compensated directly or indirectly for any services provided as a director for the last completed calendar year and ensuing year, for any service provided as a director.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no employment contract and termination of employees and change-in-control arrangement with directors and executive officers.

Warrants and Options Outstanding

There are no warrants and options outstanding held by Forum Pacific Inc.'s CEO, executive officers and all officers and directors as a group.

Item 7. Appointment of Independent Public Accountants

a. Diaz Murillo Dalupan and Company, CPAs (DMDC), upon recommendation by the Audit Committee of the Board of Directors composed of Mr. Ruben Torres as Chairman and Mr Sergio Ortiz-Luis, Jr. and Mr. Byoung Hyun Suh as members, was re-appointed by the stockholders as the principal external auditors for the years 2018 and 2017, and is again being recommended to the stockholders for re-election as the Company's principal external auditors for the year 2019. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the Securities and Exchange Commission and affiliation with a reputable foreign partner. The professional fees of the external auditors are approved by the Company after approval by the stockholders of the engagement and prior to the commencement of each audit season.
b. In compliance with SEC Rule 68 paragraph 3(b)(iv) (Rotation of External Auditors), and as adopted by the Company, external auditors or engagement partners are rotated or changed every five years or earlier. Ms. Jocelyn J. Villaflores was the lead engagement partner from 2005 to 2008, Ms. Rosemary D. De Mesa in 2009 to 2013, Mr. Jozel Francisco C. Santos in 2014 to 2015 and Ms. Rosemary D. De Mesa in 2016 to 2018 and will be recommended as engagement partner for the year 2019.
c. Representatives of the said firm are expected to be present at the stockholders' meeting and they

will have the opportunity to make statement if they desire to do so and are expected to be available to respond to appropriate questions.

d. The members of the Audit Committee of the Corporation are the following:
   1. Ruben D. Torres – Chairman
   2. Sergio Ortiz-Luis, Jr. – Member
   3. Byoung Hyun Suh – Member

External Audit Fees and Services

Fees approved in connection with the audit and audit-related services rendered by Diaz Murillo and Company pursuant to the regulatory and statutory requirements for the years ended December 31, 2018 and 2017 amounted to ₱ 517,440 and ₱492,800 respectively, inclusive of 12% VAT and 10% out-of-pocket expenses.

No other service such as tax and assurance audit was provided by external auditors to the Company for the calendar year 2018 and 2017.

The Audit Committee Approval Policies and Procedures for the services rendered by the External Auditors

The Corporate Governance Manual of the company provides that the audit committee shall, among others:

1. Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company.
2. Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.
3. Ensure the compliance of the Company with acceptable audit and accounting standards and regulations.

The Company submitted its Integrated Annual Corporate Governance Report (ACGR) on May 30, 2019 covering the year 2018.

The independent directors have submitted their Certificate of Qualification as required by the SEC vis-à-vis Section 38 of the Securities Regulation Code.

Changes in and disagreements with Accountants and Financial Disclosure

There are no changes in and disagreements with accountants on accounting and financial disclosure.

Item 8. Compensation Plans

Not applicable.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

Forum Pacific, Inc. has no plans yet to increase its authorized capital stock.

Item 10. Modification or Exchange of Securities

Forum Pacific, Inc. has no plans yet to modify any of each authorized and issued securities or to exchange then to another class

Item 11. Financial and Other Information

Audited Financial Statements as of 31 December 2018, Management's Discussion and Analysis and Market Price of Shares and other date related to the Corporation's financial information are attached hereto. The schedules required under Part IV(c) of Rule 68 are included in the Annual Report.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no action intended to be taken with respect to any transaction involving the following: (1) the merger or consolidation of the Corporation into or with any other entity; (2) the acquisition by the Corporation or any of its stockholders of securities of another person or entity; (3) the acquisition by the Corporation of any other going business or of the assets thereof; (4) the sale or other transfer of all or any substantial part of the assets of the Corporation; and (5) the liquidation or dissolution of the Corporation.

Item 13. Acquisition or Disposition of Property

There is no action to be taken with respect to any material acquisition or disposition of any property of the Corporation.

Item 14. Restatement of Accounts
There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Corporation.

OTHER MATTERS
Item 15. Action with Respect to Reports
1. The Annual Report and Audited Financial Statements for the year ended December 31, 2018 will be presented to the stockholders for approval by a majority vote of the stockholders. Approval of the Annual Report and Audited Financial Statements constitutes a ratification of the corporation's performance during the previous fiscal year contained therein.
2. Minutes of the Annual Stockholders' Meeting held last October 26, 2018 will also be presented to the stockholders for approval by a majority vote of the stockholders.
3. Ratification of the corporate acts of the board of directors, committees and executive officers of the Corporation since October 26, 2018 by a majority vote of the stockholders.
4. Election of members of the board of directors for a term of one (1) year.
5. Appointment of Diaz Murillo Dalupan and Company, CPAs (DMDC) as external auditors of the Company.
6. Appointment of Corporate Counsels, Philippines as external legal counsels of the Company.

Below is a summary of the Corporate Acts of the Board of Directors and Executive Officers subject to ratification of the stockholders:

August 28, 2018
Setting the date of the annual stockholders' meeting on October 26, 2018 at 10:30 in the morning at One Café and Events Place, 6th Flr., One Corporate Centre, Doña Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City. The Board also set September 28, 2018 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said meeting.

October 26, 2018
Annual stockholders' meeting for 2018 agenda of which includes:
a) Approval of minutes of 2017 stockholders' meeting
b) Election of members of the board of directors for the year 2018-2019
c) Approval of 2017 Audited Financial Statements
d) Appointment of External Auditors
e) Appointment of External Counsels

April 11, 2019
Approval of the audited financial statements including independent auditor's report for the year ended December 31, 2018.

August 27, 2019
Setting the date of the annual stockholders' meeting on October 8, 2019 at 1:00 in the afternoon at One Café and Events Place, 6th Flr., One Corporate Centre, Doña Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City. The Board also set September 16 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said meeting.

Item 16. Matters Not Required to be Submitted
There is action to be taken with respect to any matter which is not required to be submitted to a vote of the stockholders.

Item 17. Amendment of Charters, By-Laws & Other Documents
Except for the following, no other amendment was made by the Corporation as of this report:
1. Amendment of the Article III of the Articles of Incorporation, as amended at a meeting of the Board of Directors held on March 11, 2011 and at the stockholders' meeting held on July 8, 2011 and approved by the Securities and Exchange Commission (SEC) on September 30, 2011. (Change of principal office address from 22nd Floor Citibank Tower, 8741 Paseo De Roxas, Makati City to 35th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Ave., Brgy. San Antonio, Ortigas Center, Pasig City).
2. Amendment of Section 9-13 of the Article III of Corporation's By-Laws as amended at the meeting of the Board of Directors and stockholders held on December 16, 2004 and approved by SEC on September 30, 2011. [Formation of different committees (executive, audit, nomination, compensation

and other board committees) including definition of duties and responsibilities].

3. Amendment of the Article I of the Articles of Incorporation (amending the name of the Corporation from Air Philippines International Corp. to Forum Pacific, Inc.) as amended at the meeting held by the Board of Directors held on May 2, 2000 and at the stockholders' meeting held on August 8, 2000 and approved by the SEC on November 20, 2000.

Item 18. Other Proposed Action
As of this report, there are no other matters which the Board of Directors intends to present or has reason to believe others will present at the meeting.

Item 19. Voting Procedures
(A) An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient for the approval of:
1. Minutes of the Previous Stockholders' Meeting held on October 26, 2018;
2. 2018 Audited Financial Statements;
3. Ratification of Corporate Acts of the Board of Directors and Officers of the corporation;
4. Appointment of External Counsels;
5. Appointment of External Auditors;
6. Any other proposed action

(B) An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock and majority of the Board of Directors shall be sufficient to amend the By-Laws and adopt new By-Laws. As stated:

Article VII of the By-Laws also provides that the By-Laws may be amended or repealed by stockholders owning or representing a majority of the outstanding capital stock and by a majority of the Board of Directors at any regular meeting, or at any special meeting called for the purpose, or the Board of Directors may, in any regular or special meeting thereof amend or repeal these By-Laws or adopt new By-Laws, provided, however, that this power to amend, modify, repeal these By-Laws or adopt new By-Laws may be delegated to the Board of Directors by the affirmative vote of the stockholders representing not less than two-thirds of the outstanding capital stock, provided, however, that any such delegation of powers to the Board of Directors shall be considered as revoked whenever stockholders representing majority of the outstanding capital stock of the Corporation shall so vote at a regular or special meeting called for the purpose.

The method by which votes will be counted:
(C) The holders of the majority interest of all outstanding stocks of the Corporation entitled to vote at the meeting present in present or by proxy shall constitute a quorum for the transaction of business.
(D) The holders of common stock are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholders is entitled to as many votes as shall equal the number of shares held by such person at the close of business on record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast by secret balloting and/or raising of hands in all matters included in the agenda. The stockholders are entitled to one vote per share. For the election of directors, the counting will be cumulative. The counting of votes will be done by the Corporate Secretary with the assistance of the representatives of the Corporation's independent auditor, Diaz Murillo Dalupan and Company and Stock Transfer Agent, BDO Unibank, Inc. All votes attaching to the shares owned by stockholders whose proxies were received by the Corporation will be cast in accordance with the instructions given or authority granted under proxies.

The Corporate Secretary shall record all the votes and proceedings of the stockholders and of the Directors in a book kept for that purpose.

Undertaking

Forum Pacific, Inc., as registrant, will provide the stockholders a copy of SEC Form 17-A free of charge. Any written request for a copy of SEC Form 17-A shall be addressed to the Office of the Corporate Secretary c/o FORUM PACIFIC, INC., 35th Flr, One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave, Ortigas Center, Pasig City, Philippines.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on August 28, 2019.

Forum Pacific, Inc.

By:

ARSENIO A. ALFILER, JR.
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Byoung Hyun Suh**, Korean, of legal age and a resident of Unit 2006B The Salcedo Place, Tordesillas St., Salcedo Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that;

1. I am an independent director of **Forum Pacific, Inc.** and have been its independent director since June 2011.

2. I am affiliated with the following companies or organizations:

COMPANY	POSITION	PERIOD OF SERVICE
Pan Islands, Inc.	President	February 1995 - present
World OKTA (Overseas Korean Traders Association) Federation	Director	November 2004 - present
Wellex Industries, Inc.	Independent Director	June 2011 - present
Bonamis Pharmacy Phil's. Corp.	President	October 2011 to Present
Metro Alliance Holdings & Equities Corp.	Independent Director	2016 - present
Philippines Estates Corporation	Independent Director	2016 - present

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Forum Pacific, Inc.**, as provided for in Section 38 of the Securities Regulation Code, its Implement Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of **Forum Pacific, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **Forum Pacific, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this AUG 2 7 2019 day ________, at PASIG CITY.

BYOUNG HYUN SUH
Affiant

SUBSCRIBED AND SWORN to before me this AUG 2 7 2019 day of ______ at PASIG CITY, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 122-963-522 issued at Bureau of Internal Revenue.

Doc. No. 249;
Page No. 51;
Book No. I;
Series of 2019;

ATTY. LIEZEL C. BERNARDO
Notary Public for the Cities of Pasig & San Juan & Municipality of Pateros
Until 12.31.20/Appt. No. 174 (2019-2020)
35th Floor One Corporate Center
Doña Julia Vargas corner Meralco Ave., Ortigas Center, Pasig City, Metro Manila
Roll No. 69716/IBP No. 066069/01.09.19/Bulacan
MCLE Compliance No. VI-0018219/02.06.19/Pasig City
PTR No. 8035464/01.07.19/Manila City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Sergio R. Ortiz-Luis, Jr.**, Filipino, of legal age and a resident of 151 cor. 3rd St. & 10th Ave., Riverside Village, Pasig City, after having been duly sworn to in accordance with law do hereby declare that;

1. I am an independent director of **Forum Pacific, Inc.** and have been its independent director since 2016.

2. I am affiliated with the following companies or organizations:

COMPANY	POSITION	PERIOD OF SERVICE
Alliance Global, Inc.	Vice Chairman	2007 – present
Phil Chamber of Commerce & Industry	Chairman/Treasurer	2007 – present
Waterfront Phils., Inc.	Independent Director	2005 – present
Philippine Exporters Confederation Inc.	President/CEO	2008 – present
Philippine Estate Corp	Independent Director	2011 – present
B.A. Securities	Independent Director	2012 – present
Acesite (Phils) Hotel Corp	Independent Director	2013 – present
Consulate Romanian in the Philippines	Honorary Consul General	2015 – present
Wellex Industries, Inc.	Independent Director	2016 – present
Waterfront Manila Premier Development, Inc.	Chairman/Director	2017-present
Int'l Chamber of Commerce of the Phils	Founding Director	Present
Employers' Confederation of the Phils.	President	Present
Manila Exposition Complex Inc	Director	Present
VC Securities Corp	Vice-Chairman/Independent Director	Present
Country Garden Agri-Tourism Dev't. Inc	Chairman/Director	Present
Philippine International Airways	Chairman/Director	Present
National Center for Mediation	Chairman	Present
Integrated Concept & Solutions, Inc	Chairman	Present
Export Development Council	Vice-Chairman	Present
Philippine Foundation, Inc. (Team Phils.)	Director/Past President	Present
Asia Pacific Chinese Media, Inc.	President	Present
GS1 & Int'l Chamber of Commerce Phils	Founding Director	Present
Alliance Energy Power and Dev't Inc.	Director	Present
La Salle Tech Academy	Director	Present
H2O (formerly Calapan Ventures, Inc.)	Director	Present
Rotary Club of Greenmeadows Foundation	Chairman	Present
Jardeli Club foundation	Vice-Chairman	Present
Rural Bank of Baguio	Director	Present
LikeCash Asia & Pacific Corp	Director	Present
SPC Power Corporation	Director	Present
Drug Abue Resistance Education Phils.	Director	Present
Human Resource Dev't Foundation	Trustee/Treasurer	Present
Int'l Association of Educators for World Peace	Honorary Adviser	Present
The Philippine Bamboo Council	Private Sector Representative	Present
Patrol 117 - Foundation for Crime Prevention	Commissioner	Present
Industry Development Council	Member	Present
National Competitiveness Council	BPLS Champion	Member
Philippine Jaycee Senate	Senate	Member
Philippine Coastguard Auxilliary	Captain	Member

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Forum Pacific, Inc.**, as provided for in Section 38 of the Securities Regulation Code, its Implement Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of **Forum Pacific, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **Forum Pacific, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this AUG 27 2019 day at PASIG CITY.

SERGIO R. ORTIZ-LUIS, JR.
Affiant

SUBSCRIBED AND SWORN to before me this AUG 27 2019 day of at PASIG CITY affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 107-846-762 issued at [illegible] due

ATTY. LIEZEL C. BERNARDO
Notary Public for the Cities of Pasig &
San Juan & Municipality of Pateros
Until 12.31.20/Appt. No. 174 (2019-2020)
35th Floor One Corporate Center
Doña Julia Vargas corner Meralco
Ave., Ortigas Center, Pasig City, Metro Manila
Roll No. 69716/IBP No. 066069/01.09.19/Bulacan
MCLE Compliance No. VI-0018219/02.06.19/Pasig City
PTR No. 8035464/01.07.19/Manila City

Doc. No. 261;
Page No. 53;
Book No. I;
Series of 2019;

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Ruben D. Torres**, Filipino, of legal age and a resident of No. 22 Kalaw Ledesma Circle, Tierra Verde Homes, Tandang Sora, Quezon City, after having been duly sworn to in accordance with law do hereby declare that;

1. I am an independent director of **Forum Pacific, Inc.** and have been its independent director since July 2018.

2. I am affiliated with the following companies or organizations:

COMPANY	POSITION	PERIOD OF SERVICE
BPO Workers Association of the Phils (BWAP)	President	Present
Services Exporters Risk Management & Consultancy Co. (SERMC)	Chairman/CEO	Present
Trade Union Congress of the Philippines	VP-International Affairs	Present
Wellex Industries, Inc.	Independent Director	July 2018 - present
Torres Caparas Torres Law Officers	Senior Partner	1998 – present
Waterfront Philippines Inc.	Director	2006 - present
Acesite Philippines Hotel Corporation	Director	2014 - present

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Forum Pacific, Inc.**, as provided for in Section 38 of the Securities Regulation Code, its Implement Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of **Forum Pacific, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **Forum Pacific, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this AUG 27 2019 day ____ at PASIG CITY.

RUBEN D. TORRES
Affiant

SUBSCRIBED AND SWORN to before me this AUG 27 2019 day of ____ at PASIG CITY, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 135-071-068 issued at Bureau of Internal Revenue.

Doc. No. 280;
Page No. 57;
Book No. I;
Series of 2019;

ATTY. LIEZEL C. BERNARDO
Notary Public for the Cities of Pasig & San Juan & Municipality of Pateros
Until 12.31.20/Appt. No. 174 (2019-2020)
35th Floor One Corporate Center
Doña Julia Vargas corner Meralco Ave., Ortigas Center, Pasig City, Metro Manila
Roll No. 69716/IBP No. 066069/01.09.19/Bulacan
MCLE Compliance No. VI-0018219/02.06.19/Pasig City
PTR No. 8035464/01.07.19/Manila City

CERTIFICATION

I, ARSENIO A. ALFILER, JR., of legal age and with office address at Unit 3104 Antel Global Corporate Center, #3 Doña Julia Vargas Avenue, Ortigas Center, Pasig City, after being duly sworn to in accordance with law, do hereby certify:

I am the duly elected Corporate Secretary of FORUM PACIFIC, INC., a corporation duly organized and existing under Philippine laws with principal office at 35th Flr, One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City (the "Corporation").

All incumbent directors and officers of the Corporation are not connected with any government agency or instrumentality, except for Lamberto B. Mercado, Jr. Attached herewith is a copy of his consent letter for your reference.

I execute this Certification to comply with the requirements of the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have hereunto set my hand this August 28, 2019 in the City of Pasig.

arsenio a. alfiler, jr.

ARSENIO A. ALFILER, JR.
Corporate Secretary

Subscribed and sworn to before me this SEP 10 2019 at PASIG CITY, Affiant exhibiting to me his TIN with No. 108-160-743.

L C Bernardo

ATTY. LIEZEL C. BERNARDO
Notary Public for the Cities of Pasig & San Juan & Municipality of Pateros
Until 12.31.20/Appt. No. 174 (2019-2020)
35th Floor One Corporate Center
Doña Julia Vargas corner Meralco Ave., Ortigas Center, Pasig City, Metro Manila
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MCLE Compliance No. VI-0018219/02.06.19/Pasig City
PTR No. 8035464/01.07.19/Manila City

Doc. No. 1821;
Page No. 66;
Book No. I;
Series of 2019

PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION

06 October 2017

ATTY. LAMBERTO B. MERCADO JR.
Board of Directors Member
PNCC

Subject: **PERMISSION TO OCCUPY MEMBERSHIP IN THE BOARD OF DIRCETORS**

Dear Atty Mercado:

Anent your request for written permission in occupying membership in the board of directors of other corporations, authority is granted upon you to engage as such director, provided that such engagement does not conflict with your official function as member of the PNCC Board.

Very truly yours,

MARIO K. ESPINOSA
President & CEO

KM. 15 EAST SERVICE ROAD, BICUTAN, PARAÑAQUE CITY, METRO MANILA, PHILIPPINES * ZIP CODE 1700
FAX O.P. 846-0591; DIRECT LINE : 846-0209 : TRUNK LINE : 846-3045

PART 2

MANAGEMENT REPORT
AS REQUIRED BY SRC RULE 20
INCLUDING FINANCIAL INFORMATION FOR 2ND QUARTER OF 2019

BUSINESS AND GENERAL INFORMATION

1.) Brief Description of the General Nature and Scope of the Registrant's Business and its Subsidiary

Forum Pacific, Inc. (FPI) is a company incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 8, 1993, with a principal office at the 35th Floor One Corporate Center, Doña Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City.

The shares of FPI are listed and traded in the Philippine Stocks Exchange or PSE. Formerly known as Air Philippines International Corporation, FPI was registered to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products, as well as other mineral and chemical substances.

The Company previously owns 60% of the stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI), a domestic corporation registered with the SEC on February 3, 2006. Its primary purpose is to acquire, hold and dispose of bonds, debentures, promissory notes, shares of capital and the likes, without engaging as a dealer or broker of securities. FCCHI owns 60% of Forum Cebu Coal Corporation (FCCC), a company holding one coal operating contract in Cebu. On September 23, 2009, FCCHI together with Forum (FEI) Ltd., entered into a Sale and Purchase Agreement (SPA) with CR Nichrome, Inc. for the sale of FCCC. As of September 30, 2009, FCCHI ceased to have control over FCCC. FCCHI then decided through its Board of Directors to liquidate its business through shortening of its corporate term until November 30, 2009.

On November 30, 2009, FCCHI was formally dissolved pursuant to a resolution duly adopted by the FCCHI's Board of Directors and Stockholders representing at least two-thirds (2/3) of the outstanding capital stock dated October 9, 2009. Such dissolution was subsequently approved by the SEC on July 6, 2012.

On July 19, 2012, FPI Board of Directors approved the write-off of the investments in FCCHI. As per Corporation Code of the Philippines, upon approval by the SEC of the amended Articles of Incorporation to shorten the corporate term, the corporation shall be deemed dissolved without any further proceedings. Hence, starting 2012, the Company needs not present consolidated financial statements.

In 2008, the Company ceased to have control over ESBI when it did not avail of its pre-emptive rights to subscribe for additional shares in ESBI's increase in capitalization which happened in 2007.

On January 24, 2008, SEC resolved to deny the Company's request that it be allowed to pay a monetary fine in lieu of revocation of the registration of its securities. On March 27, 2008, SEC revoked the Company's registration of securities and permits to sell due to late filing of its annual financial report and other reportorial requirements. On May 5, 2008, the Company filed a petition to lift SEC's order of revocation of the registration of its securities and the permit to sell securities citing its compliance with SEC's directives to pay the assessed penalties in addition to said revocation and the fact that it has no pending case for violation of the provisions of the Securities Regulations Code and its Implementing Rules and Regulations.

On July 31, 2008, the SEC resolved to lift and set aside the revocation of the registration of the Company's securities and the permit to sell its securities.

In 2009, the Company again received an order of revocation of the registration and the permit to sell the Company's securities due to late filing of the Company's 2008 audited financial statements.

On August 31, 2010, the Company received an order of revocation of the registration and the permit to sell the Company's securities due to late filing of the Company's 2009 annual reports. On September 8, 2010, the Company requested for an extension of time until September 30, 2010 for the filing of the

Company's 2009 audited financial statements which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Company again requested the SEC an additional thirty (30) working days within which to comply with the letter from the SEC dated August 31, 2010. However, on October 7, 2010, the Company's request was denied and the SEC provided a non-extendible period of three (3) days from receipt of the letter within which to submit the 2009 annual reports.

Subsequently on February 14, 2011, the Company paid fines and penalties in the amount of P2.77 million in lieu of the Company's revocation of Registration of securities and Permit to sell securities. On May 13, 2011, the Company again paid SEC in the amount of ₱760,500 as payment for its outstanding fines and penalties. On May 17, 2011, PSE lifted the Company’s revocation of Registration of Securities and Permit to sell.

Business Plans

To address the foregoing matters that may raise doubt on the Company’s ability to continue as a going concern, the shareholders of the Company have committed in principle to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

The Company will evaluate outstanding receivables and advances to affiliate and design collection programs to improve the Company’s financial status. The board will also evaluate calling for the remaining stock subscription as source of fund for the future projects. The officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization and approval of business project plans.

With the Company’s experience in the participation on Department of Energy’s (DOE) 4th Philippine Energy Contracting Round (PECR 4) last April 2012, evaluation of which focuses on the Company’s financial and technical qualifications, the Company will prioritize the improvement of its financial position and exploring new business opportunities in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

The Management is still evaluating potential buyers who expressed interest to buy out the Company’s remaining 33.33% capital stock investment in Forum Exploration, Inc. (FEI), a subsidiary of Pangilinan-led Forum Energy Plc and the project operator for Libertad Gas Field or Service Contract (SC40). Talks, however, with the three (3) interested groups are on hold at the moment, pending clarification of several commercial issues.

While the Company is affiliated with group of mining companies, the current slowdown of the mining sector and the stringent evaluations being conducted by the Department of Environment and Natural Resources (DENR) for new mining applications has led the Company to shelve the entry into the mining sector for the time being.

Business Focus for the Coming Year

Aside from the investment made during 2017 in Taguig Lake City development Corporation – a newly formed corporation engaged in the real estate industry, the Company will further outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mineral exploration and improve its financial position. As mentioned above, the management is currently discussing on how they will proceed with its remaining 33.33% capital stock investment in Forum Exploration, Inc., specifically whether to sell its interest or enter into partnership with potential buyers.

Given the growing requirements for power, the Company is on the one hand actively looking into the energy business, concentrating on cheap and consistent coal power for the country’s base loads. Demand and supply studies, as well as site feasibility analysis and the selection of green and clean coal technologies are being conducted by select engineering advisers of the Company. On the other hand, the Company is also considering investing into potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy. The management is also conducting research and feasibility studies on these renewable projects.

The Company’s management believes that such financial support and management plan are sufficient to provide the Company the ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

2.) Properties and Other assets

Forum Pacific Inc. carries financial assets at fair value. This account consists of:

	Forum Exploration, Inc. (FEI)	Philippine Estates Corp. (PHES)	Taguig Lake City Dev't Corp.	Total
Net carrying amount, December 31, 2017	**₱53,211,573**	**₱17,819,777**	**₱–**	**₱71,031,350**
Additions			**12,500,000**	**12,500,000**
Write-Off	**–**	**–**	**–**	**–**
Impairment loss	**–**	**–**	**–**	**–**
Unrealized fair value gain (loss)	**–**	**5,772,603**	**–**	**5,772,603**
Net carrying amount, December 31, 2018	**₱53,211,573**	**₱23,592,380**	**₱12,500,000**	**₱89,303,953**
Acquisition cost	**₱73,211,573**	**₱7,529,480**	**₱–**	**₱80,741,053**
Unrealized fair value gain (loss)	**–**	**16.062,900**	**–**	**16.062,900**
Accumulated impairment loss	**(20,000,000)**	**–**	**–**	**(20,000,000)**
Net carrying amount, December 31, 2018	**₱53,211,573**	**₱23,592,380**	**₱–**	**₱76,803,953**

	Forum Exploration, Inc. (FEI)	Philippine Estates Corp. (PHES)	Taguig Lake City Dev't Corp.	Total
Net carrying amount, December 31, 2016	₱63,890,638	₱14,055,035	₱–	₱77,945,673
Additions			12,500,000	12,500,000
Write-Off	–	–	–	–
Impairment loss	(10,679,065)	–	–	(10,679,065)
Unrealized fair value gain (loss)	–	3,764,742	–	3,764,742
Net carrying amount, December 31, 2017	₱53,211,573	₱17,819,777	₱12,500,000	₱83,531,350
Acquisition cost	₱73,211,573	₱7,529,480	₱–	₱80,741,053
Unrealized fair value gain (loss)	–	10,290,297	–	10,290,297
Accumulated impairment loss	(20,000,000)	–	–	(20,000,000)
Net carrying amount, December 31, 2017	₱53,211,573	₱17,819,777	₱–	₱71,031,350

Forum Exploration, Inc. (FEI)

This investment is classified as Financial Assets at FVOCI (net) as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. As of December 31, 2018, FPI has 33.33% ownership in Forum Exploration, Inc. The investment in FEI is stated at cost less impairment loss since there is no quoted price in an active market. In 2017, the Company made an investment in Taguig Lake City Development Corporation.

Philippine Estates Corporation (PHES)

This pertains to the Company's investment in 50,196,553 common shares which are registered and traded in the PSE and constitutes 3% ownership.

The fair value of PHES investment as of December 31, 2018 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value gain was recognized amounting to ₱5,772,603 and charged to "other comprehensive income" account in the 2018 statements of comprehensive income and shown separately as "Unrealized fair value gain (loss) on financial assets at FVOCI" in equity.

The Company's financial assets at FVOCI as at December 31, 2018 and 2017 are not held as collateral for its financial liabilities.

3.) Risks

The Company is exposed to a variety of financial risks, which result from both its operating and financing activities. The Company's risk management is coordinated with the Board of Directors, and focuses on actively securing the short-term cash flows to finance its operations.

The Company's principal financial instruments comprise of cash, advances to related parties, financial assets at FVOCI, accounts payable and other liabilities (excluding local and other taxes and other liabilities to government agencies) and advances from related parties. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company does not actively engage in trading of financial assets for speculative purposes nor does it have options.

The most significant financial risks to which the Company is exposed to are described below:

Credit risk

Credit risk refers to the risk that a counterparty will default its contractual obligation resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its financial assets which composed of cash and advances to related parties.

In order to minimize credit risk, the Company has developed and maintained internal credit risk gradings to categorize exposures according to their degree of risk of default. The Company uses its own trading records to rate its major customers and other debtors.

The Company current credit risk grade framework is as follows:

Category	Description	Basis for recognizing ECLs	Base	Minimum allowance for credit losses	Stage
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL	0%	0%	1
Doubtful	Amount is 1-30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	25%	1%	2
	Amount is 31-90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	5%	2
	Amount is 91-180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	10%	2
	Amount is 181-360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	12%	2
In default	Amount is over 1 year to 2 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	50%	15%	3
	Amount is over 2 years to 3 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	100%	15%	3
	Amount is over 3 years to 5 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	100%	50%	3
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	100%	100%	3

The maximum credit risk exposure of the financial assets is the carrying amount of the financial assets shown on the face of statement of financial position, as summarized below:

	2018	2017
Cash in bank	**₱287,913**	₱132,421
Advances to related parties, net of allowance	**252,422,623**	255,126,608
	₱252,710,536	₱255,259,029

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash as described below:

Cash in bank

The credit risk for cash in banks is considered negligible, since he counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000.00 for every depositor per banking institution.

Advances to related parties
For advances related parties, the Company has applied the simplified approach to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The Company applies the simplified approach to measuring ECL which uses a lifetime ECL for advances to related parties.

To measure the ECL, advances to related parties have been grouped based on shared credit risk characteristics and the days past due. The Company has therefore concluded that the expected loss rates for advances to related parties are a reasonable approximation of the loss rates for the financial asset.

The expected loss rates are based on the payment profiles of related parties over a period of sixty (60) months before December 31, 2018 and January 1, 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the related parties to settle the receivables.

Advances to related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and if past due for more than five (5) years.

On that basis, the loss allowance as at December 31, 2018 and January 1, 2018 (upon adoption of PFRS 9) was determined based on months past due, as follows for advances to related parties:

December 31, 2018	**ECL rate**	**Cash in bank**	**Advances to related parties**	**Total**	**ECL**
Neither past due nor impaired	0%	**₱ 287,913**	**₱ 301,996,931**	**₱302,284,844**	**₱49,574,308***
Past due but not impaired		–	–	–	–
1-30 days	0.25%	–	–	–	–
31-90 days	1.25%	–	–	–	–
91-180 days	2.50%	–	–	–	–
181-360 days	3.00%	–	–	–	–
1-2 years	7.50%	–	–	–	–
2-3 years	15.00%	–	–	–	–
3-5 years	50.00%	–	–	–	–
Past due and impaired	100%	–	**171,631,076**	**171,631,076**	**171,631,076**
		₱ 287,913	**₱473,628,007**	**₱473,915,920**	**₱221,205,384**

December 31, 2017	ECL rate	Cash in bank	Advances to related parties	Total	ECL
Neither past due nor impaired	0%	₱ 132,421	₱ 304,700,916	₱304,833,337	₱49,574,308*
Past due but not impaired		–	–	–	–
1-30 days	0.25%	–	–	–	–
31-90 days	1.25%	–	–	–	–
91-180 days	2.50%	–	–	–	–
181-360 days	3.00%	–	–	–	–
1-2 years	7.50%	–	–	–	–
2-3 years	15.00%	–	–	–	–
3-5 years	50.00%	–	–	–	–
Past due and impaired	100%	–	171,631,076	171,631,076	171,631,076
		₱ 132,421	₱476,331,992	₱476,464,413	₱221,205,384

**ECL represents 15% of ₱330,495,385 (based on original PN amount)*

The management continues to review receivable from related parties for any legally enforceable right to offset with liabilities with the expressed intention of the borrower to settle on a net basis.

Impaired accounts represent account of related parties that have not paid for a while and for which the Company believes that a portion of the receivables may not be collected. The allowance is estimated based on the Company's estimate for accounts which it believes may no longer be collected.

As at December 31, 2018 and 2017, the Company has entered into an agreement with its related party to settle the advances (see Note 10).

A reconciliation of the closing loss allowance for advances to related parties as at December 31, 2018 to the opening loss allowance is presented below after adopting PFRS 9 for the first time:

December 31, 2018	
Balance at beginning of the year	**₱221,205,384**
Additional Lifetime ECL	**-**
Balance at end of the year	**₱221,205,384**
January 1, 2018	
Balance under PAS 39	₱222,253,710
Recovery of impairment	1,048,326
Balance under PFRS 9	₱221,205,384

Credit quality information for financial assets
*The cr*edit quality of financial assets is being managed by the Company using internal credit ratings. Based on this, the management assessed that the financial assets that are neither past due nor impaired has high credit quality. This includes deposits to counterparties with good credit rating or bank standing.

The credit quality of financial assets is discussed below:

Cash
The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

Advances to related parties
The Company has entered into arrangement with related party to secure payment of receivables such as execution of promissory note.

Liquidity risk
Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company is mainly exposed to liquidity risk through its maturing liabilities. The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

The Company manages liquidity risk through continuous collection of advances to related parties which is considered as cash inflow to finance its operation. The Company continuously monitoring forecast and actual cash flows and matching the maturity profiles of liabilities.

The details of the maturity analysis of the Company's liabilities are as follows:

December 31, 2018	**Total**	**On demand**	**Less than three months**	**3-12 months**	**1-5 years**
Account payable and other liabilities*	**₱349,556**	**₱–**	**₱–**	**₱349,556**	**₱–**
Advances from related parties	**4,360,051**	–	–	–	**4,360,051**
	₱4,709,607	**₱–**	**₱–**	**₱349,556**	**₱4,360,051**

December 31, 2017	Total	On demand	Less than three months	3-12 months	1-5 years
Account payable and other liabilities *	₱484,238	₱–	₱–	₱484,238	₱–
Advances from related parties	4,139,727	–	–	–	4,139,727
	₱4,623,965	₱–	₱–	₱484,238	₱4,139,727

**excluding government liabilities*

The Company's current ratio for the year ended December 31, 2018 and 2017 is 0.93 to 1 and 0.35 to 1, respectively.

Equity price risk
Equity price risk is the risk that the fair value of equity instrument decreases as a result of changes in the value of individual stocks. The Company's exposure to equity price risk arises from investments held by the Company and classified in the Company's statements of financial position either as financial asset at FVOCI.

Equity instruments designated at FVOCI in listed and non-listed companies are held for strategic rather than trading purposes. The Company does not actively trade these investments. The Company also invested in portfolio of listed shares which are held for trading and has designated equity instrument in a non-listed Company at FVOCI.

If the price of the financial assets at FVOCI had been 10% higher/lower the net income before tax for the year ended December 31, 2018 and 2017 would decrease/increase by ₱8,930,395 and ₱8,353,135 respectively.

Foreign currency risk
The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the U.S. dollars. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company is mainly exposed to foreign currency risk through its advances from a related party of $82,922 which amounted to ₱4,360,051 and ₱4,139,727 as at December 31, 2018 and 2017, respectively.

The sensitivity rate used on reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% in foreign exchange rates. A positive number indicates an increase in net income when the Philippine peso strengthens at 10% against the relevant currency. For 10% weakening of the Philippine peso against the relevant currency, there would be an equal and opposite impact on the net income. If foreign exchange rates had been 10% higher/lower, the net loss before tax would decrease /increase by ₱436,005 and ₱413,973 in 2018 and 2017, respectively. Equity for the years ended December 31, 2018 and 2017 would decrease/increase by ₱305,204 and ₱289,781, respectively.

Capital Risk Objective and Management
The primary objective of the Company's capital management is to ensure its ability to continue as a going concern.

The Board of Directors (BOD) have the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including accounts payable and other liabilities and advances from a related party as shown in the statements of financial position) less cash. Total capital is calculated as equity as shown in the statements of financial position plus net debt.

Gearing ratio compares some form of owner's equity to borrowed funds. It is a measure of financial leverage demonstrating the degree to which the Company's activities are funded by owner's funds versus creditors' funds.

The gearing ratios as at December 31, 2018 and 2017 were as follows:

	2018	2017
Debt	**₱4,717,232**	₱4,631,590
Cash	**(287,913)**	(132,421)
Net debt	**4,429,319**	4,499,169
Equity	**337,342,146**	333,149,761
Gearing ratio	**1.31%**	1.35%

The Company is subject to externally imposed capital requirement amounting to ₱6,250,000 which is the minimum paid-up capital requirement of SEC for mining companies. As at December 31, 2018 and 2017, the Company is in compliance with this externally imposed capital requirement.

Fair Value Information
Assets measured at fair value
The following table gives information about how the fair values of the Company's assets and liabilities, which are measured at fair value at the end of each reporting period, are determined (in particular, the valuation technique(s) and inputs used).

	Fair Value as at December 2018	2017	Fair Value Hierarchy	Valuation Techniques	Significant unobservable input	Relationship of unobservable inputs to fair value
Financial assets at FVOCI	**₱23,592,380**	₱17,819,777	Level 1	Quoted bid prices in an active market	Not applicable	Not applicable

Assets and liabilities not measured at fair value
The following table gives information about how the fair values of the Company's assets and liabilities, which are not measured at fair value but the fair values are disclosed at the end of each reporting period, are determined.

	2018		2017 – As Restated (Note2)		Fair value hierarchy	Valuation techniques
	Carrying Value	**Fair Value**	Carrying Value	Fair Value		
Financial Assets						
Advances to related parties	**₱252,422,623**	**₱236,388,399**	₱255,126,608	₱247,589,008	Level 2	Discounted value of future cash flows
Financial Liabilities						
Advances from related parties	**₱ 4,360,051**	**₱ 4,083,095**	₱ 4,139,727	₱ 3,648,799	Level 2	Discounted value of future cash flows

For the long-term financial assets and liabilities, the fair value of the non-interest bearing noncurrent assets and liabilities are determined based on the discounted value of future cash flows using the prevailing credit adjusted PDEx rates in 2017 and PH VAL for 2018 that are specific to the tenor of the instruments' cash flow as at reporting date. Discount rates used is 6.78% in 2018 and 3.99% in 2017.

The carrying amounts of cash and accounts payable and other liabilities approximate their fair values due to the relatively short term maturities of these financial instruments.

4.) Legal Proceedings
The Company has a legal case involvement in the "Field Investigation Office v. Prospero Pichay, et. Al. For: Malversation." The case involves a complaint Malversation, violation of R.A. No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act," and violation of the Manual of Regulations for Banks in relation to Section 36 and 37 of R.A. No. 7653, otherwise known as the "New Central Bank Act," wherein the Board of Directors of the Local Water Utilities Administration (LWUA), FPI and The Wellex Group, Inc. (TWGI), among others, are charged with conspiring to (a) effect LWUA's supposed anomalous purchase in June 2009 from FPI (127,415 shares), TWGI (310,036 shares) and other individual stockholders (78,767 shares) of their total 445,377 shares, representing approximately 60% of the total shares, in Express Savings Bank, Inc. (ESBI) in the total amount of ₱101,363,302.85; and (b) infuse fresh capital in ESBI amounting to a total of ₱700,000,000. The Company's legal counsel filed a "Joint Rejoinder-Affidavit" dated December 1, 2014 on behalf of the Company's directors. In its Joint Resolution dated March 16, 2015, the Office of the Ombudsman found probable cause against FPI's directors: Mr. Peter S. Salud, Weslie T. Gatchalian, Lamberto B. Mercado, Jr., Rogelio D. Garcia and Evelyn De la Rosa for the alleged crimes.

On March 25, 2015, the FPI directors filed their "Consolidated Motion for Reconsideration" dated March 23, 2015. On May 7, 2015, the FPI directors filed their "Supplement Consolidated Motion for Reconsideration" dated May 4, 2015.

In its Joint Order dated April 4, 2016, the Office of the Ombudsman denied the "Consolidated Motion for Reconsideration" dated March 23, 2015 and the "Supplement (To Consolidated Motion for Reconsideration)" dated May 4, 2015 filed by FPI directors namely Peter S. Salud, Weslie T. Gatchalian, Lamberto B. Mercado, Jr., Rogelio D. Garcia and Evelyn Dela Rosa for the alleged crimes. The Ombudsman maintained that there is probable cause to indict the FPI Directors for the alleged crimes.

Thus, On July 13, 2016, 3 criminal informations for Malversation, violation of R.A. No. 3019, as amended, and R.A. No. 7653, were filed with the Sandiganbayan against the FPI Directors. They thereafter file a "Motion for Judicial Determination of Probable Cause" dated July 15, 2016, praying for the dismissal of the criminal charges against them.

In its Resolution dated October 18, 2016, the Sandiganbayan, Fourth Division, partially granted the FPI Directors' Motion for Judicial Determination of Probable Cause, and dismissed 2 of the 3 criminal charges against them. On November 2, 2016, they filed their "Motion for Partial Reconsideration" dated October 30, 2016, praying for the dismissal of the remaining charge of violation of Section 3(e) of R.A. No. 3019, as amended, against them.

In its Resolution dated November 17, 2017, the Sandiganbayan granted the Motion for Reconsideration and dismissed the remaining charge of violation of Section 3(e) of R.A. No. 3019, as amended, against the FPI Directors.

A case of illegal dismissal and claims for unpaid salaries, back wages, separation pay and damages was filed by an employee (logistic coordinator), on February 1996. The respondents on the said case are James Dale Hood, Air Philippines International (Formerly), Cophil Exploration & Drilling Co., Air Philippines International, Inc. and Forum Exploration, Inc. The management has its lawyer take care of the settlement and will plan to meet with the Sheriff or labor officer in-charge with the case. As of December 31, 2018, the claimant didn't make any demands or appeared before the Company's principal office address to enforce the said writ of execution.

5.) Submission of Matters to a Vote of Security Holders
There was no matter submitted to a vote of security holders during 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION
A copy of the Audited Financial Statements as of December 31, 2018 and Unaudited Second Quarter of 2019 Financial Statements are herein attached.

PLAN OF OPERATION
The following discussion and analysis should be read in conjunction with the accompanying financial statements and related notes as of December 31, 2018, 2017 and 2016, included elsewhere in this Annual Report. Our financial statements, and the financial information discussion below, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Forum Pacific, Inc. suffered losses for the past years due to country's economic crisis that greatly affect the stock market. Management believes that the going concern assumption is appropriate despite the existence of material uncertainty caused by recurring substantial losses of the Company. The Company incurred losses amounting to ₱2,628,544, ₱22,771,727 and ₱3,310,490 in 2018, 2017 and 2016, respectively. To continue as going concern, the officers and major stockholders of the Company has committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

Business Plans
To address the foregoing matters that may raise doubt on the Company's ability to continue as a going concern, the shareholders of the Company have committed in principle to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

The Company will evaluate outstanding receivables and advances to affiliate and design collection programs to improve the Company's financial status. The board will also evaluate calling for the remaining stock subscription as source of fund for the future projects. The officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization and approval of business project plans.

With the Company's experience in the participation on Department of Energy's (DOE) 4th Philippine Energy Contracting Round (PECR 4) last April 2012, evaluation of which focuses on the Company's financial and technical qualifications, the Company will prioritize the improvement of its financial position and exploring new business opportunities in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

The Management is still evaluating potential buyers who expressed interest to buy out the Company's remaining 33.33% capital stock investment in Forum Exploration, Inc. (FEI), a subsidiary of Pangilinan-led Forum Energy Plc and the project operator for Libertad Gas Field or Service Contract (SC40). Talks, however, with the three (3) interested groups are on hold at the moment, pending clarification of several commercial issues.

While the Company is affiliated with group of mining companies, the current slowdown of the mining sector and the stringent evaluations being conducted by the Department of Environment and Natural Resources (DENR) for new mining applications has led the Company to shelve the entry into the mining sector for the time being.

For the next twelve months, the Company will do the following:

Aside from the investment made during 2017 in Taguig Lake City development Corporation – a newly formed corporation engaged in the real estate industry, the Company will further outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mineral exploration and improve its financial position. As mentioned above, the management is currently discussing on how they will proceed with its remaining 33.33% capital stock investment in Forum Exploration, Inc., specifically whether to sell its interest or enter into partnership with potential buyers.

Given the growing requirements for power, the Company is on the one hand actively looking into the energy business, concentrating on cheap and consistent coal power for the country's base loads. Demand and supply studies, as well as site feasibility analysis and the selection of green and clean coal technologies are being conducted by select engineering advisers of the Company.

On the other hand, the Company is also considering investing into potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy. The management is also conducting research and feasibility studies on these renewable projects.

The Company's management believes that such financial support and management plan are sufficient to provide the Company the ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

Financial Highlights

The following table shows the comparative operating data and financial statements of the Company for the years ending December 31, 2018, 2017 and 2016.

	2018	2017	2016
Revenues	**₱–**	₱–	₱–
Cost and Expenses	**2,173,246**	2,596,954	2,805,053
Gross Profit (Loss)	**(2,173,246)**	(2,596,954)	(2,805,053)
Other income (expenses)	**(455,298)**	(20,174,773)	(505,437)
Net income (loss) before tax	**(2,628,544)**	(22,771,727)	(3,310,490)
Benefit from (provision for) income tax			
Current	**–**	–	–
Deferred	**–**	–	–
Net income (loss) for the year	**(₱2,628,544)**	(₱22,771,727)	(₱3,310,490)
Other comprehensive loss:			
Unrealized gain (loss) on AFS financial asset	**5,772,603**	3,764,742	(250,983)
Total comprehensive income (loss) for the year	**₱3,144,059**	(₱19,006,985)	(₱3,561,473)
Earnings (loss) per share	**(₱0.002)**	(₱0.019)	(₱0.003)

Calendar Year Ended December 31, 2018 vs. Calendar Year Ended December 31, 2017

Key Performance Indicators

The company and its subsidiary determine their performance on the following five (5) indicators:

1. Advances to Related Parties - currently, The Wellex Group, Inc. (TWGI), one of the company's major stockholders, is funding all operational expenses of the Company. Total advances made as of December 31, 2018 and 2017 are ₱2,703,984 and ₱15,164,568, respectively. These advances are offset against the outstanding receivable of the company from TWGI.
2. Current Ratios - current assets against the current liabilities of the Company. It measures the company's ability to pay short-term obligations. Current ratio for the year 2018 is 93.17% and 34.91% for 2017. A significant increase in the ratio by 58.26% was mainly due to net cash increase of ₱155,492. The net increase is composed of cash flows from operating, investing and financing activities.
3. Cash Ratio - the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities. The cash ratio of the company for the year 2018 is 80.61% and 26.92% for 2017. Same with the current ratio, increase in cash ratio was due to increase in cash resulting from the Company's cash flows from operating, investing and financing activities.
4. Debt ratio - it is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the year 2018 is 1.38% and 1.37% 2017.
5. Debt-to-equity ratio - the formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the year 2018 is 1.40% and 1.39% for 2017.

CHANGES IN RESULTS OF OPERATION

Revenues and Earnings per share

Since the company ceased to have control over Express Savings Bank, Inc. and still banking on new petroleum and gas service contracts, the company has no revenues recorded in the year 2018, 2017 and 2016.

The company incurred losses of ₱2.6M, ₱22.8M and ₱3.3M in 2018, 2017 and 2016, respectively. Loss per share for 2018, 2017 and 2016 were ₱0.002, ₱0.019 and ₱0.003, respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

Cost and Expenses

Cost and expenses consisted primarily of professional fees, taxes and licenses, PSE annual maintenance fee, management fee and office rental. For the years 2018 and 2017 amounts recorded were ₱2.2M and ₱2.6M respectively. Decrease of ₱0.4M is attributable to the decrease in legal expenses in connection with the legal case (see *Item 2 Legal Proceedings*). See notes to financial statement for the breakdown of the expenses.

Other Income (Expenses)

This account is composed of provision for doubtful accounts on advances to related parties and provision for impairment of input tax, net of unrealized foreign exchange gain (loss), interest income and other income.

For 2018 and 2017, the Company provided an allowance for impairment of input tax amounting to ₱235,433 and ₱242,976, respectively. An additional allowance for impairment on AFS financial assets and advances to Forum Exploration, Inc. (FEI) was provided for 2018 and 2017 amounting to ₱0 and ₱10,679,065, respectively. Unrealized foreign exchange loss for 2018 and 2017 are ₱220,324 and ₱9,121, respectively. It arises from the fluctuation of Peso to U.S. dollar exchange rates on the Company's payable to FEI, Ltd. amounting to $82,229.24 as of December 31, 2018. Interest and other income for 2018, 2017 and 2016 amounted to ₱459, ₱767 and ₱467, respectively.

CHANGES IN FINANCIAL CONDITION

ASSETS

Current Assets

<u>Cash</u>

Cash in bank carries interest at respective bank deposit rate. For the year 2018 and 2017, the total cash and cash equivalents were ₱287,913 and ₱132,421, respectively. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro-Meralco Ave. - Branch to facilitate the collection and disbursement processes of the company.

Prepayments and other current assets

The account is composed of advances to officers and employees and other assets amounting to ₱44,889 and input tax of ₱1,841,667 with provision for valuation allowance of the same amount.

Input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

The account has no outstanding balance for the year ended December 31, 2018 and 2017. The Company has provided full valuation allowance on all its input tax for 2018 and 2017 as it sees no economic use for it in the future.

Noncurrent Assets

Advances to related parties (net)

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms or repayments period. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting arrangement. This account consists of advances to Forum Exploration, Inc. (FEI) and The Wellex Group, Inc. (TWGI). Total amount recorded for the year 2018 and 2017, net of allowance for impairment loss of ₱221.2M and ₱222.3M, were ₱252.4M and ₱254.1M, respectively. See attached Notes to Financial Statements for a detailed description of the changes in accounting policies and procedures (Note 3).

Advances to TWGI

The account with outstanding balance of ₱302M and ₱304.7M, gross of impairment loss, as of December 31, 2018 and 2017 respectively, pertains to outstanding receivable from TWGI, a stockholder of the Company. This account pertains to advances obtained by TWGI from the Company to finance its working capital requirements on previous years.

On December 15, 2015, to settle its outstanding obligations to the Company, TWGI issued a promissory note to the Company maturing on December 15, 2018 amounting to ₱327,540,836 without interest. On December 16, 2018, the promissory note was renewed for another five (5) years maturing on December 16, 2023 with the amount of ₱301,996,932.

In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two years but renewable thereafter upon mutual agreement of both parties. The contract was renewed on May 2016 and 2018 for another two (2) years. Total rental and utilities expense charged to operations amounted to ₱222,000 for both years ended December 31, 2018 and 2017, respectively. Payment for rental and utilities are being offset against advances to TWGI outstanding balance.

Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱480,000 for both years ended December 31, 2018 and 2017, respectively. Likewise, payments for management fee are being offset against advances to TWGI outstanding balance.

Total collections of advances to TWGI amounted to ₱2,703,984 and ₱15,164,568 in 2018 and 2017, respectively.

Advances to FEI

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company in 2007. Outstanding balance for the years ended December 31, 2018 and 2017 amounted to ₱171,631,076, gross of allowance for impairment loss. The Company recognized an additional impairment loss amounting to nil in 2018 and 2017, as review on the FEI financial status and operations showed an unlikely possibility of collection.

FEI is a legal and owner of 100% interest in Service Contract (SC) 40, an upstream oil and gas contract area in the Philippines, entered into with the Philippine Government through the Department of Energy. Annual gas production from field on SC 40 totaled 41.09 million standard cubic feet (MMSCF) and 78.66 MMSCF since the start of production in 2012.

FEI has also implemented Work Program and Budget as approved by DOE last November 17, 2014 which includes, among others, a commitment to perform land gravity survey over the Dalingding Structure starting March 2015. Since 2014, FEI has performing geological and geophysical study aimed to identify and prioritize highly prospective areas for future exploration.

The Company is positive on FEI's on its exploration and future development work in providing the viability of its oil properties to produce oil in commercial quantities.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (net)

Financial Assets at Fair Value Through Other Comprehensive Income as at December 31 consist of:

	2018	2017
Unquoted shares		
Balance at beginning of the year	**₱85,711,573**	₱73,211,573
Additions	**-**	12,500,000
Balance at end of the year	**85,711,573**	85,711,573
Impairment loss	**(20,000,000)**	(20,000,000)
	65,711,573	65,711,573
Quoted shares		
Cost	**7,529,480**	7,529,480
Net unrealized fair value gain	**16,062,900**	10,290,297
	23,592,380	17,819,777
	₱89,303,953	₱83,531,350

Unquoted shares - Forum exploration, Inc. (FEI)

Investment in unquoted shares of stock represents 33.33% ownership or 62,500,000 shares of the Company in Forum Exploration, Inc. as at December 31, 2018. Previously 100% owned, the Company sold its 66.67% ownership, or 125 million shares to Tracer Petroleum Corporation (TCP), now Forum Energy, Inc. in 2003. Subsequent to sale, the Company did not have any material transaction with FEI, which manifests that it has ceased to have significant influence on the financial and operating policy decisions of FEI. These investments are classified as financial assets at FVOCI as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost less impairment loss since there is no quoted price in an active market.

Quoted shares - Philippine Estates Corporation (PHES)

Investment in quoted shares of stock represents investment in Philippine Estates Corporation (PHES), a publicly listed company. The Company owns 50,196,553 common shares and constitutes 3.47% ownership in PHES. The fair value of these shares has been determined directly by reference to published prices in the active market.

LIABILITIES

Advances from Affiliate

Advances from Forum Exploration, Inc. Ltd. (FEI – Ltd.)

The Company received cash advances from Forum (FEI) Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI; Company's subsidiary which was formally dissolved last July 6, 2012). The Company received USD denominated cash advances from FEI, Ltd. with no definite terms of payment. Outstanding balance of account as of December 31, 2018 and 2017 were ₱4,360,051 and ₱4,139,727 respectively.

Accounts Payable and other liabilities

These accounts consist of Accounts Payable, Withholding Tax Payable and Accrued Expense accounts. Total amounted recorded for 2018 and 2017 were to ₱357,181 and ₱491,863 respectively.

Calendar Year Ended December 31, 2017 vs. Calendar Year Ended December 31, 2016

Key Performance Indicators

The company and its subsidiary determine their performance on the following five (5) indicators:

1. Advances to Related Parties – currently, The Wellex Group, Inc. (TWGI), one of the company's major stockholders, is funding all operational expenses of the Company. Total advances made as of December 31, 2017 and 2016 are ₱15,164,568 and ₱2,729,063, respectively. These advances are offset against the outstanding receivable of the company from TWGI.

2. Current Ratios - Current Assets against the Current Liabilities of the Company. It measures the company's ability to pay short-term obligations. Current Ratio for the Y2017 is 34.91% and 79.63% for Y2016. A significant decrease in the ratio by 44.72% was mainly due to net cash decrease of ₱395,451. The net decrease is composed of cash flows from operating, investing and financing activities.
3. Cash Ratio - the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities. The cash ratio of the company for the Y2017 is 26.92% and 73.90% for Y2016. Same with the current ratio, decrease in cash ratio was due to decrease in cash resulting from the Company's cash flows from operating, investing and financing activities.
4. Debt ratio - It is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for theY2017 is 1.37% and 1.36% for Y2016.
5. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the Y2017 is 1.39% and 1.38% for Y2016.

CHANGES IN RESULTS OF OPERATION
Revenues and Earnings per share
Since the parent company ceased to have control over Express Savings Bank, Inc. and still banking on new petroleum and gas service contracts, the company has no revenues recorded in the year 2017, 2016 and 2015.

The company incurred losses of ₱22.8M in year 2017, ₱3.3M in year 2016 and ₱2.6M in 2015. Loss per share for 2017, 2016 and 2015 were ₱0.019, ₱0.003 and ₱0.002, respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

Cost and Expenses
Cost and expenses consisted primarily of professional fees, taxes and licenses, PSE annual maintenance fee, management fee and office rental. For the years 2017 and 2016 amounts recorded were ₱2.6M and ₱2.8M respectively. Decrease of ₱0.2M is attributable to the decrease in legal expenses in connection with the legal case (see *Item 2 Legal Proceedings*). See notes to financial statement for the breakdown of the expenses.

Other Income (Expenses)
This account is composed of provision for doubtful accounts on advances to related parties and provision for impairment of input tax, net of unrealized foreign exchange gain (loss), interest income and other income.

For 2017 and 2016, the Company provided an allowance for impairment of input tax amounting to ₱242,976 and ₱286,408, respectively. An additional allowance for impairment on AFS financial assets and advances to Forum Exploration, Inc. (FEI) was provided for 2017 amounting to ₱10,679,065 and ₱9,244,378, respectively. Unrealized foreign exchange loss for 2017 and 2016 are ₱9,121 and ₱219,496, respectively. It arises from the fluctuation of Peso to U.S. dollar exchange rates on the Company's payable to FEI, Ltd. amounting to $82,229.24 as of December 31, 2017. Interest and other income for 2017, 2016 and 2015 amounted to ₱767, ₱467 and ₱461, respectively.

CHANGES IN FINANCIAL CONDITION
ASSETS
Current Assets
Cash
Cash in bank carries interest at respective bank deposit rate. For the year 2017 and 2016, the total cash and cash equivalents were ₱132,421 and ₱527,872, respectively. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro-Meralco Ave. Branch to facilitate the collection and disbursement processes of the company.

Prepayments and other current assets
The account is composed of advances to officers and employees and other assets amounting to ₱39,298 and input tax of ₱1,606,434 with provision for valuation allowance of the same amount.

Input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses. The account has no outstanding balance for the year ended December 31, 2017 and 2016. The Company has provided full valuation allowance on all its input tax for 2017 and 2016 as it sees no economic use for it in the future.

Noncurrent Assets

Advances to related parties (net)

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms or repayments period. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting arrangement. This account consists of advances to Forum Exploration, Inc. (FEI) and The Wellex Group, Inc. (TWGI). Total amount recorded for the year 2017 and 2016, net of allowance for impairment loss of ₱222.3M and ₱213, were ₱254.1M and ₱278.5M, respectively.

Advances to TWGI

The account with outstanding balance of ₱304.7M and ₱319.9M, gross of impairment loss, as of December 31, 2017 and 2016 respectively, pertains to outstanding receivable from TWGI, a stockholder of the Company. This account pertains to advances obtained by TWGI from the Company to finance its working capital requirements on previous years.

On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱327,540,836 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018.

In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two years but renewable thereafter upon mutual agreement of both parties. The contract was renewed on May 2016 for another two (2) years. Total rental and utilities expense charged to operations amounted to ₱222,000 for both years ended December 31, 2017 and 2016, respectively. Payment for rental and utilities are being offset against advances to TWGI outstanding balance.

Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱480,000 for both years ended December 31, 2017 and 2016, respectively. Likewise, payments for management fee are being offset against advances to TWGI outstanding balance. Total collections of advances to TWGI amounted to ₱15,164,568 and ₱2,729,063 in 2017 and 2016, respectively.

Advances to FEI

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company in 2007. Outstanding balance for the years ended December 31, 2017 and 2016 amounted to ₱171,631,076, gross of allowance for impairment loss. The Company recognized an additional impairment loss amounting to ₱9,244,378 during the year, as review on the FEI financial status and operations showed an unlikely possibility of collection..

FEI is a legal and owner of 100% interest in Service Contract (SC) 40, an upstream oil and gas contract area in the Philippines, entered into with the Philippine Government through the Department of Energy. Annual gas production from field on SC 40 totaled 41.09 million standard cubic feet (MMSCF) and 78.66 MMSCF since the start of production in 2012.

FEI has also implemented Work Program and Budget as approved by DOE last November 17, 2014 which includes, among others, a commitment to perform land gravity survey over the Dalingding Structure starting March 2015. Since 2014, FEI has performing geological and geophysical study aimed to identify and prioritize highly prospective areas for future exploration.

The Company is positive on FEI's on its exploration and future development work in providing the viability of its oil properties to produce oil in commercial quantities.

Financial Assets at FVOCI)

Financial Assets at FVOCI) as at December 31 consist of:

	2017	2016
Unquoted shares		
Balance at beginning of the year	**₱73,211,573**	₱73,211,573
Additions	**12,500,000**	–
Balance at end of the year	**85,711,573**	73,211,573
Impairment loss	**(20,000,000)**	(9,320,935)
	65,711,573	63,890,638
Quoted shares		
Cost	**7,529,480**	7,529,480
Net unrealized fair value gain	**10,290,297**	6,525,555
	17,819,777	14,055,035
	₱83,531,350	₱77,945,673

Unquoted shares - Forum exploration, Inc. (FEI)

Investment in unquoted shares of stock represents 33.33% ownership or 62,500,000 shares of the Company in Forum Exploration, Inc. (Inc.) as at December 31, 2017. Previously 100% owned, the Company sold its 66.67% ownership, or 125 million shares to Tracer Petroleum Corporation (TCP), now Forum Energy, Inc. in 2003. Subsequent to sale, the Company did not have any material transaction with FEI, which manifests that it has ceased to have significant influence on the financial and operating policy decisions of FEI. Thus, it is now classified as available-for-sale financial assets in compliance with PAS 39. Investment cost and post-acquisition charges are used to determine the carrying amount of this investment as of reclassification date. The fair value of available-for-sale financial assets approximates its carrying value. The investment in FEI is stated at cost since there is no quoted price in an active market.

Quoted shares - Philippine Estates Corporation (PHES)

Investment in quoted shares of stock represents investment in Philippine Estates Corporation (PHES), a publicly listed company. The Company owns 50,196,553 common shares and constitutes 3.47% ownership in PHES. The fair value of these shares has been determined directly by reference to published prices in the active market.

LIABILITIES

Advances from Affiliate

Advances from Forum Exploration, Inc. Ltd. (FEI – Ltd.)

The Company received cash advances from Forum (FEI) Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI; Company's subsidiary which was formally dissolved last July 6, 2012). The Company received USD denominated cash advances from FEI, Ltd. with no definite terms of payment. Outstanding balance of account as of December 31, 2017 and 2016 were ₱4,139,727 and ₱4,130,606 respectively.

Accounts Payable and other liabilities

These accounts consist of Accounts Payable, Withholding Tax Payable and Accrued Expense accounts. Total amounted recorded for 2017 and 2016 were to ₱491,863 and ₱714,353 respectively.

Undertaking

Forum Pacific, Inc., as registrant, will provide the stockholders a copy of Annual Report (SEC Form 17-A) free of charge. Any written request for a copy of Annual Report shall be addressed to the Office of the Corporate Secretary c/o Forum Pacific, Inc., 35th Flr., One Corporate Centre, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

Interim Period as of Quarter Ended June 30, 2019

The following are the discussions for the interim report covering the period for the 2nd quarter ended June 30, 2019.

Key Performance Indicators:

1. Advances to Related Parties – currently, TWGI is funding all operational expenses of the Company.

2. Current Ratios – current assets against the current liabilities of the Company. It measures the Company's ability to pay short-term obligations. Current Ratio for the 2nd Quarter of 2019 and 2018 are 953% and 553%, respectively.
3. Cash Ratio – the most conservative liquidity ratio. It excludes all current assets except the most liquid – cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities. The cash ratio of the company for the 2nd Quarter of 2019 and 2018 are 827% and 450%, respectively.
4. Debt ratio - it is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the 2nd Quarter of 2019 and 2018 are 1.26% and 1.32%, respectively.
5. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the Company is using to finance its assets. The debt to equity ratio for the 2nd Quarter of 2019 and 2018 are 1.28% and 1.34%, respectively.

Financial Highlights

❑ Unaudited Statement of Comprehensive Income

	April – June 2019	April – June 2018	**Jan – June 2019**	Jan – June 2018
Revenues	**₱-**	₱-	**₱-**	₱-
Less: Costs and Expenses	**321,771**	272,341	**846,101**	1,048,302
Loss from Operation	**(321,771)**	(272,341)	**(846,101)**	(1,048,302)
Add: Other Income/(Expenses)	**74,352**	(152,072)	**(13,285)**	(456,328)
Loss before Income Tax	**(247,419)**	(424,413)	**(859,386)**	(1,504,630)
Income Tax Expense	-	-	**-**	-
Net Loss for the quarter	**(₱247,419)**	(₱424,413)	**(₱859,386)**	(₱1,504,630)
Loss per share	**(₱0.0002)**	(₱0.0004)	**(₱0.0007)**	(₱0.0013)

❑ Unaudited Balance Sheet

	As of June 30, 2019	As of June 30, 2018	As of December 31, 2018
Assets	**₱340,774,021**	₱339,134,962	₱342,059,378
Liabilities	**4,291,260**	4,478,037	4,717,232
Stockholders' Equity	**336,482,761**	334,656,925	337,342,146
Total Liabilities & Stockholders' Equity	**₱340,774,021**	₱339,134,962	₱342,059,378

<u>Interim Quarter ended June 30, 2019 Compared with quarter ended June 30, 2018</u>

RESULTS OF OPERATION

Revenue and Earnings per share

Since the company is still exploring new business opportunities given the volatile situation of metal and oil prices in the global market, the Company has no revenues for the second quarter of 2019 and 2018.

The Company incurred losses of ₱0.25 million and ₱0.42 million for quarters ended June 30, 2019 and 2018, respectively. Loss per share for the 2nd quarter of 2019 and 2018 were ₱0.0002 and ₱0.0004, respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

Cost and Expenses

Cost and expenses consisted primarily of professional fees, taxes and licenses, PSE annual maintenance fee, management fee and office rental.

Costs and expenses recorded for the 2nd quarter of 2019 and 2018 were ₱321,771.33 and ₱272,341, respectively.

FINANCIAL CONDITION

Current Assets

Current assets consist of cash in bank, input tax and other current assets. Cash in bank carries interest at respective bank deposit rate. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro to facilitate the collection and disbursement processes of the Company. Input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

Balance of cash in bank as of June 30, 2019 and 2018 were ₱268,949 and ₱179,508, respectively. The Company provided full valuation on its input tax as of June 30, 2019 amounting to ₱1,956,744.

Financial Assets at FVOCI (net)
Financial Assets at FVOCI (net) as at June 30 consist of:

	2019	2018
Unquoted shares		
Cost	**₱85,711,574**	**₱85,711,574**
Impairment loss	**(20,000,000)**	**(20,000,000)**
	65,711,574	**65,711,574**
Quoted shares		
Cost	**7,529,480**	**7,529,480**
Net unrealized fair value gain	**16,062,900**	**13,302,090**
	23,592,380	**20,831,570**
	₱89,303,954	**₱86,543,144**

Investment in unquoted shares of stock represents ownership of the Company in Forum Exploration, Inc. (FEI) and Taguig Lake City Development Corporation. These investments are classified as financial assets at FVOCI as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost less impairment loss since there is no quoted price in an active market.

Investment in quoted shares of stock represents ownership investment in Philippine Estates Corporation (PHES), a publicly listed Company. The fair value of these shares has been determined directly by reference to published prices in the active market

Express Savings Bank, Inc. (ESBI)
On July 8, 2011, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas placed Express Savings Bank, Inc. under receivership of the Philippine Deposit Insurance Corporation (PDIC) by virtue of MB resolution No. 987.B. As receiver, PDIC took over the bank on July 8, 2011. In 2011, the management, upon recommendation of the Audit Committee, has written off its remaining investment in ESBI. The Company reclassified the corresponding unrealized fair value loss amounting to ₱3,710,917 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

The Company's financial assets at FVOCI as at June 30, 2019 and 2018 are not held as collateral for its financial liabilities.

Investments in Subsidiary
The Company owns 60% of the stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI), a domestic corporation registered with the SEC on February 3, 2006. Its primary purpose is to acquire, hold and dispose of bonds, debentures, promissory notes, shares of capital and the likes, without engaging as a dealer or broker of securities. Its registered office is located at 14th Floor Pearlbank Center, 146 Valero Street, Salcedo Village, Makati City.

On November 30, 2009, FCCHI was formally dissolved pursuant to a resolution duly adopted by the FCCHI's Board of Directors and Stockholders representing at least two-thirds (2/3) of the outstanding capital stock dated October 9, 2009. Such dissolution was subsequently approved by the SEC on July 6, 2012.

In a special meeting held last November 21, 2011, the Company has decided to provide full valuation allowance on its investment in a subsidiary. Consequently, the Company recognized impairment loss of ₱3,888,000 in 2011.

On July 19, 2012, the Board of Directors approved the write-off of the investments in a subsidiary. As per Corporation Code of the Philippines, upon approval by the SEC of the amended Articles of Incorporation to shorten the corporate term, the corporation shall be deemed dissolved without any further proceedings.

Hence, starting 2012, the Company did not present consolidated financial statements.

Related Party Transaction Account

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting.

Relationships, Transactions and Account Balances

		Outstanding Balance	
Related Parties	**Relationship**	**June 30, 2019**	June 30, 2018
The Wellex Group, Inc.	Common key management	**₱139,528,829**	₱140,740,207
Forum Exploration, Inc.	Common key management	**111,631,076**	111,631,076
Forum Exploration, Ltd.	Common key management	**(4,258,720)**	(4,438,164)

Advances to The Wellex Group, Inc. (TWGI)

Transactions between the Company and TWGI primarily consist of non-interest bearing advances granted to finance TWGI's working capital requirements.

On December 15, 2012, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱330,495,385 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018. During 2018, the Company renewed the promissory note amounting to ₱301,996,932 for another five (5) years maturing on December 16, 2023. To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances.

a) The Company subleases an office space from TWGI starting on May 2014. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. The lease contract was renewed on May 2016 for another two (2) years. On May 1, 2018, the Company renewed the contract for another two (2) years maturing on April 30, 2020. Total rental and utilities expense charged to operations amounted to ₱55,500 for both periods ended June 30, 2019 and 2018.

b) On April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings.

The contract was renewed for another two (2) years. On May 1, 2018, the Company renewed the contract for another two (2) years maturing on April 30, 2020. Total management fee charged to operations amounted to ₱120,000 for both periods ended June 30, 2019 and 2018.

Total collections of advances from TWGI amounted to ₱367,245 and ₱298,899 for the 2nd quarter of 2019 and 2018, respectively.

The carrying amount of advances to TWGI as at June 30 as follows:

	2019	2018
Advances	**₱300,734,213**	₱302,993,917
Allowance for impairment loss	**161,205,384**	(162,253,710)
Net carrying amount	**₱139,528,829**	₱140,740,207

The Company originally provides allowance for impairment amounting to ₱161,205,384 and ₱162,253,710 as at June 30, 2019 and 2018, respectively, on advances to TWGI prior to agreements entered to settle the outstanding advances. Allowance for impairment will be reversed once the unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

Advances to Forum Exploration Inc. (FEI)

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company. No transaction in the account balance was recognized for the quarter ended June 30, 2017 and 2016.

FEI is a legal and beneficial owner of 100% interest in Service Contract (SC 40), an upstream oil and gas contract area in the Philippines, entered into with the Philippine Government through the

Department of Energy (DOE). Annual gas production from field on SC 40 totaled 41.09 million standard cubic feet (MMSCF) and 78.66 MMSCF since the start of production in 2012.

FEI has also implemented Work Program and Budget as approved by DOE on November 17, 2014 which includes, among others, a commitment to perform land gravity survey over the Dalingding Structure starting March 2015. Since 2014, FEI has performing geological and geophysical study aimed to identify and prioritize highly prospective areas for future exploration.

The Company has outstanding advances to FEI pertaining to the value of exploration assets transferred by the Company as follows:

	2019	2018
Advances	**₱171,631,076**	₱171,631,076
Allowance for impairment loss	**(60,000,000)**	(60,000,000)
Net carrying amount	**₱111,631,076**	₱111,631,076

The Company is positive on FEI's success on its exploration and future development work in providing the viability of its oil properties to produce oil in commercial quantities. Accordingly, the Company has not provided additional allowance for impairment on the advances.

Advances from Forum (FEI), Ltd.
The Company received cash advances from Forum (FEI), Ltd. The advances have no definite terms of payment. Outstanding balance as at June 30, 2019 and 2018 amounted to ₱4,258,720 and ₱4,438,164 respectively.

Remuneration to key management personnel
With the Company's tight cash position, management decided to suspend any form of compensation given to key management personnel for the period ended June 30, 2018 and 2017. The administrative function of the Company is performed by its related party, TWGI.

Current liabilities
This is primarily consists of accounts payable and other current liabilities. Outstanding balance as at June 30, 2019 and 2018 amounted to ₱32,540 and ₱39,873, respectively. This includes payable for retainer fees of legal counsel of the Company, accrued expenses and withholding taxes payable.

Undertaking

A copy of 2nd Quarter Report for the period ended June 30, 2019 or SEC Form 17-Q will be made available during the Annual Stockholders' Meeting.

(i) Summary of Material Trends, Events and Uncertainties
Forum Pacific, Inc.
The shares of FPI are listed and traded in Philippine Stock Exchange (PSE). The company was registered to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products, as well as other mineral and chemical substances. It is presently a holding company and owning shares of stocks of an exploration company.

On July 13, 2005, the PSE suspended the trading of its shares for failure to comply with certain reporting requirements. Also on July 25, 2006, the Securities and Exchange Commission suspended the registration of the Company's securities for period of 60 days for non-filing/late filing of financial reports for 2004 and 2005.

On January 24, 2008, SEC resolved to deny the Company's request that it be allowed to pay a monetary fine in lieu of revocation of the registration of its securities. On March 27, 2008, SEC revoked the Company's registration of securities and permit to sell due to late filing of its annual financial report and other reportorial requirements. On May 5, 2008, the Company filed a petition to lift SEC's order of revocation of the registration of its securities and the permit to sell securities citing its compliance with SEC's directives to pay the assessed penalties in addition to said revocation and the fact that it has no pending case for violation of the provisions of the Securities Regulations Code and its Implementing Rules and Regulations.

On July 31, 2008, the SEC resolved to lift and set aside the revocation of the registration of the Company's securities and the permit to sell its securities.

In 2009, the Company again received an order of revocation of the registration and permits to sell the Company's securities due to late filing of the Company's 2008 audited financial statements.

On August 31, 2010, the Company received an order of revocation of the registration and the permit to sell the Company's securities due to late filing of the Company's 2009 annual reports. On September 8, 2010, the Company requested for an extension of time until September 30, 2010 for the filing of the Company's 2009 audited financial statements which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Company again requested the SEC an additional thirty (30) working days within which to comply with the letter from the SEC dated August 31, 2010. However, on October 7, 2010, the Company's request was denied and the SEC provided a non-extendible period of three (3) days from receipt of the letter within which to submit the 2009 annual reports.

Subsequently on February 14, 2011, the Company paid fines and penalties in the amount of ₱2.77 million in lieu of the Company's revocation of Registration of securities and Permit to sell securities.

On May 13, 2011, the Company again paid SEC in the amount of ₱760,500 as payment for its outstanding fines and penalties. On May 17, 2011, PSE lifted the Company's revocation of Registration of Securities and Permit to sell securities.

Writing-Off of Investments

Express Savings Bank, Inc. (ESBI)

ESBI was 56% owned by the Company as of December 31, 2007. During 2007, the Company did not avail of its pre-emptive right to subscribe for additional shares in ESBI's increase in capitalization. This diluted the Company's interest in ESBI. In 2008, the Company eventually ceased to have control in ESBI.

On June 3, 2009, the Company executed a deed of absolute sale for its 127,415 shares in ESBI for P179.63 per share or equivalent to ₱22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to ₱122,592,758 or ₱423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of December 31, 2008 was recognized as impairment loss in 2008.

The investment had been recorded for ₱22,887,556 in the 2008 audited financial statements but the said amount represent only 127,415 shares out of 289,806 shares or 44%. An impairment loss of ₱99,705,202 was recorded which resulted to understatement of available-for-sale financial assets and overstatement of impairment loss in 2008 amounting to ₱29,170,296.

The fair value of ESBI investment as of December31, 2009 was based on the actual partial sale that occurred on July 13, 2010 in which 46,602 shares were sold for ₱4,660,200 at P100/share.

On August 12, 2010, the Company executed a deed of absolute sale for its 115,789 shares in ESBI at P100 per share or equivalent to ₱11,578,900 which is equal to the carrying value as of December 31, 2009 of ₱11,578,900. The Company reclassified the corresponding unrealized fair value loss amounting to ₱9,220,278 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income

On July 8, 2011, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas placed Express Savings Bank, Inc. under receivership of the Philippine Deposit Insurance Corporation (PDIC) by virtue of MB resolution No. 987.B. As receiver, PDIC took over the bank on July 8, 2011. In 2011, the management, upon recommendation of the Audit Committee, has written off its remaining investment in ESBI. The Company reclassified the corresponding unrealized fair value loss amounting to ₱3,710,917 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

Forum Coal Cebu Holdings, Inc. (FCCHI)

The Company owns 60% of the stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI), a domestic corporation registered with the SEC on February 3, 2006. Its primary purpose is to acquire, hold and dispose of bonds, debentures, promissory notes, shares of capital and the likes, without engaging as a dealer or broker of securities. Its registered office is located at 14th Floor Pearlbank Center, 146 Valero Street, Salcedo Village, Makati City.

On November 30, 2009, FCCHI was formally dissolved pursuant to a resolution duly adopted by the FCCHI's Board of Directors and Stockholders representing at least two-thirds (2/3) of the outstanding capital stock dated October 9, 2009. Such dissolution was subsequently approved by the SEC on July 6, 2012.

In a special meeting held last November 21, 2011, the Company has decided to provide full valuation allowance on its investment in a subsidiary. Consequently, the Company recognized impairment loss of ₱3,888,000 in 2011.

On July 19, 2012, the Board of Directors approved the write-off of the investments in a subsidiary. As per Corporation Code of the Philippines, upon approval by the SEC of the amended Articles of Incorporation to shorten the corporate term, the corporation shall be deemed dissolved without any further proceedings. **Hence, starting 2012, the Company did not present consolidated financial statements.**

ii) Events that will Trigger Direct of Contingent Financial Obligation

Since Forum Pacific Inc. are still looking a strategic partner to enhance the development of the company specially in exploration business, the company are no events that will trigger direct of contingent financial obligation that is material to Forum Pacific Inc. including any default or acceleration of an obligation.

(iii) Material Off-Balance Sheet Transactions, Arrangements, Obligations

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of Forum Pacific Inc. with unconsolidated entities or other persons created during the reporting period.

(iv) Commitment For Capital Expenditures

The material commitments for capital expenditures of the company are primarily includes; salaries and wages, taxes, depreciation and utilities and other related overheads. Since the parent company, still focus on looking for a strategic partner, there are no major expenses of the business for the year.

(v) Any Known Trends, Events of Uncertainties (Material Impact on Net Sales / Net Income)

The Company is mainly exposed to liquidity risk through its maturing liabilities. The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met. Liquidity refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The details of the maturity analysis of the Company's liabilities are as follows:

June 30, 2019	**Total**	**On demand**	**Less than 3 months**	**3-12 months**	**1-5 years**
Advances from related parties	**₱4,258,720**	**₱–**	**₱–**	**₱–**	**₱4,258,720**
Accounts payable and other liabilities	**32,540**	**₱–**	**₱–**	**32,540**	**₱–**
	₱4,291,260	**₱–**	**₱–**	**₱32,540**	**₱4,258,720**

June 30, 2018	Total	On demand	Less than 3 months	3-12 months	1-5 years
Advances from related parties	₱4,438,164	₱–	₱–	₱–	₱4,438,164
Accounts payable and other liabilities	39,873	–	–	39,873	–
	₱4,478,037	₱–	₱–	₱39,873	₱4,438,164

(vi) Significant Element of Income or Loss That Did Not Arise From Continuing Operation

PFRS 9, Financial Instruments (2014). PFRS 9, Financial Instruments replaces PAS 39 Financial Instruments – Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The standard requires all recognized financial assets that are within the scope of PAS 39 to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flow that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debts investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that are attributable to changes in the credit risk of that liability is presented in other comprehensive income would create or increase as accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The Company has adopted the *PFRS 9 Financial Instruments* from January 1,2018 and resulted in changes in accounting policies and adjusted amounts recognized in the financial statements. The comparative figures have been restated to comply with the transitional provisions in PFRS 9 (See Note 3 of Interim Financial Statements for the full details).

(vii) Material Changes on Line Items in Financial Statements

Material changes on line items in financial statements are presented under the captions 'Changes in Financial Condition" and 'Changes in Operating Results" above, see attached Notes to Financial Statements.

(viii) Effect of Seasonal Changes in the Financial Condition or Results of Operations

The financial condition or results of operations is not affected by any seasonal change.

* * *

MARKET INFORMATION

The principal market of Forum Pacific, Inc.'s common equity is traded is the Philippine Stock Exchange (PSE) where it was listed last December 19, 1994. The high and low sales prices by quarter for the last three (3) years are as follows:

		High	Low
2019	First Quarter	0.340	0.203
	Second Quarter	0.280	0.224
2018	First Quarter	0.270	0.185
	Second Quarter	0.265	0.190
	Third Quarter	0.236	0.195
	Fourth Quarter	0.240	0.188
2017	First Quarter	0.270	0.178
	Second Quarter	0.236	0.178
	Third Quarter	0.295	0.193
	Fourth Quarter	0.210	0.180

The high, low and close market price is ₱0.245, ₱0.230, and ₱0.245 per share as of September 9, 2019, respectively. The Corporation has only one class of registered security, "Class A – Common Shares".

HOLDERS

The number of shareholders of record as of July 31, 2019 was 865. Common shares issued and subscribed were 1,838,943,246.

Top 20 Stockholders
As of July 31, 2019

	NAME	CLASS A NO. OF SHARES HELD	% to TOTAL
1	INTERNATIONAL POLYMER CORPORATION	496,887,494	27.020
2	PCD NOMINEE CORPORATION	416,850,574	22.668
3	THE WELLEX GROUP, INC.	376,950,000	20.498
4	E.F. DURKEE & ASSOCIATES, INC.	77,838,563	4.233
5	INTRA-INVEST SEC., INC.	48,159,000	2.619
6	METROPOLITAN MANAGEMENT CORPORATION	30,000,000	1.631
7	JUANITO C. UY	22,625,001	1.230
8	PCD NOMINEE CORP. (NON-FILIPINO)	21,190,050	1.152
9	PACRIM ENERGY N.L.	21,000,000	1.142
10	SAPPHIRE SECURITIES INC.	19,433,500	1.057
11	BENITO ONG AND/OR ZITA Y. ONG	18,000,000	0.979
12	LI CHIH-HUI	17,100,000	0.930
13	NESTOR S. MANGIO	12,500,000	0.680
14	A & A SECURITIES, INC.	11,911,320	0.648
15	MARK SECURITIES CORPORATION	10,772,800	0.586
16	GLOBALINKS SEC & STOCKS, INC. A/C #	9,400,000	0.511
17	BELSON SECURITIES, INC.	9,200,000	0.500
18	WEALTH SECURITIES, INC.	8,240,000	0.448
19	RUBEN M. GAN	7,610,000	0.414
20	DAVID GO SECURITIES CORPORATION	6,880,000	0.374

Cash and Stock Dividend Declared

The Company has not declared and paid dividends due to substantial losses suffered by the Company for the year 2018, 2017 and 2016.

Restriction That Limits The Payment Of Dividends On Common Shares

There are no restrictions that limit the payment of dividends on Common Shares.

Recent Sales Of Unregistered Securities

There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

Directors and Executive Officers of the Registrants

Directors and Executive Officers

Names, ages, citizenship and position of all directors and executive officers:

Name	Age	Citizenship	Position
Peter S. Salud	64	Filipino	Chairman/Director
Elvira A. Ting	58	Filipino	President/Director
Kenneth T. Gatchalian	43	Filipino	Treasurer/Director
Atty. Arthur R. Ponsaran	76	Filipino	Director
Atty. Lamberto B. Mercado,	54	Filipino	Director
Joaquin Obieta	85	Filipino	Director
Omar M. Guinomla	47	Filipino	Director
Richard L. Ricardo	56	Filipino	Director
Byoung Hyun Suh	62	Korean	Independent Director
Sergio R. Ortiz-Luis, Jr.	76	Filipino	Independent Director
Atty. Ruben D. Torres	77	Filipino	Independent Director
Atty. Arsenio A. Alfiler Jr.	73	Filipino	Corporate Secretary

A brief description of the directors' and executive officers' business experience for the last five (5) years and other directorships held in other reporting companies are provided as follows:

	Company	Position
Peter S. Salud		
Chairman/Director	Wellex Industries, Inc.	Chairman/Director
Filipino	Wellex Petroleum Inc.	President/Director
64 years old	Sands Mining & Development Corp.	Chairman/President/Director
	Manila Sands Hotel and Casino Inc.	President/Director
	Philippine International Airways	President/Director
	Sourthernpec Philippines Inc.	Chairman/President/Director
	Vista Buena Mining Corporation	Chairman/Director
	Country Garden Agri-Tourism Dev't Inc.	President/Director

	Company	Position
Elvira A. Ting		
President/ Director	Wellex Industries, Inc.	Vice President/Director
Filipino	Philippine Estates Corporation	President/CEO/Director
58 years old	Waterfront Philippines, Inc.	Corp. Treasurer/Director
BS in Business Administration	Acesite (Hotels) Phils., Inc.	Corp. Sec./Director
Major in Management	Orient Pacific Corporation	Chairman/Director
Philippine School of Business	Crisanta Realty Devt. Corp.	Chairman/President/Director
Administration	Recovery Development Corp.	Corp. Treasurer/Director
	The Wellex Group, Inc.	Corp. Treasurer/Director
	Plastic City Industrial Corp.	Director
	Waterfront Manila Premier Devt., Inc.	Corp. Secretary/Director
	Rexlon Realty Group, Inc.	Chairman/President/Director
	Pacific Rehouse Corporation	Corp. Treasurer/Director
	Westland Pacific Properties Corporation	Asst. Corp. Sec./Director
	Heritage Pacific Corporation	Chairman/President/Director
	Palawan Estate Corporation	Asst. Corp. Sec./Director
	Poly Premier Property Devt. Corp.	Corp. Treasurer/Director
	Wanda Prime Property Dev't Inc.	President/ Director
	Bocaue Prime Estate Corporation	President/ Director
	Bulacan Fortune Land Dev't Corp.	Chairman/President/Director
	Taguig Lake City Development Corp.	President/ Director
	Country Garden Agri-Tourism Devt. Inc.	Corp. Treasurer/Director
	Alliance Energy Power & Devt. Corp.	Corp. Secretary/Director

	Company	Position
Kenneth T. Gatchalian		
Corp. Treasurer/ Director	The Wellex Group, Inc.	President/Director
Filipino	Wellex Industries, Inc.	President/Director
43 years old	Waterfront Philippines, Inc.	President/Director

BS in Architecture *University of Texas, USA*	Waterfront Manila Premier Devt., Inc. Acesite (Hotels) Phils., Inc. Philippine Estates Corporation Orient Pacific Corporation Wellex Mining Corporation Westland Pacific Properties Corporation Wellex Petroleum, Inc. Recovery Development Corp. Novateknika Land Corp. Pacific Rehouse Corporation Crisanta Realty Development Corp. Palawan Estate Corp. Philippine International Airways Philfoods Asia, Inc. Sourthernpec Philippines Inc. Manila Bay Front Hotels, Inc. Poly Premier Property Devt. Corp. Wanda Prime Property Dev't Inc. North Luzon Premier Development Corp. Bulacan Harbour Development Corp. Bulacan Country Garden Devt. Corp.	President/Director President/Director Vice Chairman/Director President/Director Chairman/President/Director Corp. Treasurer/Director Corp. Secretary/Director Chairman/President/Director Corp. Secretary/Director Chairman/President/Director Corp. Secretary/Director Corp. Secretary/Director Corp. Secretary/Director Chairman/President/Director Corp. Treasurer/Director Chairman/Director President/Director Chairman/Director Chairman/Director Asst. Corp. Sec./Director Chairman/President/Director

	Company	**Position**
Atty. Arthur R. Ponsaran Director Filipino 76 years old CPA Lawyer BA Major in Accounting *University of the East* Bachelor of Laws *University of the Philippines*	Philippine Estate Corporation Corporate Counsels, Phils. Law Office Acesite (Hotels) Phils., Inc. Waterfront Philippines, Inc.	Director Managing Partner Director Corporate Secretary

Name	**Business Experience for the Last Five (5) Years**	
	Company	**Position**
Atty. Lamberto B. Mercado, Jr. Director Filipino 54 years old Bachelor of Laws (L.L.B.) *Ateneo de Manila University* School of Law	MAHEC CPDSI, AHI and FEZ Wellex Industries, Inc. Waterfront Philippines, Inc. Philippine National Construction Corp Rexlon Realty Group, Inc. Wellex Mining Corporation Acesite (Hotels) Phils., Inc. Southernpec Philippines Inc. Dubai Gold Mining Corporation Sands Mining & Development Corp. Bulacan Harbour Development Corp. Wanda Prime Property Dev't, Inc. Bulacan Country Garden Devt. Corp.	Director/Compliance Officer Director Director Director Director Assist. Cop. Sec./Director Corp. Secretary/Director Chief Risk Officer Corp. Secretary/Director Corp. Secretary/Director Director Corp. Secretary/Director Director Director

	Company	**Position**
Atty. Joaquin P. Obieta Director Filipino 85 years old Bachelor of Laws *Ateneo de Manila University* BS in Chemical Engineering *De La Salle University* Bachelor of Sacred Theology *University of Sto. Tomas*	Philippine Estates Corporation Corporate Counsels, Phils Law Office Ateneo de Manila University	Director Managing Partner Law Professor

	Company	Position
Omar M. Guinomla		
Director	Wellex Industries, Inc.	Director
Filipino	Recovery Real Estate Corp.	Director
47 years old	Pacific Rehouse Corp.	Director
A.B. Management	Orient Pacific Corp.	Assist. Corp. Sec./Director
De La Salle University	Recovery Development Corp.	Assist. Corp. Sec./Director
Master's in Business Admin	Philippine International Airways	Corp. Treasurer/Director
Ateneo de Manila University	Continental Wire & Cable Corporation	Director
	Shanghai Resources Corporation	Chairman/President/Director
	Calinan Star Mining, Inc.	Director
	Dubai Gold Mining Corp.	Director
	Sands Mining & Development Corp.	Corp. Secretary/Director
	Manila Bay Front Hotels, Inc.	Corp. Secretary/Director
	Bulacan Fortune Land Dev't Corp.	Corp. Secretary/Director
	Triton Construction & Dev't Corp.	Corp. Secretary/Director

	Company	Position
Richard L. Ricardo		
Investor Relations Officer/ Director	Wellex Industries, Inc.	Corp. Treasurer/Investor Relations Officer/Director
Filipino	Waterfront Philippines, Inc.	Corporate Affairs Officer/Compliance Officer
56 years old		
BS in Management Economics	Acesite (Phils.) Hotel Corporation	Vice President for Corporate Affairs/Compliance Officer
Ateneo de Manila University		
	Philippine Estates Corporation	Corp. Treasurer/Investor Relations Officer/Director
	The Wellex Group, Inc.	Corporate Secretary/Director
	Rexlon Realty Group,Inc.	Vice President/Director
	Westland Pacific Properties Corp.	Corporate Secretary/Director
	Wellex Petroleum, Inc.	Corp. Treasurer/Director
	Wellex Mining Corporation	Assist. Corp. Sec./Director
	Bocaue Prime Estate Corporation	Corporate Secretary/Director
	Taguig Lake City Development Corp	Corporate Secretary/Director
	Bulacan Country Garden Dev't. Corp.	Corporate Secretary/Director
	Alliance Energy Power & Dev't. Inc.	President/Director

	Company	Position
Byoung Hyun Suh		
Independent Director	Wellex Industries Inc.	Independent Director
Korean	Philippines Estates Corporation	Independent Director
62 years old	Metro Alliance Holdings & Equities Corp.	Independent Director
BS in Business Administration	Pan Islands, Inc.	President
Korea University, Seoul Korea	Overseas Korean Traders Associations	President
	Bonamis Pharmacy Phil's. Corp.	President

	Company	Position
Sergio R. Ortiz-Luis, Jr.		
Independent Director	Wellex Industries Inc.	Independent Director
Filipino	Philippine Estates Corporation	Independent Director
76 years old	Waterfront Philippines, Inc.	Independent Director
BS in Liberal Arts	Acesite (Phils) Hotel Corp.	Independent Director
BS in Business Administration	BA Securities	Independent Director
Masters in BA (Candidate)	VC Securities Corporation	Vice-Chairman/Independent Director
De La Salle University		
PhD Humanities hc	Waterfront Manila Premier Devt., Inc.	Chairman/Director
Central Luzon Agricultural College	Country Garden Agri-Tourism Devt. Inc.	Chairman/Director
PhD in Business Technology hc	Philippine International Airways	Chairman/Director
PhD Capital Management hc	Phil. Chamber of Commerce and Industry	Chairman/Treasurer
Academy of Multiskills, UK		
PhD Business Administration hc	National Center for Mediation	Chairman

Angeles University Foundation	Integrated Concepts & Solutions, Inc. Rotary Club of Greenmeadows Foundation Export Development Council Alliance Global, Inc. JARDELI Club Foundation Philippine Exporters Confederation Inc. Employers Confederation of the Phils. Philippines Foundation, Inc. Asia Pacific Chinese Media, Inc. GS1 and Int'l Chamber of Commerce Phils Philippine Foundation, Inc. (Team Phils.) Manila Exposition Complex, Inc. La Salle Tech Academy Alliance Energy Power and Dev't. Inc. Rural Bank of Baguio H2O (Formerly Calapan Ventures, Inc) LikeCash Asia & Pacific Corp SPC Power Corporation Drug Abuse Resistance Education Phils Human Resource Development Foundation Consulate of Romania in the Philippines Consular Corps of the Philippines Int'l Assoc. of Educators for World Peace The Philippine Bamboo Council Patrol 117 (Foundation for Crime Prevention) Industry Development Council National Competitiveness Council Philippine Jaycee Senate Philippine Coastguard Auxiliary	Chairman Chairman Vice Chairman Vice Chairman Vice Chairman President/CEO President President President Founding Director Director Director Director Director Director Director Director Director Director Trustee/Treasurer Consul General Treasurer Honorary Adviser Private Sector Representative Commissioner Member BPLS Champion Senate Captain

	Company	Position
Atty. Ruben D. Torres Independent Director Filipino 77 years old Bachelor of Arts in Political Science Bachelor of Laws University of the Philippines	 Wellex Industries Inc. BPO Workers Association of the Phils. Services Exporters Risk Management & Consultancy Co Trade Union Congress of the Philippines Torres Caparas Torres Law Offices Waterfront Philippines Inc. Acesite Philippines Hotel Corp. Waterfront Manila Premier Devt., Inc. Alliance Energy Power and Devt. Inc. Triton Construction and Devt. Corp.	 Independent Director President Chairman/CEO VP-International Affairs Senior Partner Independent Director Independent Director Director Chairman/Director Chairman/Director

	Company	Position
Atty. Arsenio A. Alfiler, Jr. Corporate Secretary Filipino 73 years old Bachelor of Laws *University of the Philippines* B.A. in Public Administration *University of the Philippines*	 Acesite (Phils.) Hotel Corp. Waterfront Philippines, Inc. Iloilo City Development Bank	 Corporate Secretary Assistant Corporate Secretary Assistant Corporate Secretary

CORPORATE GOVERNANCE

The Corporation adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual and related SEC Circulars. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Corporation observes good governance and management practices. This is to assure the shareholders that the Corporation conducts its business with the highest level of integrity, transparency and accountability.

The board of Directors has approved its Corporate Governance Compliance Evaluation System in order to check and assess the level of compliance of the Company with leading practices on good corporate governance as specified in its Corporate Governance Manual and pertinent SEC Circulars. The System likewise highlights areas for compliance improvement and action to be taken. One of the system's output is the Annual Corporate Governance Compliance Evaluation Form submitted by the Corporation every year to the SEC and PSE.

Forum Pacific, Inc. has consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards.

The Company submitted its Integrated Annual Corporate Governance Report (IACGR) on May 30, 2019 covering the year 2018.

The independent directors have submitted their Certificate of Qualification as required by the SEC vis-à-vis Section 38 of the Securities Regulation Code.

* * *

Forum Pacific, Inc.

Financial Statements
December 31, 2018 and 2017

Independent Auditor's Report

and

Audit Report on Additional Components
Of the Financial Statements

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 3 0 0 0 1 2 0

Company Name

F O R U M   P A C I F I C ,   I N C .

Principal Office (No./Street/Barangay/City/Town)Province)

3 5 T H   F L O O R   O N E   C O R P O R A T E
C E N T E R ,   D O N A   J U L I A   V A R G A S   A V E .
C O R .   M E R A L C O   A V E . ,   O R T I G A S
C E N T E R ,   P A S I G   C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	S E C	N A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
forumpacific010393@yahoo.com	706-7888	NA

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
870	Third Monday of April	December/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Arsenio A. Alfiler Jr.	forumpacific010393@yahoo.com	706-7888	NA

Contact Person's Address

35Th Floor One Corporate Center, Dona Julia Vargas Ave., Cor. Meralco Ave., Ortigas Center, Pasig City, Philippines

Note: In case of death, resgination or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

FORUM PACIFIC INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **FORUM PACIFIC, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2018 and 2017**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, of has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Diaz Murillo Dalupan and Company, the independent auditors, appointed by the stockholders has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

PETER S. SALUD
Chairman of the Board

ELVIRA A. TING
President

KENNETH T. GATCHALIAN
Corporate Treasurer

SUBSCRIBED AND SWORN to before me in QUEZON CITY City/Province, Philippines on APR 12 2019, affiants personally appeared before me and exhibited to me their

Name	Tax Identification Number
1. PETER S. SALUD	107-777-803
2. ELVIRA A. TING	117-922-153
3. KENNETH T. GATCHALIAN	167-406-526

WITNESS MY HAND AND SEAL on the date and at the place above written.

DOC NO: 304
PAGE NO: 62
BOOK NO: 1
SERIES OF 2019

ATTY. CONCEPCION P. VILLAREÑA
Notary Public for Quezon City
Until December 31, 2019
PTR No. 7323642 - 1-03-2019/ QC
IBP No. AR14400591 - 12-17-2018/ QC
Roll No. 30497 - 05-09-80
MCLE 5-0012536 - 12-21-2015
Adm. Matter No. NP 270 (2018-2019)

35th Floor, One Corporate Center, Doña Julia Vargas Ave., corner Meralco Avenue, Ortigas Center, Pasig City, Phils. 1605
Tel. No. (632) 7067888 Fax No. (632) 7065982

Forum Pacific, Inc.

Financial Statements
December 31, 2018 and 2017

and

Independent Auditors' Report

Diaz Murillo Dalupan and Company
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors and Stockholders of
FORUM PACIFIC, INC.
35th Floor, One Corporate Center
Doña Julia Vargas Ave., corner Meralco Avenue
Ortigas Center, Pasig City

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of **Forum Pacific, Inc.** (the 'Company'), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for each of the three years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Company in accordance with Code of Ethics for Professional Accountants in the Philippines (the 'Code of Ethics') together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has been incurring losses in current and prior years and has accumulated a deficit of about ₱850 million and ₱848 million as at December 31, 2018 and 2017, respectively. As stated in Note 1, these events or conditions, along with other matters, indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. To continue as a going concern, the officers and major stockholders of the Company have committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

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The Company will also further outline and welcome business projects aside from oil, gas and mineral exploration. It will continue the research for areas and land mine with potential mineral deposits using affiliated Group's geologists and engineers and will consider investing into potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy.

We have conducted sufficient audit procedures to verify the validity of the management plan to address the material uncertainty related to going concern. Our opinion is not modified in respect of this matter. *Key*

Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

First time Adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Company adopted PFRS 9, *Financial Instruments*. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial asset not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Company adopted PFRS 9 using modified retrospective approach.

The Company's adoption of the expected credit loss (ECL) model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: significant increase in credit risk exposures; determining the method to estimate the lifetime ECL; defining what comprises default; determining assumptions to be used in the ECL model such as the expected life of the significant financial assets such as cash and advances to related parties; timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

Refer to Notes 2 and 15 of the financial statements for the disclosures in relation to the adoption and application of the PFRS 9 ECL model.

Our Response

Our audit procedures to address the assessment in adoption of the ECL model included the following:

- Checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used.
- Tested the definition of default against historical analysis of accounts and credit risk management policies and practices.
- Tested loss given default by inspecting historical recoveries including the timing, related costs, and write-offs.

Going Concern

As disclosed in Note 2, the Company incurred losses amounting to ₱2,628,544, ₱22,771,727, and ₱3,310,490 in 2018, 2017, and 2016, respectively. The Company had accumulated deficit of ₱850,207,625 and ₱847,579,081 as at December 31, 2018 and 2017, respectively.

Our Response

Our audit procedures to address going concern issue, which was considered to be a significant risk, included:

- Reviewed business plans and discussed it with the Board of Directors to assess its viability.
- Read minutes of meetings of stockholders, board of directors, and important committees of the board.
- Sought entity's legal counsel confirmation about any litigations, claims and assessments.
- Confirmed with related parties of the details of arrangements to provide or maintain financial support.
- Reviewed any subsequent events relevant to the Company's operations.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.
Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audits 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 auditors' 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 PSA 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.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Supplementary Information required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of **Forum Pacific, Inc.** taken as a whole. The supplementary information in Note 17 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 11, 2020
SEC Accreditation No. 0192-FR-3, Group A, effective until April 2, 2022
BIR Accreditation No. 08-001911-000-2019, effective until March 27, 2022

By:

Rosemary D. De Mesa
Partner
CPA Certificate No. 29084
SEC Accreditation No. 1089-AR-2, Group A, effective until May 10, 2020
Tax Identification No. 104-576-953
PTR No. 7344256, January 8, 2019, Makati City
BIR Accreditation No. 08-001911-007-2019, effective until March 27, 2022

April 11, 2019

FORUM PACIFIC, INC.
Statements of Financial Position

	As at December 31	
	2018	2017
ASSETS		
Current Assets		
Cash - note 5	₱ 287,913	₱ 132,421
Prepayments and other current assets (net) - note 6	44,889	39,298
	332,802	171,719
Noncurrent Assets		
Financial assets at FVOCI - note 7	89,303,953	83,531,350
Advances to related parties (net) - note 10	252,422,623	254,078,282
	341,726,576	337,609,632
TOTAL ASSETS	₱ 342,059,378	₱ 337,781,351
LIABILITIES AND EQUITY		
Current Liability		
Accounts payable and other liabilities - note 8	₱ 357,181	₱ 491,863
Noncurrent Liability		
Advances from a related party - note 10	4,360,051	4,139,727
	4,717,232	4,631,590
Equity		
Capital stock - note 9	1,207,543,621	1,207,543,621
Unrealized fair value gain on financial assets at FVOCI	16,062,900	10,290,297
Deficit - note 2	(850,207,625)	(848,627,407)
	373,398,896	369,206,511
Treasury shares - note 9	(36,056,750)	(36,056,750)
	337,342,146	333,149,761
TOTAL LIABILITIES AND EQUITY	₱ 342,059,378	₱ 337,781,351

(The accompanying notes are an integral part of these financial statements.)

FORUM PACIFIC, INC.
Statements of Comprehensive Income

	For the Years Ended December 31		
	2018	2017	2016
COSTS AND EXPENSES - note 11	**(₱ 2,173,246)**	(₱ 2,596,954)	(₱ 2,805,053)
OTHER EXPENSES (net) - note 12	**(455,298)**	(20,174,773)	(505,437)
LOSS BEFORE INCOME TAX	**(2,628,544)**	(22,771,727)	(3,310,490)
BENEFIT FROM INCOME TAX - note 13			
Current	–	–	–
Deferred	–	–	–
	–	–	–
NET LOSS FOR THE YEAR	**(2,628,544)**	(22,771,727)	(3,310,490)
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified subsequently to profit or loss:			
Unrealized fair value gain (loss) on financial assets at FVOCI - note 7	**5,772,603**	3,764,742	(250,983)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱ 3,144,059**	(₱ 19,006,985)	(₱ 3,561,473)
LOSS PER SHARE - note 14	**(₱ 0.002)**	(₱ 0.019)	(₱ 0.003)

(The accompanying notes are an integral part of these financial statements.)

FORUM PACIFIC, INC.
Statements of Changes in Equity

	Capital Stock (Note 9)	Treasury Shares (Note 9)	Deficit (Note 2)	Unrealized Fair Value Gain (Loss) on AFS Financial Assets (Note 7)	Total
Balance as at January 1, 2016	₱ 1,207,543,621	(₱ 36,056,750)	(₱ 822,545,190)	₱ 6,776,538	₱ 355,718,219
Comprehensive loss					
Net loss for the year	–	–	(3,310,490)	–	(3,310,490)
Other comprehensive loss	–	–		(250,983)	(250,983)
Total comprehensive loss for the year	–	–	(3,310,490)	(250,983)	(3,561,473)
Balance as at December 31, 2016	1,207,543,621	(36,056,750)	(825,855,680)	6,525,555	352,156,746
Comprehensive income (loss)					
Net loss for the year	–	–	(22,771,727)	–	(22,771,727)
Other comprehensive income	–	–		3,764,742	3,764,742
Total comprehensive income (loss) for the year	–	–	(22,771,727)	3,764,742	(19,006,985)
Balance as at December 31, 2017	1,207,543,621	(36,056,750)	(848,627,407)	10,290,297	333,149,761
Effect on adoption of PFRS 9			**1,048,326**		**1,048,326**
As at January 1, 2018	**1,207,543,621**	**(36,056,750)**	**(847,579,081)**	**10,290,297**	**334,198,087**
Comprehensive income (loss)					
Net loss for the year	–	–	**(2,628,544)**	–	**(2,628,544)**
Other comprehensive income	–	–		**5,772,603**	**5,772,603**
Total comprehensive income (loss) for the year	–	–	**(2,628,544)**	**5,772,603**	**3,144,059**
Balance as at December 31, 2018	**₱1,207,543,621**	**(₱ 36,056,750)**	**(₱ 850,207,625)**	**₱16,062,900**	**₱337,342,146**

(The accompanying notes are an integral part of these financial statements.)

FORUM PACIFIC, INC.
Statements of Cash Flows

	For the Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱ 2,628,544)**	(₱ 22,771,727)	(₱ 3,310,490)
Adjustments for income tax:			
Provision for impairment of input tax - note 6	**235,433**	242,976	286,408
Provision for impairment on advances to related parties - note 10	**–**	9,244,378	–
Provision for impairment of AFS financial assets - note 7	**–**	10,679,065	–
Unrealized foreign exchange loss - note 10	**220,324**	9,121	219,496
Operating loss before working capital changes	**(2,172,787)**	(2,596,187)	(2,804,586)
Increase in prepayments and other current assets	**(241,023)**	(241,341)	(269,127)
Increase (decrease) in accounts payable and other liabilities	**(134,682)**	(222,491)	358,412
Net cash used in operating activities	**(2,548,492)**	(3,060,019)	(2,715,301)
CASH FLOW FROM INVESTING ACTIVITIES			
Collection of advances to related parties - note 10	**2,753,984**	15,164,568	2,729,063
Additional advances to related parties - note 10	**(50,000)**	–	–
Additions to financial assets at FVOCI - note 7	**–**	(12,500,000)	–
Net cash provided by investing activities	**2,703,984**	2,664,568	2,729,063
NET INCREASE (DECREASE) IN CASH	**155,492**	(395,451)	13,762
CASH - note 5			
At beginning of year	**132,421**	527,872	514,110
At end of year	**₱ 287,913**	₱ 132,421	₱ 527,872

(The accompanying notes are an integral part of these financial statements.)

FORUM PACIFIC, INC.
Notes to Financial Statements
As at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018

1. CORPORATE INFORMATION

Forum Pacific, Inc. (the 'Company'), formerly known as Cophil Exploration, Inc., was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on January 8, 1993 primarily to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products as well as other mineral and chemical substance.

The Company's shares are listed and traded in the Philippine Stock Exchange (PSE). Its registered office address is located at 35th Floor, One Corporate Center, Doña Julia Vargas Ave., corner Meralco Avenue, Ortigas Center, Pasig City.

The accompanying financial statements of the Company as at and for the year ended December 31, 2018, including its comparatives for 2017 and 2016 were approved and authorized for issue by its Board of Directors (BOD) on April 11, 2019.

2. MANAGEMENT ASSESSMENT OF THE GOING CONCERN ASSUMPTION AND BUSINESS PLANS

Management's Assessment of the Going Concern Assumption

The Company incurred losses amounting to ₱2,628,544, ₱22,771,727 and ₱3,310,490 in 2018, 2017 and 2016, respectively. The Company had accumulated deficit of ₱850,207,625 and ₱847,579,081 as at December 31, 2018 and 2017, respectively. To continue as a going concern, the officers and major stockholders of the Company have committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

Business Plans

With the volatile situation of metal and oil prices in the global market, the management's previous plan on banking on new petroleum and gas and other mining contracts is temporarily reserved. For 2019 the Company plans to undertake the following:

- Aside from the investment in Taguig Lake City Development Corporation, the Company will further outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mineral exploration.
- Continue research for areas and land mine with potential mineral deposits using affiliated Group's geologists and engineers.
- Consider investing into potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy.

- Evaluate potential buyers to buy out investment with Forum Exploration Inc.
- Evaluate advances to affiliates and design collection programs to improve the Company's financial status. As at December 31, 2018 and 2017, the Company has existing contracts with TWGI to collect outstanding advances (see Note 10).
- Evaluate calling for the remaining stock subscription as source of fund for future projects. The Company has outstanding ₱667,456,379 subscription receivable as at December 31, 2018 (see Note 9).

The Company's management believes that the financial support and its business plans are sufficient to provide the Company's ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for the Company's financial assets at FVOCI, which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Functional and Presentation Currency

The financial statements are presented in Philippine peso (₱), the Company's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Impact of the Revised Code

The Republic Act No. 11232 otherwise known as the Revised Corporation Code of the Philippines (the "Revised Code") took effect on February 23, 2019, which aimed at improving ease of doing business, affording more protection to corporations and stockholders, and promoting good corporate governance.

The Revised Code requires the annual financial statements audited by an independent certified public accountant. However, if the total assets or total liabilities of the corporation are less than ₱600,000, the financial statements shall be certified under oath by the corporation's treasurer or chief financial officer.

The Revised Code should be applied prospectively. The requirement to prepare and submit the annual financial statements based on the Revised Code is effective beginning on or after February 23, 2019. All financial statements covering the periods on or before February 22, 2019 are required to be prepared and submitted in accordance with the Old Corporation Code or Batas Pambansa Bilang 68, in addition to the requirements of the SRC Rule 68.

The Revised Code will have no impact on the preparation and submission of the Company's financial statements. The Company's total assets and liabilities as at December 31, 2018 and 2017 exceeds ₱600,000.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2018.

PFRS 9, Financial Instruments (2014). PFRS 9, Financial Instruments replaces PAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The standard requires all recognized financial assets that are within the scope of PAS 39 to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The Company has applied PFRS 9 for the first time.

The Company has adopted the PFRS 9 *Financial Instruments* from January 1, 2018 and resulted in changes in accounting policies and adjusted amounts recognized in the financial statements. The comparative figures have been restated to comply with the transitional provisions in PFRS 9.

The nature of the adjustments is as follows:

(a) Classification and measurement of financial instruments

The changes in the classification and measurement of the Company's financial instruments are as follows:

		Classification		**As at December 31, 2017**		
		PAS 39	PFRS 9	**As previously reported**	**Adjustments**	**As restated**
Cash	(1)	Loans and receivable	Amortized cost	**₱ 132,421**	**₱ –**	**₱ 132,421**
Advances to related parties (net)	(2)	Loans and receivable	Amortized cost	**254,078,282**	**–**	**254,078,282**
Available-for-sale financial assets	(2)	AFS	Financial asset at FVOCI	**83,531,350**	**–**	**83,531,350**

The assessment of the Company's business model was made as at January 1, 2018, and applied retrospectively to those financial assets that were not derecognized before January 1, 2018.

The effect of reclassification of financial instruments into the appropriate PFRS 9 categories is as follows:

(1) Cash and advances to related parties which are previously classified as loans and receivables are held to collect contractual cash flows and give rise on cash flows representing solely payments of principal and interest. This is now classified and measured as debt instruments at amortized cost.

(2) Quoted and unquoted equity investments previously classified as available-for-sale (AFS) financial assets are now classified and measured as equity instruments designated at fair value through other comprehensive income. The Company elected to classify irrevocably its unquoted equity investments under this category as it considers these investments to be strategic in nature and it intends to hold these investments for the foreseeable future.

(b) Impairment of financial and assets

The Company adopted PFRS 9, *Financial Instruments*, which was applied using the transitional relief allowed by the standard. This allows the Company not to restate its prior periods' financial statements. Differences arising from the adoption of PFRS 9 in relation to impairment of financial assets are recognized in the opening balance of retained earnings (or other component of equity, as appropriate) in the current year.

The table below shows the impact of the adoption of PFRS 9 to the Company's total equity as at January 1, 2018.

	Effects on	
	Deficit	**Total Equity**
Balance as at December 31, 2017	**(₱ 848,627,407)**	**₱ 333,149,761**
Effect on adoption of PFRS 9	**1,048,326**	**1,048,326**
	(₱ 847,579,081)	**₱ 334,198,087**

The application of the estimated credit losses (ECL) methodology based on the stages of impairment assessment for advances to related parties resulted in the recognition of reversal on allowance for credit losses for advances to related parties amounting ₱1,048,326 as at January 1, 2018. Such amount, together with the unrecognized deferred tax asset amounting to ₱314,498, were charged against the opening balance of Retained Earnings account.

PFRS 15, Revenue from Contracts with Customers. PFRS 15 supersedes PAS 11 Construction Contracts, PAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a comprehensive framework for recognizing revenue from contracts with customers. The core principle in that framework is that an entity should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognize in accordance with that core principle by applying the following steps: (a) identify the contracts with customers; (b) identify the performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the performance obligations in the contract; and (e) recognize revenue when the entity satisfies a performance obligation. PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the framework to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The above standards are not expected to have an impact on the Company's financial statements since the Company has no revenue in 2018 and 2017.

Annual Improvements to PFRS 2014-2016 Cycle

The Annual Improvements to PFRS 2014-2016 Cycle sets out the amendments to PFRS 1, PFRS 12 and PAS 28. The amendment to PFRS 12 is effective on January 1, 2017.

PFRS 1 (Amendment), First-time Adoption of PFRS – Deletion of Short-term Exemptions for First-time Adopters. The amendment deleted some short-term exemptions for first-time adopters and the related effective date paragraphs as the reliefs provided were no longer applicable and had been available to entities only for reporting periods that had passed.

PAS 28 (Amendment), Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value. The amendment clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The above improvements have no impact on the disclosures and amounts recognized on the Company's financial statements.

PAS 40 (Amendments), Investment Property – Transfers of Investment Property. The amendments clarify that to transfer to, or from, investment properties there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The application of the amendments provides two options for transition: (a) An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments; or (b) retrospective application if, and only if, that is possible without the use of hindsight.

The amendments have no material impact on the disclosures and amounts recognized on the Company's financial statements.

PFRS 2 (Amendments), Share-based Payment – Classification and Measurement of Share-based Payment Transactions. The amendments address the: (a) accounting for modifications to the terms and conditions of share-based payments that change the classification of the transaction from cash-settled to equity-settled; (b) accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; and (c) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations.

The amendments have no material impact on the disclosures and amounts recognized on the Company's financial statements.

PFRS 4 (Amendments), Insurance Contracts – Applying PFRS 9 Financial Instruments and PFRS 4 Insurance Contracts. The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4: (a) an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach"); and (b) an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4 (the "deferral approach"). The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. An entity would apply the overlay approach retrospectively to designated financial assets, when it first applies PFRS 9. An entity would apply the deferral approach for annual periods beginning on or after January 1, 2018.

The amendments have no material impact on the disclosures and amounts recognized on the Company's financial statements.

Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration. This interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The interpretation does not have any impact on the Company's financial statements.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2018

Standards issued but not yet effective up to the date of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

Annual Improvements to PFRS 2015-2017 Cycle

The annual improvements addressed the following issues:

PFRS 3 (Amendments), Business Combinations – Previously Held Interest in a Joint Operation. The amendments provides additional guidance to clarify that, when obtaining control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at its acquisition-date fair value.

PFRS 11 (Amendments), Joint Arrangements – Previously Held Interest in a Joint Operation. The amendments clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure its previously held interests.

PAS 12 (Amendments), Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

PAS 23 (Amendments), Borrowing Costs – Borrowing Costs Eligible for Capitalization. The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The application of the above amendments will have no significant impact on the disclosures and amounts recognized on the Company's financial statements.

PAS 19 (Amendments), Employee Benefits – Plan Amendment, Curtailment or Settlement, The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. The amendments also clarify how the requirements on accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The amendments will not have an impact on the disclosures and amounts recognized in the Company's financial statements.

PAS 28 (Amendments), Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures. The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are effective for annual periods beginning on or after January 1, 2019 and shall be applied retrospectively. However, early application of these amendments is permitted.

The amendments will not have an impact on the disclosures and amounts recognized on the Company's financial statements.

PFRS 9 (Amendment), Financial Instruments – Prepayment Features with Negative Compensation. This addresses the concerns about how PFRS 9 classifies particular prepayable financial assets. The amendments also include clarifications to the accounting for a modification or exchange of a financial liability that does not result in derecognition. The amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The amendment will not have a significant impact on the disclosures and amounts recognized on the Company's financial statements.

Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments. This interpretation addresses how to apply the recognition and measurement requirements of PAS 12 Income Taxes when there is uncertainty over income tax treatments. This interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The interpretation will not have significant impact on the disclosures and amounts recognized in Company's financial statements.

PFRS 16, Leases. This new standard introduces a single lessee accounting model to be applied to all leases, whilst substantially carries forward the lessor accounting requirements in PAS 17 Leases. Lessees recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value. Whereas, lessors continue to classify leases as operating leases or finance leases, and to account for those two types of leases differently. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16. The adoption of the standard will result in recognition of an asset for the right to use the underlying asset over the lease term and a lease liability for the obligation to make lease payments in the consolidated statements of financial position. In addition, this will result in recognition of depreciation on the right-of-use asset and interest on lease liability in the consolidated statement of comprehensive income, and presentation of the total amount of cash paid into a principal portion and interest within financing activities in the consolidated statements of cash flows.

The adoption of the new standard will have an impact on recognition of lease expenses, noncurrent assets and liabilities. This will result in recognition of an asset for the right-of use to the underlying asset over the lease term and a lease liability for the obligation to make lease payments in the statements of financial position. In addition, this will result in recognition of depreciation on the right-of-use asset and interest on lease liability in the statements of comprehensive income, and presentation of the total amounts of cash paid into portion of principal and interest within financing activity in the statements of cash flows.

PAS 1 (Amendments), Presentation of Financial Statements and PAS 8 (Amendments), Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material. The amendments clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.

The amendments will not have an impact on the disclosures and amounts recognized on the Company's financial statements.

PFRS 3 (Amendments), Business Combinations – Definition of a Business. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It narrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. In addition, it provides guidance and illustrative examples to help entities assess whether a substantive process has been acquired and remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.

The amendments will not have an impact on the disclosures and amounts recognized on the Company's financial statements.

PFRS 17, Insurance Contracts. The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, including reinsurance contracts held and investment contracts with discretionary participation features issued. The objective of the standard is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of the standard have on the entity's financial position, financial performance and cash flows. The standard is effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

The new standard will not have an impact on the disclosures and amounts recognized on the Company's financial statements.

Determination of Fair Value and Fair Value Hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value measurement disclosures of financial and non-financial assets are presented in Note 16 to the financial statements.

"Day 1" difference

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statements of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Financial Instruments

Initial recognition, measurement and classification

The Company recognizes financial assets and financial liabilities in the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments includes transaction costs, except for those financial assets and liabilities at fair value through profit or loss (FVPL) where the transaction costs are charged to expense in the period incurred.

The Company classifies its financial assets as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing the financial assets. The Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Company classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method.

Financial assets at amortized cost

Financial assets are measured at amortized when both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, financial assets at amortized cost are subsequently measured using the effective interest method less allowance for impairment. Gains and losses are recognized in the statements of comprehensive income when the financial assets at amortized cost are derecognized, modified or impaired. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2018 and 2017, included under financial assets at amortized cost are the Company's cash and advances to related parties (see Notes 5 and 10).

Cash

The Company's cash represents cash in bank that are not legally restricted for use, which carries interest at respective bank deposit rate.

Advances to related parties

Advances to related parties represents promissory note from The Wellex Group Inc. (TWGI) and Forum Exploration Inc. (FEI) which represents cash advance for working capital and value of exploration of assets transferred to the Company (see Note 10).

Equity Instruments Designated at FVOCI

Upon initial recognition, the Company may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis. When the equity instrument is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained earnings. Dividends on such investments are recognized in profit or loss when the right of payment has been established, except when the dividends represent a recovery of part of the cost of the investment, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment. These financial assets are classified as noncurrent assets.

As at December 31, 2018 and 2017, the Company elected to classify irrevocably its quoted and unquoted equity investments under this category (see Note 7).

Financial Liabilities at Amortized Cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated at FVPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

As at December 31, 2018 and 2017, included in financial liabilities at amortized cost are the Company's accounts payable and other liabilities (excluding government liabilities), and advances from a related party (see Notes 8 and 10).

Accounts payable and other liabilities

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other current liabilities include non-trade payables, accrued expenses and due to government agencies. Accounts payable and other liabilities are classified as current liabilities if payment is due within one (1) year or less or in the normal operating cycle of the business if longer while non-trade payables are classified as current liabilities if payment is due within one (1) year or less. Otherwise, these are presented as noncurrent liabilities.

Advances from a related party

Represents cash advance from a related party for working capital requirements.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition of Financial Instruments

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability was discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECL) for all debt instruments that are measured at amortized cost or at FVOCI. ECL is a probability-weighted estimate of credit losses over the expected life of the financial asset.

Credit losses are the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECL. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve (12) months after the reporting period.

For advances to related parties, the Company applies a simplified approach in calculating ECL. The Company recognizes a loss allowance based on lifetime ECL at the end of each reporting period. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

When the credit risk on financial instruments for which lifetime ECL have been recognized subsequently improves, and the requirement for recognizing lifetime ECL is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Company recognizes impairment loss (reversals) in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than thirty (30) days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of investment grade in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of performing. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

When the credit risk on financial instruments for which lifetime ECLs have been recognized subsequently improves, and the requirement for recognizing lifetime ECLs is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Company recognizes impairment loss (reversals) in statements of comprehensive income for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the statements of financial position.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than one (1) year to five (5) years past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concessions that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables and contract assets, when the amounts are over five (5) years past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Input Tax

Input tax pertains to indirect tax paid by the Company on its local purchase of goods and services from a VAT-registered person. Input tax is deducted against output tax in arriving at the VAT due and payable.

The Company's input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment loss.

Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there is any indication that any of its assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Retirement Benefits

The Company does not provide any retirement benefits because it does not have any employee as at December 31, 2018 and 2017. The Company's administrative functions are performed by its related party, The Wellex Group, Inc. (TWGI).

Income Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates and laws, in the period the temporary difference are expected to be recovered or settled, that have been enacted or substantively enacted as at reporting period.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date the Company reassess the need to recognize previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized for all deductible temporary differences, carrying forward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, carrying forward benefits of unused tax credits from excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Leases

Leases which transfer to the Company substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the Company's statements of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in statements of comprehensive income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the Company's statements of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company is a party to an operating lease as a lessee. Payments made under operating leases (less any incentives given by the lessor) are charged to statements of comprehensive income.

Related Parties and Related Party Transactions

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Related party relationship exists when: (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity; and (b) when any of the following conditions apply: (i) the entity and the Company are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party; (v) the entity is a post-employment benefit plan for the benefit of employees of the Company; (vi) the entity is controlled or jointly controlled by a person as identified in (a) above; (vii) the entity or any member of a group of which it is part, provides key management personnel services to the Company or to the parent of the Company; (viii) a person identified in (a) above has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.

In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely the legal form.

Equity

Capital stock represents the par value of shares that have been issued at the end of the reporting period.

Subscribed capital stock represents the par value of the subscribed shares.

Subscription receivables represent par value of the shares subscribed but the Company has not yet received the payments from the subscriber.

Treasury shares represent own equity instruments reacquired, the amount of the consideration paid, including directly attributable cost, net of any tax effects, is recognized as a reduction from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as Additional paid-in capital. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively.

When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to Additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Unrealized fair value gain on financial assets at FVOCI represents accumulated gains from increase in the market value of financial assets at FVOCI.

Deficit includes all current and prior period accumulated losses as disclosed in the statements of comprehensive income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Interest income is recognized as it accrues (using the effective interest method i.e., the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Cost and Expense Recognition

Cost and expenses are recognized in statements of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of comprehensive income: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the nature of expense method.

Foreign Currency Denominated Transactions

Foreign currency transactions are initially recognized by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in terms of historical cost are translated using the foreign exchange rate at the date of the transaction. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Basic Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the profit (loss) by the weighted average number of common shares issued during the year, excluding common shares purchased by the Company and held as treasury shares.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made with the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, an increase in the provision due to the passage of time is recognized as an interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events after the Reporting Date

The Company identifies post-year events that occurred after the reporting date but before the date when the Company financial statements were authorized for issue. Post year-end events that provide additional information about the Company's position at the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments and estimates that affect amounts reported in the Company financial statements. These judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company believes the following represent a summary of these significant judgments and estimate and related impact and associated risks in the Company financial statements.

Significant Accounting Judgments in Applying the Company's Accounting Policies

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed below.

The Company has a legal case involvement in the "Field Investigation Office vs. Prospero Pichay, et al. For: Malversation." This case involves a complaint for Malversation, under R.A. No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act," and violation of the Manual of Regulations for Banks in relation to Section 36 and 37 of R.A. No. 7653, otherwise known as the "New Central Bank Act ," wherein the Board of Directors of the Local Water Utilities Administration (LWUA), FPI and Wellex Group, Inc. ("WGI"), among others, are charged with conspiring to (a) effect LWUA's supposed anomalous purchase in June 2009 from the Company (127,415 shares), WGI (310,036 shares) and other individual stockholders (78,767 shares) of their total 445,377 shares, representing approximately 60% of the total shares in Express Savings Bank, Inc. ("ESBI") in the total amount of ₱101,363,302.85; and (b) infuse fresh capital in ESBI amounting to a total of ₱700,000,000.

On a resolution issued by Sandiganbayan Fourth Division dated November 17, 2017, hereby dismissed the Company's Directors on the above-mentioned case. The prosecution filed its motion for reconsideration in November 22, 2017. The Company filed their opposition in January 19, 2018. On August 9, 2018 , the Sandiganbayan denied the prosecution's motion for reconsideration.

As at December 31, 2018 and 2017, the Company has no outstanding liabilities in relation to the above-mentioned case.

Significant Accounting Estimates and Assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of input tax

Management believes that the recoverability of input tax is doubtful since the Company is not expecting income subject to output tax in the near future. Consequently, the Company has provided full valuation allowance of its input tax in 2018 and 2017.

The Company's input tax amounted to ₱1,841,867 and ₱1,606,434 as at December 31, 2018 and 2017, respectively (see Note 6).

Deferred tax assets

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Due to non-operation of the Company, management expects that the Company will continue to incur losses and the related deferred tax assets will not be utilized in the near future. The Company's unrecognized deferred tax assets are fully disclosed in Note 13.

The Company's unrecognized deferred tax assets amounted to ₱9,473,672 and ₱9,331,306 as at December 31, 2018 and 2017, respectively (see Note 13).

Allowance for impairment of advances to related parties

Allowance for impairment of advances to related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the status of the advances to related parties, past collection experience and other factors that may affect collectibility.

In 2017, the Company had provided an additional allowance for impairment loss amounting to ₱8,196,052 (see Note 10).

Advances to related parties amounted to ₱252,422,623 and ₱251,126,608, net of allowance for impairment loss of ₱221,205,384, as at December 31, 2018 and 2017, respectively (see Note 10).

Allowance for impairment on financial assets at FVOCI

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Since management has assessed that the financial assets at FVOCI cannot be recovered and the decline in book value per share is other than temporary, the Company has provided allowance for impairment loss.

In 2017, the Company had provided an additional allowance for impairment loss amounting to ₱10,679,065 (see Note 7).

The Company's financial assets at FVOCI amounted to ₱89,303,953 and ₱83,531,350, net of allowance amounted to ₱20,000,000 as at December 31, 2018 and 2017, respectively (see Note 7).

5. CASH

Cash represents cash in bank with outstanding balance of ₱287,913 and ₱132,421 as at December 31, 2018 and 2017, respectively. Interest income earned from bank deposits were ₱459, ₱767 and ₱467 for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 12).

Cash in banks generally earns interest at annual rates based on daily bank deposit rates ranging from 0.125% to 0.25% per annum in 2018 and 2017.

There is no restriction on the Company's cash as at December 31, 2018 and 2017.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at December 31 consist of:

	2018	2017
Input tax	**₱ 1,841,867**	₱ 1,606,434
Other current assets	**44,889**	39,298
	1,886,756	1,645,732
Less: Valuation allowance on input tax	**(1,841,867)**	(1,606,434)
	₱ 44,889	₱ 39,298

Movements in the allowance on input tax are as follows:

	2018	2017
Balance at beginning of the year	**₱ 1,606,434**	₱ 1,363,458
Provision during the year – note 12	**235,433**	242,976
Balance at end of year	**₱ 1,841,867**	₱ 1,606,434

Other current assets represents mainly of cash in bank subject to garnishment.

The Company has provided full valuation allowance on its input tax since they are not expecting to generate income subject to VAT on which it can claim all its input tax against its output tax.

7. FINANCIAL ASSETS AT FVOCI (net)

Financial assets at FVOCI as at December 31 consist of:

	2018	2017
Unquoted shares		
Balance at beginning of the year	₱ 65,711,573	₱ 73,211,573
Additions	–	12,500,000
Balance at end of the year	**₱ 65,711,573**	₱ 65,711,573
	₱ 65,711,573	₱ 65,711,573
Quoted shares		
Cost	**17,819,777**	7,529,480
Net unrealized fair value gain	**5,772,603**	10,290,297
	23,592,380	17,819,777
	₱89,303,953	₱ 83,531,350

Investment in unquoted shares of stock represents ownership of the Company in Forum Exploration, Inc. (FEI) (see Note 10). In 2017, the Company made an investment in Taguig Lake City Development Corporation. These investments are classified as financial assets at FVOCI as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence.

Investment in quoted shares of stock represents ownership investment in Philippine Estates Corporation (PHES), a publicly listed Company. The fair value of these shares has been determined directly by reference to published prices in the active market.

The movements in the net unrealized fair value gain on financial assets at FVOCI are as follows:

	2018	2017	2016
At beginning of year	**₱ 10,290,297**	₱ 6,525,555	₱ 6,776,538
Fair value changes during the year	**5,772,603**	3,764,742	(250,983)
At end of year	**₱ 16,062,900**	₱ 10,290,297	₱ 6,525,555

The Company's financial assets at FVOCI as at December 31, 2018 and 2017 are not held as collateral for its financial liabilities.

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at December 31 consist of:

	2018	2017
Accrued expenses	**₱ 270,000**	₱ 440,000
Accounts payable	**79,556**	44,238
Withholding taxes	**7,625**	7,625
	₱ 357,181	₱ 491,863

Accrued expenses pertain to unpaid professional fees.

Accounts payable pertains to the amount due to suppliers payable within one (1) year and do not bear any interest.

There were no assets of the Company that were collateralized for the above accounts payable and other liabilities.

9. CAPITAL STOCK

Details of the Company's capital stock as at December 31, 2018 and 2017 are as follows:

Capital stock	Number of Shares	Par value	Total
Authorized	**3,500,000,000**	**₱ 1**	**₱ 3,500,000,000**
h			
Subscribed	**1,875,000,000**	**1**	**1,875,000,000**
Less: subscription receivable	**(667,456,379)**	**1**	**(667,456,379)**
Subscribed and paid-up	**1,207,543,621**	**1**	**1,207,543,621**
Issued	**1,875,000,000**	**1**	**1,875,000,000**
Less: Treasury shares	**(36,056,750)**	**1**	**(36,056,750)**
Issued and outstanding	**1,839,943,246**	**1**	**1,839,943,246**
T			

The Company has one (1) class of common shares which carry no right to fixed income. No movement in the capital stock of the Company in 2018 and 2017 reporting periods. There were no shares of the Company reserved for issue under options and contracts for the sale of shares as at December 31, 2018 and 2017.

Track record of registration of securities

The Company was originally registered as Cophil Exploration, Inc. with the SEC on January 8, 1993. The Company was listed with the PSE on December 19, 1994 with initial registered shares of 50 billion at ₱0.01 par value per share.

On September 2, 1996, the BOD and stockholders approved a resolution to amend the Company's Article of Incorporation by changing the par value per share of ₱0.01 to ₱1.00, removing the pre-emptive rights of shareholders and increasing authorized capital stock from ₱500 million divided by 50 billion shares to ₱2 billion divided into 2 billion shares. On September 27, 1996, SEC approved the amendment on the Company's capital structure.

On August 22, 1997, the BOD and the stockholders approved a further increase in the Company's authorized capital stock from ₱2 billion to ₱3.5 billion divided into 3.5 billion shares with a par value of ₱1 per share. On March 11, 1998, SEC approved the Company's increased in authorized capital stock.

The Company has 1.2 billion shares listed and traded in the PSE as at December 31, 2018 and 2017.

The historical market values of the Company's share are as follows:

December 31, 2018	**₱ 0.219**
December 31, 2017	0.199
December 31, 2016	0.190

As at December 31, 2018 and 2017 the Company has 870 and 876 stockholders, respectively.

10. RELATED PARTY TRANSACTIONS

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayments period. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting arrangement.

Details of related party relationships, transactions and balances are as follows:

Related parties and relationships	Nature of transactions	Amount of transactions		Outstanding receivable		Terms And Condition	
		2018	2017	**2018**	2017 – As restated (Note 2)		
With common key management							
The Wellex Group, Inc.(TWGI)	Cash advance	**(₱2,001,985)**	(₱14,462,568)	**₱301,996,931**	₱304,700,916	(a)	Unsecured, Partially impaired
	Consultancy agreement	**(480,000)**	(480,000)	–	–	(a)	
	Rental of office space	**(222,000)**	(222,000)	–	–	(a)	
Forum Exploration, Inc. (FEI)	Transfer of assets	–	–	**171,631,076**	171,631,076	(b)	Unsecured, Fully impaired
		(2,703,985)	(15,164,568)	**473,628,007**	476,331,992		
Impairment loss		–	–	**(221,205,384)**	(221,205,384)	(c)	
		(₱2,703,985)	(₱15,164,568)	**₱252,422,623**	₱255,126,608		

Related parties and relationships	Nature of transactions	Amount of transactions		Outstanding payable		Terms	Condition
		2018	2017	**2018**	2017		
With common key management							
Forum Exploration, Inc. Ltd. (FEI – Ltd.)	Cash advance for working capital	**₱ –**	**₱ –**	**₱4,360,051**	₱4,139,727	(d)	Unsecured

(a) Advances to The Wellex Group, Inc. (TWGI)

On December 15, 2012, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱330,495,385 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018. During the year, the Company renewed the promissory note amounting to ₱301,996,932 for another five (5) years maturing on December 16, 2023. To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

- The Company subleases an office space from TWGI on May 2014. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. The contract was renewed on May 2016 for another two (2) years. On May 1, 2018, the Company renewed the contract for another two (2) years maturing on April 30, 2020.

Total rental and utilities expenses charged to operations for the years ended December 31 are as follows (see Note 11):

	2018	2017	2016
Rent	**₱ 150,000**	₱ 150,000	₱ 150,000
Utilities	**72,000**	72,000	72,000
	₱ 222,000	₱ 222,000	₱ 222,000

As at December 31, the Company has outstanding lease commitment for future minimum lease payments as follows:

	2018	2017
Not later than one year	**₱ 150,000**	₱ 150,000
Later than one year but not later than five years	**150,000**	150,000
	₱ 300,000	₱ 300,000

- On April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. The contract was renewed on May 2016 for another two (2) years. On May 1, 2018, the Company renewed the contract for another two (2) years maturing on April 30, 2020. Total management fee charged to operations amounted to ₱480,000 for the years ended December 31, 2018, 2017 and 2016 (see Note 11).

The Company originally provides allowance for impairment on advances to TWGI prior to agreements entered into to settle the outstanding advances. Allowance for impairment will be reversed once the unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

(b) Advances to Forum Exploration, Inc. (FEI)

FEI is a legal and beneficial owner of 100% interest in Service Contract (SC) 40, an upstream oil and gas contract area in the Philippines, entered with the Philippine Government through the Department of Energy (DOE). Annual gas production from field on SC 40 totaled 41.09 million standard cubic feet (MSCF) and 78.66 MSCF since the start of production in 2012.

FEI has also implemented Work Program and Budget as approved by DOE on November 17, 2014 which includes, among others, a commitment to perform land gravity survey over the Dalingding Structure starting March 2015. Since 2014, FEI has performing geological and geophysical study aimed to identify and prioritize highly prospective areas for future exploration.

The Company has outstanding advances to FEI pertaining to the value of exploration assets transferred by the Company.

The Company is positive on FEI's success on its exploration and future development work in providing the viability of its oil properties to produce oil in commercial quantities.
As at December 31, 2018 and 2017, FEI has not yet returned the value of the exploration assets that the Company transferred.

(c) Movements in the allowance for ECL are as follows:

	2018	2017
At beginning of year, as previously reported	**₱221,205,384**	₱222,253,710
Effect on adoption of PFRS 9 – note 2	**–**	(1,048,326)
At end of year	**₱221,205,384**	₱221,205,384

(d) Advances from Forum Exploration, Inc. Ltd. (FEI – Ltd.)

The Company received USD denominated cash advances from FEI - Ltd. amounted to $82,922 with no definite terms of payment and will be settled in USD.

	2018	2017
At beginning of year	**₱ 4,139,727**	₱ 4,130,606
Unrealized foreign exchange loss – note 12	**220,324**	9,121
At end of year	**₱ 4,360,051**	₱ 4,139,727

(e) Remuneration to key management personnel

With the Company's tight cash position, management decided to suspend any form of compensation/ remuneration given to key management personnel.

(f) Others

The Company's administrative functions are performed by its related party, TWGI.

11. COSTS AND EXPENSES

Cost and expenses for the years ended December consists of:

	2018	2017	2016
Professional fees	**₱ 954,080**	₱1,363,100	₱1,565,622
Management fees – note 10	**480,000**	480,000	480,000
Membership fees and dues	**267,399**	269,049	264,049
Rent and utilities – note 10	**222,000**	222,000	222,000
Office supplies	**66,369**	66,786	77,658
Communication	**43,714**	31,312	39,687
Travel and transportation	**41,018**	22,507	52,728
Taxes and licenses	**19,265**	18,014	17,480
Miscellaneous	**79,401**	124,186	85,829
	₱2,173,246	₱2,596,954	₱2,805,053

Membership fees and dues include annual PSE listing and registration.

Miscellaneous expense mainly consists of website maintenance fees.

12. OTHER EXPENSES (net)

Other expenses for the years ended December 31 consists of:

	2018	2017	2016
Provision for impairment on:			
Input tax – note 6	**(₱ 235,433)**	(₱ 242,976)	(₱ 286,408)
AFS financial assets – note 7	**–**	(10,679,065)	–
Advances to related parties – note 10	**–**	(9,244,378)	–
Unrealized foreign exchange loss – note 10	**(220,324)**	(9,121)	(219,496)
Interest income – note 5	**459**	767	467
	(₱455,298)	(₱20,174,773)	(₱ 505,437)

13. INCOME TAXES

Reconciliation of tax expense

The reconciliation of loss before tax computed at the regular corporate income tax rate to the income tax expense as shown in the statement of comprehensive income is as follows:

	2018	2017 – As restated (Note 2)	2016
Loss before income tax	**(₱2,628,544)**	(₱21,723,401)	(₱ 3,310,490)
Income tax benefit at statutory rate :	**(₱ 788,563)**	(₱ 6,517,020)	(₱ 993,147)
Income tax effect on:			
Nontaxable income	**(138)**	(230)	(140)
Expired NOLCO	**646,335**	637,523	799,162
Nondeductible expense	**–**	2,773,313	–
Change in unrecognized deferred tax assets	**142,366**	3,106,414	194,125
	₱ –	₱ –	₱ –

The Company has deductible temporary differences that are available for offset against future taxable income or tax payable for which no deferred tax assets have been recognized in the financial statements. Deferred tax assets of the temporary difference amounting to ₱9,473,672 and ₱9,331,306 in 2018 and 2017, respectively, were not recognized as management believes that the deferred tax assets will not be realized within the availment period.

Deferred tax assets are determined using the income tax rates in the periods the temporary differences are expected to be recovered or settled.

The Company has unrecognized deferred tax assets which management believes, that it is more likely than not, that the carry-forward benefits will not be realized in the future.

As at December 31, 2018, the Company has NOLCO that can be claimed as deduction from taxable income as follows:

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
2018	2021	₱ –	₱ 2,173,246	₱ –	₱ –	**₱ 2,173,246**
2017	2020	2,596,954	–	–	–	**2,596,954**
2016	2019	2,805,053	–	–	–	**2,805,053**
2015	2018	2,154,452	–	(2,154,452)	–	–
		₱ 7,556,459	**₱ 2,173,246**	**(₱ 2,154,452)**	**₱ –**	**₱ 7,575,253**

14. LOSS PER SHARE

The following table presents information necessary to calculate the loss per share:

	2018	2017 – As restated (Note 2)	2016
Net loss for the year	**(₱ 2,628,544)**	(₱ 21,723,401)	(₱ 3,310,490)
Weighted average number of common shares outstanding during the year	**1,171,486,871**	1,171,486,871	1,171,486,871
	(₱ 0.002)	(₱ 0.019)	(₱ 0.003)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risk which results from both its operating and financing activities. The Company's risk management is coordinated with the BOD and focuses on actively securing the short-term cash flows to finance its operation.

The Company's principal financial instruments comprise of cash, advances to related parties, financial assets at FVOCI, accounts payable and other liabilities (excluding local and other taxes and other liabilities to government agencies), and advances from a related party. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company does not actively engage in trading of financial assets for speculative purposes nor does it have options.

The most significant financial risks in which the Company is exposed to are described below:

Credit risk

Credit risk refers to the risk that a counterparty will default its contractual obligation resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its financial assets which composed of cash and advances to related parties.

In order to minimize credit risk, the Company has developed and maintained internal credit risk gradings to categorize exposures according to their degree of risk of default. The Company uses its own trading records to rate its major customers and other debtors.

The Company current credit risk grading framework is as follows:

Category	Description	Basis for recognizing ECLs	Base	Minimum allowance for credit losses	Stage
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL	0%	0%	1
Doubtful	Amount is 1-30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	25%	1%	2
	Amount is 31-90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	5%	2
	Amount is 91-180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	10%	2
	Amount is 181-360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired	25%	12%	2
In default	Amount is over 1 year to 2 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	50%	15%	3
	Amount is over 2 years to 3 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	100%	15%	3
	Amount is over 3 years to 5 years past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	100%	50%	3
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	100%	100%	3

The maximum credit risk exposure of the financial assets is the carrying amount of the financial assets shown on the face of statement of financial position, as summarized below:

		December 31, 2018			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks– note 5	(a)		₱ 287,913	₱ –	₱ 287,913
Advances to related parties – note 10	(b)	Lifetime ECL	473,628,007	(221,205,384)	252,422,623
Total			₱473,915,920	(₱221,205,384)	₱ 252,710,536

		January 1, 2018 (upon adoption of PFRS 9)			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks– note 5	(a)		₱ 132,421	₱ –	₱ 132,421
Advances to related parties – note 10	(b)	Lifetime ECL	476,331,992	(221,205,384)	255,126,608
Total			₱473,915,921	(₱221,205,384)	₱255,259,029

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash as described below.

(a) Cash in banks

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

(b) Advances to related parties

For advances to related parties, the Company has applied the simplified approach to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The Company applies the simplified approach to measuring ECL which uses a lifetime ECL for advances to related parties.

To measure the ECL, advances to related parties have been grouped based on shared credit risk characteristics and the days past due. The Company has therefore concluded that the expected loss rates for advances to related parties are a reasonable approximation of the loss rates for the financial asset.

The expected loss rates are based on the payment profiles of related parties over a period of sixty (60) months before December 31, 2018 and January 1, 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the related parties to settle the receivables.

Advances to related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and if past due for more than five (5) years.

On that basis, the loss allowance as at December 31, 2018 and January 1, 2018 (upon adoption of PFRS 9) was determined based on months past due, as follows for advances to related parties:

December 31, 2018	**ECL rate**	**Cash in bank**	**Advances to related parties**	**Total**	**ECL**
Neither past due nor impaired	0%	**₱ 287,913**	**₱ 301,996,931**	**₱302,284,844**	**₱49,574,308***
Past due but not impaired		–	–	–	–
1-30 days	0.25%	–	–	–	–
31-90 days	1.25%	–	–	–	–
91-180 days	2.50%	–	–	–	–
181-360 days	3.00%	–	–	–	–
1-2 years	7.50%	–	–	–	–
2-3 years	15.00%	–	–	–	–
3-5 years	50.00%	–	–	–	–
Past due and impaired	100%	–	**171,631,076**	**171,631,076**	**171,631,076**
		₱ 287,913	**₱473,628,007**	**₱473,915,920**	**₱221,205,384**

December 31, 2017	ECL rate	Cash in bank	Advances to related parties	Total	ECL
Neither past due nor impaired	0%	₱ 132,421	₱ 304,700,916	₱304,833,337	₱49,574,308*
Past due but not impaired		–	–	–	–
1-30 days	0.25%	–	–	–	–
31-90 days	1.25%	–	–	–	–
91-180 days	2.50%	–	–	–	–
181-360 days	3.00%	–	–	–	–
1-2 years	7.50%	–	–	–	–
2-3 years	15.00%	–	–	–	–
3-5 years	50.00%	–	–	–	–
Past due and impaired	100%	–	171,631,076	171,631,076	171,631,076
		₱ 132,421	₱476,331,992	₱476,464,413	₱221,205,384

**ECL represents 15% of ₱330,495,385 (based on original PN amount)*

The management continues to review receivable from related parties for any legally enforceable right to offset with liabilities with the expressed intention of the borrower to settle on a net basis.

Impaired accounts represent account of related parties that have not paid for a while and for which the Company believes that a portion of the receivables may not be collected. The allowance is estimated based on the Company's estimate for accounts which it believes may no longer be collected.

As at December 31, 2018 and 2017, the Company has entered into an agreement with its related party to settle the advances (see Note 10).

A reconciliation of the closing loss allowance for advances to related parties as at December 31, 2018 to the opening loss allowance is presented below:

December 31, 2018	
Balance at beginning of the year	**₱ 221,205,384**
Additional lifetime ECL	**–**
Balance at the end of the year	**₱ 221,205,384**
January 1, 2018	
Balance under PAS 39	₱ 222,253,710
Recovery of impairment	1,048,326
Balance at under PFRS 9	₱ 221,205,384

Credit quality information for financial assets

The credit quality of financial assets is being managed by the Company using internal credit ratings. Based on this, the management assessed that the financial assets that are neither past due nor impaired has high credit quality. This includes deposits to counterparties with good credit rating or bank standing.

The credit quality of financial assets is discussed below:

Cash

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

Advances to related parties

The Company has entered into arrangement with related party to secure payment of receivables such as execution of promissory note.

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company is mainly exposed to liquidity risk through its maturing liabilities. The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

The Company manages liquidity risk through continuous collection of advances to related parties which is considered as cash inflow to finance its operation. The Company continuously monitoring forecast and actual cash flows and matching the maturity profiles of liabilities.

The details of the maturity analysis of the Company's liabilities are as follows:

December 31, 2018	**Total**	**On demand**	**Less than three months**	**3 to12 months**	**1 to 5 years**
Account payable and other liabilities*	**₱ 349,556**	**₱ –**	**₱ –**	**₱ 349,556**	**₱ –**
Advances from a related party	**4,360,051**	**–**	**–**	**–**	**4,360,051**
	₱ 4,709,607	**₱ –**	**₱ –**	**₱ 349,556**	**₱ 4,360,051**

December 31, 2017	Total	On demand	Less than three months	3 to12 months	1 to 5 years
Account payable and other liabilities*	₱ 484,238	₱ –	₱ –	₱ 484,238	₱ –
Advances from related party	4,139,727	–	–		4,139,727
	₱ 4,623,965	₱ –	₱ –	₱ 484,238	₱4,139,727

**excluding government liabilities*

The Company's current ratio for year ended December 31, 2018 and 2017 is 0.93 to 1 and 0.35 to 1, respectively.

Equity price risk

Equity price risk is the risk that the fair value of equity instrument decreases as a result of changes in the value of individual stocks. The Company's exposure to equity price risk arises from investments held by the Company and classified in the Company's statements of financial position either as financial asset at FVOCI.

Equity instruments designated at FVOCI in listed and non-listed companies are held for strategic rather than trading purposes. The Company does not actively trade these investments. The Company also invested in portfolio of listed shares which are held for trading and has designated equity instrument in a non-listed Company at FVOCI.

If the price of the financial assets at FVOCI had been 10% higher/lower the net income before tax for the year ended December 31, 2018 and 2017 would decrease/increase by ₱8,930,395 and ₱8,353,135 respectively.

Foreign currency risk

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the U.S. dollars. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company is mainly exposed to foreign currency risk through its advances from a related party of $82,922 which amounted to ₱4,360,051 and ₱4,139,727 as at December 31, 2018 and 2017, respectively.

The sensitivity rate used on reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% in foreign exchange rates. A positive number indicates an increase in net income when the Philippine peso strengthens at 10% against the relevant currency. For 10% weakening of the Philippine peso against the relevant currency, there would be an equal and opposite impact on the net income. If foreign exchange rates had been 10% higher/lower, the net loss before tax would decrease /increase by ₱436,005 and ₱413,973 in 2018 and 2017, respectively. Equity for the years ended December 31, 2018 and 2017 would decrease/increase by ₱305,204 and ₱289,781, respectively.

Capital Risk Objective and Management

The primary objective of the Company's capital management is to ensure its ability to continue as a going concern.

The Board of Directors (BOD) have the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including accounts payable and other liabilities and advances from a related party as shown in the statements of financial position) less cash. Total capital is calculated as equity as shown in the statements of financial position plus net debt.

Gearing ratio compares some form of owner's equity to borrowed funds. It is a measure of financial leverage demonstrating the degree to which the Company's activities are funded by owner's funds versus creditors' funds.

The gearing ratios as at December 31, 2018 and 2017 were as follows:

	2018	2017
Debt	**₱ 4,717,232**	₱ 4,631,590
Cash	**287,913**	132,421
Net debt	**4,429,319**	4,499,169
Equity	**337,342,146**	333,149,761
Gearing ratio	**1.31%**	1.35%

The Company is subject to externally imposed capital requirement amounting to ₱6,250,000 which is the minimum paid-up capital requirement of SEC for mining companies. As at December 31, 2018 and 2017, the Company is in compliance with this externally imposed capital requirement.

16. FAIR VALUE INFORMATION

Assets measured at fair value

The following table gives information about how the fair values of the Company's assets, which are measured at fair value at the end of each reporting period, are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at December 31		Fair value hierarchy	Valuation techniques
	2018	2017		
Financial assets at FVOCI	**₱23,592,380**	₱ 17,819,777	Level 1	Quoted prices in an active market

Assets and liabilities not measured at fair value

The following table gives information about how the fair values of the Company's assets and liabilities, which are not measured at fair value but the fair values are disclosed at the end of each reporting period, are determined.

	2018		2017 – As restated (Note 2)			
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Valuation techniques	Fair value hierarchy
Financial Asset						
Advances to related parties	**₱252,422,623**	**₱236,388,399**	₱255,126,608	₱247,589,008	Discounted value of future cash flows	Level 2
Financial Liability						
Advances from a related party	**₱ 4,360,051**	**₱ 4,083,095**	₱ 4,139,727	₱ 3,648,799	Discounted value of future cash flows	Level 2

For the long-term financial assets and liabilities, the fair value of the non-interest bearing noncurrent assets and liabilities are determined based on the discounted value of future cash flows using the prevailing credit adjusted PDEx rates in 2017 and PH VAL for 2018 that are specific to the tenor of the instruments' cash flow as at reporting date. Discount rates used is 6.78% in 2018 and 3.99% in 2017.

The carrying amounts of cash and accounts payable and other liabilities approximate their fair values due to the relatively short term maturities of these financial instruments.

17. SUPPLEMENTARY INFORMATION REQUIRED BY REVENUE REGULATIONS NO. 15-2010

On December 28, 2010, Revenue Regulations (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by Philippine Financial Reporting Standards.

a) Output value-added tax

The Company has no output VAT since it does not have any income subject to VAT for the year ended December 31, 2018.

b) Input value-added tax

At beginning of year	**₱ 1,606,434**
Current purchases and payments for:	
Domestic purchases of services	**235,433**
	₱ 1,841,867

c) Taxes on importation

The Company has no import transactions for the year ended December 31, 2018.

d) Excise tax

The Company does not have excise tax in any of the taxable year presented since it does not have any transactions which are subject to excise tax.

e) Documentary stamp tax

No documentary stamp tax paid in 2018.

f) Taxes and licenses

Details of taxes and licenses account are broken down as follows:

Business permits	**₱ 18,105**
Corporate Community tax	**660**
BIR Annual registration	**500**
	₱ 19,265

g) Withholding taxes

The details of total withholding taxes for the years ended December 31 are shown below:

Withholding tax on compensation	₱	–
Expanded withholding tax		94,401
Final withholding tax		–
	₱	94,401

h) Deficiency tax assessment and tax cases

The Company does not have any deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the taxable years.

* * *

Audit Report on Additional Components of the Financial Statements

To the Board of Directors and Stockholders of
FORUM PACIFIC, INC.
35th Floor, One Corporate Center
Doña Julia Vargas Ave., corner Meralco Avenue
Ortigas Center, Pasig City

We have audited the accompanying financial statements of **Forum Pacific, Inc**. as at and for the year ended December 31, 2018, on which we have rendered the attached report dated April 11, 2019. The supplementary information shown in Appendices A *"Financial Soundness"* and B *"List of Effective Standards and Interpretations",* and Schedules A to I, as additional components required by Rule 68, Part I, Section 4 of the Securities Regulation Code, are presented for the purpose of filing with the Securities and Exchange Commission and are not a required part of basic financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audits of basic financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 11, 2020
SEC Accreditation No. 0192-FR-3, Group A, effective until April 2, 2022
BIR Accreditation No. 08-001911-000-2019, effective until March 27, 2022

By:

Rosemary D. De Mesa
Partner
CPA Certificate No. 29084
SEC Accreditation No. 1089-AR-2, Group A, effective until May 10, 2020
Tax Identification No. 104-576-953
PTR No. 7344256, January 8, 2019, Makati City
BIR Accreditation No. 08-001911-007-2019, effective until March 27, 2022

April 11, 2019

FORUM PACIFIC, INC.
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APPENDIX A

FORUM PACIFIC, INC.
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

Ratio	**2018**	2017
Profitability ratios:		
Return on assets	**N/A**	N/A
Return on equity	**N/A**	N/A
Net profit margin	**N/A**	N/A
Solvency and liquidity ratios:		
Current ratio	**0.93:1**	0.35:1
Debt to equity ratio	**0.01:1**	0.01:1
Quick ratio	**0.81:1**	0.27:1
Cash-flow liquidity ratio	**N/A**	N/A
Financial leverage ratio:		
Asset to equity ratio	**1.01:1**	1.01:1
Debt to asset ratio	**0.01:1**	0.01:1
Interest rate coverage ratio	**N/A**	N/A

APPENDIX B

Schedule of Philippine Financial Reporting Standards effective as at December 31, 2018

FORUM PACIFIC, INC.
DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as at December 31, 2018**		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
	Assets and Financial Liabilities			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✔
PFRS 8	Operating Segments			✔
PFRS 9	Financial Instruments	✔		
PFRS 10	Consolidated Financial Statements			✔
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✔
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
PFRS 11	Joint Arrangements			✔
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✔
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✔
PFRS 12	Disclosure of Interests in Other Entities			✔
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✔
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
PFRS 13	Fair Value Measurement	✔		
PFRS 14	Regulatory Deferral Accounts			✔
PFRS 15	Revenue from Contracts with Customers			✔
	Amendments to PFRS 15: Clarification to PFRS 15			✔
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
	Amendments to PAS 1: Disclosure Initiative	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 40	Investment Property			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✔
IFRIC 10	Interim Financial Reporting and Impairment			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✔
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies			✔
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-15	Operating Leases - Incentives			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✔
SIC-29	Service Concession Arrangements: Disclosures			✔
SIC-32	Intangible Assets - Web Site Costs			✔

Not Applicable – Standards and interpretations that are effective as at January 1, 2018 but will never be applicable to the Company due to the nature of its operations or not relevant to the Company because there are currently no related transactions.

Not Adopted – Standards and interpretations that are already issued but are not effective for the year ended December 31, 2018 and were not early adopted by the Company.

Please refer to Note 3 to the financial statements for related discussion on the assessed impact on the Company's financial statements on the adoption of new standards and interpretations effective in 2018 including standards effective in 2018 and onwards.

FORUM PACIFIC, INC.
Schedule A. Financial Assets
December 31, 2018

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Financial assets at FVOCI				
Philippine Estates Corporation	50,196,553	₱ 23,592,380	₱ 23,592,380	₱ —
Forum Exploration, Inc.	62,500,000	73,211,573	—	—
Taguig Lake City Development Corporation	125,000	12,500,000	—	—
Total financial assets at FVOCI	112,821,553	109,303,953	23,592,380	—
Cash in bank	–	287,913	287,913	459
		₱109,591,866	₱23,880,293	₱459

FORUM PACIFIC, INC.
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates).
December 31, 2018

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Not Current	Balance at end of period
The Wellex Group, Inc.	₱304,700,916	₱ —	₱2,703,985	₱ —	₱ —	₱301,996,931	₱301,996,931
Forum Exploration, Inc.	171,631,076	—	—	—	—	171,631,076	171,631,076
Total	₱476,331,992	₱ —	₱2,703,985	₱ —	₱ —	₱473,628,007	₱473,628,007

FORUM PACIFIC, INC.
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statement
December 31, 2018

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period

None

FORUM PACIFIC, INC.
Schedule D. Intangible Assets - Other Assets
December 31, 2018

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance

None

FORUM PACIFIC, INC.
Schedule E. Long Term Debt
December 31, 2018

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet

None

FORUM PACIFIC, INC.
Schedule F. Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)
December 31, 2018

Name of Affiliates	Balance at beginning of period	Balance at end of period
Forum Exploration Inc. Ltd.	₱ 4,139,727	₱ 4,360,051

FORUM PACIFIC, INC.
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2018

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

None

FORUM PACIFIC, INC.
Schedule H. Capital Stock
December 31, 2018

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common Stock	3,500,000,000	1,171,486,871	–	–	404,593	1,171,082,278

FORUM PACIFIC, INC.

Schedule I. List of Top 20 Stockholders of Record
December 31, 2018

Name of Stockholders	Citizenship	Tax Identification No.	Amount Subscribed	Percentage to total Outstanding
International Polymer Corporation	Filipino	210-000-232-426	₱ 496,887,494	27.020
PCD Nominee Corporation	Filipino	004-774-849-000	415,087,574	22.572
The Wellex Group, Inc.	Filipino	004-740-001-000	376,950,000	20.498
E.F. Durkee & Associates, Inc.	Filipino	321-002-155-628	77,838,563	4.233
Intra-Invest Sec., Inc.	Filipino	000-162-545-000	48,159,000	2.619
Metropolitan Management Corporation	Filipino	470-002-151-280	30,000,000	1.631
PCD Nominee Corp. (Non-Filipino)	Others	004-774-849-000	22,630,050	1.231
Juanito C. Uy	Filipino	127-179-750-000	22,625,001	1.230
Pacrim Energy N.L.	Others	324-668-750-000	21,000,000	1.142
Sapphire Securities, Inc.	Filipino	000-511-869-000	19,433,500	1.057
Benito Ong and/or Zita Y. Ong	Filipino	268-192-032-000	18,000,000	0.979
Li Chih-Hui	Filipino	004-454-732-000	17,100,000	0.930
Nestor S. Mangio	Filipino	003-754-123-000	12,500,000	0.680
A & A Securities, Inc.	Filipino	000-103-110-000	11,911,320	0.648
Mark Securities Corporation	Filipino	000-544-789-000	10,772,800	0.586
Globalinks Sec. & Stocks, Inc.	Filipino	000-849-752-000	9,400,000	0.511
Belson Securities, Inc.	Filipino	000-154-219-000	9,200,000	0.500
Wealth Securities, Inc.	Filipino	000-330-678-000	8,240,000	0.448
Ruben M. Gan	Filipino	174-154-039-000	7,610,000	0.414
David Go Securities Corporation	Filipino	000-320-855-000	6,880,000	0.374
			₱ 1,757,727,834	

Forum Pacific, Inc.

Unaudited Financial Statements
For the Quarter Ended
June 30, 2019 and 2018

107312019004346

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax:(632)725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	AS93000120
Company Name	FORUM PACIFIC INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	107312019004346
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	June 30, 2019
No. of Days Late	0
Department	CFD
Remarks	

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 11
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the Quarter Period ended **June 30, 2019**

2. SEC Identification Number **AS93000120**

3. BIR Tax Identification No. **002-155-598-000**

4. **FORUM PACIFIC, INC.**
   Exact name of registrant as specified in its charter

5. **Metro Manila, Philippines**
   (Province, country or other jurisdiction of incorporation or organization

6. (SEC Use only)
   Industry Classification Code

7. **35/F One Corporate Centre, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig**
   Address of principal office

8. **Telephone No. 706-7888**
   Registrant's telephone number, including area code

9. **NOT APPLICABLE**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 4 and 8 of the RSA:

Title of Each Class	**No. of Shares of Common Stock Outstanding and Amount of Debt Outstanding**
Common Shares – ₱1.00 par value	Issued – ₱1,838,943,246 (Partially paid subscription – ₱1,148,264,079)

11. Are any or all of these securities listed on the Philippine Stock Exchange?

    Yes [x]   No. [ ]

12. Check whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates: ₱1,303,929,249

14. Not Applicable

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements
See Annex A.1 to A.5 and the accompanying notes to financial statements.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

- Unaudited Income Statements

	April – June 2019	April – June 2018	**January – June 2019**	January – June 2018
Revenues	**₱-**	₱-	**₱-**	₱-
Less: Costs and Expenses	**321,771**	272,341	**846,101**	1,048,302
Loss from Operation	**(321,771)**	(272,341)	**(846,101)**	(1,048,302)
Add: Other Income/(Expenses)	**74,352**	(152,072)	**(13,285)**	(456,328)
Loss before Income Tax	**(247,419)**	(424,413)	**(859,386)**	(1,504,630)
Income Tax Expense	-	-	**-**	-
Net Loss for the quarter	**(₱247,419)**	(₱424,413)	**(₱859,386)**	(₱1,504,630)
Loss per share	**(₱0.0002)**	(₱0.0004)	**(₱0.0007)**	(₱0.0013)

- Unaudited Balance Sheets

	As of June 30, 2019	As of June 30, 2018	As of December 31, 2018
Assets	**₱340,774,021**	₱339,134,962	₱342,059,378
Liabilities	**4,291,260**	4,478,037	4,717,232
Stockholders' Equity	**336,482,761**	334,656,925	337,342,146
Total Liabilities & Stockholders' Equity	**₱340,774,021**	₱339,134,962	₱342,059,378

Interim quarter ended June 30, 2019 compared with quarter ended June 30, 2018

RESULTS OF OPERATION

Revenues and Loss per share

Since the Company is still exploring new business opportunities given the volatile situation of metal and oil prices in the global market, the Company has no revenues for the second quarter of 2019 and 2018.

The Company incurred losses of ₱0.25 million and ₱0.42 million for quarters ended June 30, 2019 and 2018, respectively. Loss per share for the 2nd quarter of 2019 and 2018 were ₱0.0002 and ₱0.0004, respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

Costs and Expenses

Costs and expenses consisted primarily of professional fees, taxes and licenses, PSE annual maintenance fee, management fees and office rental.

Costs and expenses recorded for the 2nd quarter of 2019 and 2018 were ₱321,771.33 and ₱272,341, respectively. Increase of ₱49,431 or 18.15% is mostly attributed to the professional fees paid for audit fee.

FINANCIAL CONDITION

Current Assets

Current assets consist of cash in bank, input tax and other current assets. Cash in bank carries interest at respective bank deposit rate. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro to facilitate the collection and disbursement processes of the Company. Input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses. Balance of cash in bank as of June 30, 2019 and 2018 were ₱268,949 and ₱179,508, respectively. The Company provided full valuation on its input tax as of June 30, 2019 amounting to ₱1,956,744.

Financial Assets at FVOCI (net)
Financial Assets at FVOCI as at June 30 consist of:

	2019	2018
Unquoted shares		
Cost	**₱85,711,574**	**₱85,711,574**
Impairment loss	**(20,000,000)**	**(20,000,000)**
	65,711,574	**65,711,574**
Quoted shares		
Cost	**7,529,480**	**7,529,480**
Net unrealized fair value gain	**16,062,900**	**13,302,090**
	23,592,380	**20,831,570**
	₱89,303,954	**₱86,543,144**

Investment in unquoted shares of stock represents ownership of the Company in Forum Exploration, Inc. (FEI) and Taguig Lake City Development Corporation. These investments are classified as financial assets at FVOCI as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost less impairment loss since there is no quoted price in an active market.

Investment in quoted shares of stock represents ownership investment in Philippine Estates Corporation (PHES), a publicly listed Company. The fair value of these shares has been determined directly by reference to published prices in the active market

The Company's financial assets at FVOCI as at June 30, 2019 and 2018 are not held as collateral for its financial liabilities.

Related Party Transaction Account
The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting.

Relationships, Transactions and Account Balances

		Outstanding Balance	
Related Parties	**Relationship**	**June 30, 2019**	June 30, 2018
The Wellex Group, Inc.	Common key management	**₱139,528,829**	₱140,740,207
Forum Exploration, Inc.	Common key management	**111,631,076**	111,631,076
Forum Exploration, Ltd.	Common key management	**(4,258,720)**	(4,438,164)

Advances to The Wellex Group, Inc. (TWGI)
Transactions between the Company and TWGI primarily consist of non-interest bearing advances granted to finance TWGI's working capital requirements.

On December 15, 2012, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱330,495,385 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018. During 2018, the Company renewed the promissory note amounting to ₱301,996,932 for another five (5) years maturing on December 16, 2023.

To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances.

a) The Company subleases an office space from TWGI starting on May 2014. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. The lease contract was renewed on May 2016 for another two (2) years. On May 1, 2018, the Company renewed the contract for another two (2) years maturing on April 30, 2020. Total rental and utilities expense charged to operations amounted to ₱55,500 for both periods ended June 30, 2019 and 2018.

b) On April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings.

The contract was renewed for another two (2) years. On May 1, 2018, the Company renewed the contract for another two (2) years maturing on April 30, 2020. Total management fee charged to operations amounted to ₱120,000 for both periods ended June 30, 2019 and 2018.

Total collections of advances from TWGI amounted to ₱367,245 and ₱298,899 for the 2nd quarter of 2019 and 2018, respectively.

The carrying amount of advances to TWGI as at June 30 as follows:

	2019	2018
Advances	**₱300,734,213**	₱302,993,917
Allowance for impairment loss	**161,205,384**	(162,253,710)
Net carrying amount	**₱139,528,829**	₱140,740,207

The Company originally provides allowance for impairment amounting to ₱161,205,384 and ₱162,253,710 as at June 30, 2019 and 2018, respectively, on advances to TWGI prior to agreements entered to settle the outstanding advances. Allowance for impairment will be reversed once the unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

Advances to Forum Exploration Inc. (FEI)
Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company. No transaction in the account balance was recognized for the quarters ended June 30, 2019 and 2018.

FEI is a legal and beneficial owner of 100% interest in Service Contract (SC 40), an upstream oil and gas contract area in the Philippines, entered into with the Philippine Government through the Department of Energy (DOE). Annual gas production from field on SC 40 totaled 41.09 million standard cubic feet (MMSCF) and 78.66 MMSCF since the start of production in 2012.

FEI has also implemented Work Program and Budget as approved by DOE on November 17, 2014 which includes, among others, a commitment to perform land gravity survey over the Dalingding Structure starting March 2015. Since 2014, FEI has performing geological and geophysical study aimed to identify and prioritize highly prospective areas for future exploration.

The Company has outstanding advances to FEI pertaining to the value of exploration assets transferred by the Company as follows:

	2019	2018
Advances	**₱171,631,076**	₱171,631,076
Allowance for impairment loss	**(60,000,000)**	(60,000,000)
Net carrying amount	**₱111,631,076**	₱111,631,076

The Company is positive on FEI's success on its exploration and future development work in providing the viability of its oil properties to produce oil in commercial quantities.

Advances from Forum (FEI), Ltd.
The Company received cash advances from Forum (FEI), Ltd. The advances have no definite terms of payment. Outstanding balance as at June 30, 2019 and 2018 amounted to ₱4,258,720 and ₱4,438,164 respectively.

Remuneration to key management personnel
With the Company's tight cash position, management decided to suspend any form of compensation given to key management personnel for the periods ended June 30, 2019 and 2018.

Others
The administrative function of the Company is performed by its related party, TWGI.

Current liabilities
This is primarily consists of accounts payable and other current liabilities. Outstanding balance as at June 30, 2019 and 2018 amounted to ₱32,540 and ₱39,873, respectively. This includes payable for retainer fees of legal counsel of the Company, accrued expenses and withholding taxes payable.

<u>The Top five (5) Key Performance Indicators are:</u>

1. Advances to Related Parties – currently, TWGI is funding all operational expenses of the Company.
2. Current Ratios – current assets against the current liabilities of the Company. It measures the Company's ability to pay short-term obligations. Current Ratio for the 2nd Quarter of 2019 and 2018 are 953% and 553%, respectively.
3. Cash Ratio – the most conservative liquidity ratio. It excludes all current assets except the most liquid – cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities. The cash ratio of the company for the 2nd Quarter of 2019 and 2018 are 827% and 450%, respectively.
4. Debt ratio - it is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the 2nd Quarter of 2019 and 2018 are 1.26% and 1.32%, respectively.
5. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the Company is using to finance its assets. The debt to equity ratio for the 2nd Quarter of 2019 and 2018 are 1.28% and 1.34%, respectively.

(i) Summary of Material Trends, Events and Uncertainties
Forum Pacific, Inc.
The shares of FPI are listed and traded in Philippine Stock Exchange (PSE). The company was registered to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products, as well as other mineral and chemical substances. It is presently a holding company and owning shares of stocks of an exploration company.

On July 13, 2005, the PSE suspended the trading of its shares for failure to comply with certain reporting requirements. Also on July 25, 2006, the Securities and Exchange Commission suspended the registration of the Company's securities for period of 60 days for non-filing/late filing of financial reports for 2004 and 2005.

On January 24, 2008, SEC resolved to deny the Company's request that it be allowed to pay a monetary fine in lieu of revocation of the registration of its securities. On March 27, 2008, SEC revoked the Company's registration of securities and permit to sell due to late filing of its annual financial report and other reportorial requirements. On May 5, 2008, the Company filed a petition to lift SEC's order of revocation of the registration of its securities and the permit to sell securities citing its compliance with SEC's directives to pay the assessed penalties in addition to said revocation and the fact that it has no pending case for violation of the provisions of the Securities Regulations Code and its Implementing Rules and Regulations.

On July 31, 2008, the SEC resolved to lift and set aside the revocation of the registration of the Company's securities and the permit to sell its securities.

In 2009, the Company again received an order of revocation of the registration and permits to sell the Company's securities due to late filing of the Company's 2008 audited financial statements.

On August 31, 2010, the Company received an order of revocation of the registration and the permit to sell the Company's securities due to late filing of the Company's 2009 annual reports. On September 8,

2010, the Company requested for an extension of time until September 30, 2010 for the filing of the Company's 2009 audited financial statements which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Company again requested the SEC an additional thirty (30) working days within which to comply with the letter from the SEC dated August 31, 2010. However, on October 7, 2010, the Company's request was denied and the SEC provided a non-extendible period of three (3) days from receipt of the letter within which to submit the 2009 annual reports.

Subsequently on February 14, 2011, the Company paid fines and penalties in the amount of ₱2.77 million in lieu of the Company's revocation of Registration of securities and Permit to sell securities.

On May 13, 2011, the Company again paid SEC in the amount of ₱760,500 as payment for its outstanding fines and penalties. On May 17, 2011, PSE lifted the Company's revocation of Registration of Securities and Permit to sell securities.

Business Plans
To address the foregoing matters that may raise doubt on the Company's ability to continue as a going concern, the shareholders of the Company have committed in principle to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

The Company will evaluate outstanding receivables and advances to affiliate and design collection programs to improve the Company's financial status. The board will also evaluate calling for the remaining stock subscription as source of fund for the future projects. The officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization and approval of business project plans.

With the Company's experience in the participation on Department of Energy's (DOE) 4th Philippine Energy Contracting Round (PECR 4) last April 2012, evaluation of which focuses on the Company's financial and technical qualifications, the Company will prioritize the improvement of its financial position and exploring new business opportunities in oil and gas exploration and extraction, order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

The management is still evaluating potential buyers who expressed interest to buy out the Company's remaining 33.33% capital stock investment in Forum Exploration, Inc. (FEI), a subsidiary of Pangilinan-led Forum Energy Plc and the project operator for Libertad Gas Field or Service Contract (SC40). Talks, however, with the three (3) interested groups are on hold at the moment, pending clarification of several commercial issues.

While the Company is affiliated with group of mining companies, the current slowdown of the mining sector and the stringent evaluations being conducted by the Department of Environment and Natural Resources (DENR) for new mining applications has led the Company to shelve the entry into mining sector for the time being.

Aside from the investment made during 2017 in Taguig Lake City Development Corporation – a newly formed cooperation engaged in the real estate industry, the Company will further outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mining exploration; and improve its financial position. As mentioned above, the management is currently discussing on how the Company will proceed with its remaining 33.33% capital stock investment in Forum Exploration, Inc., specifically whether to sell its interest or enter into partnership with potential buyers.

Giving the growing requirements for power, the Company is on the one hand actively looking into the energy business, concentrating on cheap and consistent coal power for the country's base loads. Demand and supply studies, as well as site feasibility analysis and the selection of green and clean coal technologies are being conducted by selected engineering advisers of the Company. On the other hand, the Company is also considering investing into potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy. The management is also conducting research and feasibility studies on these renewable projects.

The Company's management believes that such financial support and management plan are sufficient to provide the Company the ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

Writing-Off of Investments
<u>Express Savings Bank, Inc. (ESBI)</u>
ESBI was 56% owned by the Company as of December 31, 2007. During 2007, the Company did not avail of its pre-emptive right to subscribe for additional shares in ESBI's increase in capitalization. This diluted the Company's interest in ESBI. In 2008, the Company eventually ceased to have control in ESBI.

On June 3, 2009, the Company executed a deed of absolute sale for its 127,415 shares in ESBI for ₱179.63 per share or equivalent to ₱22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to ₱122,592,758 or ₱423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of December 31, 2008 was recognized as impairment loss in 2008.

The investment had been recorded for ₱22,887,556 in the 2008 audited financial statements but the said amount represent only 127,415 shares out of 289,806 shares or 44%. An impairment loss of ₱99,705,202 was recorded which resulted to understatement of available-for-sale financial assets and overstatement of impairment loss in 2008 amounting to ₱29,170,296. The fair value of ESBI investment as of December31, 2009 was based on the actual partial sale that occurred on July 13, 2010 in which 46,602 shares were sold for ₱4,660,200 at ₱100 per share.

On August 12, 2010, the Company executed a deed of absolute sale for its 115,789 shares in ESBI at ₱100 per share or equivalent to ₱11,578,900 which is equal to the carrying value as of December 31, 2009 of ₱11,578,900. The Company reclassified the corresponding unrealized fair value loss amounting to ₱9,220,278 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

On July 8, 2011, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas placed Express Savings Bank, Inc. under receivership of the Philippine Deposit Insurance Corporation (PDIC) by virtue of MB resolution No. 987.B. As receiver, PDIC took over the bank on July 8, 2011. The remaining book value of investment in Express Savings Bank amounting to ₱4,660,200 was recognized as impairment loss for the year 2011.

<u>Forum Coal Cebu Holdings, Inc. (FCCHI)</u>
The Company owns 60% of the stockholdings of FCCHI, a domestic corporation registered with the SEC on February 3, 2006. Its primary purpose is to acquire, hold and dispose of bonds, debentures, promissory notes, share of capital and the likes, without engaging as a dealer or broker of securities. Its registered office is located at 14^{th} Flr. Pearlbank Center, 146 Valero St., Salcedo Village, Makati City.

On November 30, 2009, FCCHI was formally dissolved pursuant to a resolution duly adopted by the FCCHI's Board of Directors and stockholders representing at least two-thirds (2/3) of the outstanding capital stock dated October 9, 2009. Such dissolution was subsequently approved by the SEC on July 6, 2012.

In a special meeting held last November 21, 2011, the Company has decided to provide full valuation allowance on its investment in subsidiary. Consequently, the Company recognized impairment loss of ₱3,888,000 in 2011.

On July 19, 2012, the Board of Directors approved the write-off of the investments in subsidiary. As per Corporation Code of the Philippines, upon approval by the SEC of the amended Articles of Incorporation to shorten the corporate term, the corporation shall be deemed dissolved without any further proceedings. Hence, starting 2012, the Company did not present consolidated financial statements.

(ii) Events that will Trigger Direct of Contingent Financial Obligation
Since the Forum Pacific, Inc. are still looking a strategic partner to enhance the development of the Company specially in exploration business, the Company are have no events that will trigger direct or contingent financial obligation that is material to Forum Pacific, Inc. including any default or acceleration of an obligation.

(iii) Material Off-Balance Sheet Transactions, Arrangements, Obligations
There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of Forum Pacific, Inc. with unconsolidated entities or other persons created during the reporting period.

(iv) Any Known Trends, Events of Uncertainties (Material Impact on Liquidity)
The Company is mainly exposed to liquidity risk through its maturing liabilities. The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met. Liquidity refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The details of the maturity analysis of the Company's liabilities are as follows:

June 30, 2019	**Total**	**On demand**	**Less than 3 months**	**3-12 months**	**1-5 years**
Advances from related parties	**₱4,258,720**	**₱–**	**₱–**	**₱–**	**₱4,258,720**
Accounts payable and other liabilities	**32,540**	**₱–**	**₱–**	**32,540**	**₱–**
	₱4,291,260	**₱–**	**₱–**	**₱32,540**	**₱4,258,720**

June 30, 2018	Total	On demand	Less than 3 months	3-12 months	1-5 years
Advances from related parties	₱4,438,164	₱–	₱–	₱–	₱4,438,164
Accounts payable and other liabilities	39,873	–	–	39,873	–
	₱4,478,037	₱–	₱–	₱39,873	₱4,438,164

(v) Significant Element of Income or Loss That Did Not Arise from Continuing Operation
PFRS 9, Financial Instruments (2014). PFRS 9, Financial Instruments replaces PAS 39 Financial Instruments – Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The standard requires all recognized financial assets that are within the scope of PAS 39 to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flow that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debts investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that are attributable to changes in the credit risk of that liability is presented in other comprehensive income would create or increase as accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The Company has adopted the *PFRS 9 Financial Instruments* from January 1,2018 and resulted in changes in accounting policies and adjusted amounts recognized in the financial statements. The comparative figures have been restated to comply with the transitional provisions in PFRS 9 (See Note 3 of Interim Financial Statements for the full details).

(vi) Material Changes on Line Items in Financial Statements
Material changes on line items in financial statements are presented under the captions "Financial Condition" and "Results of Operation" above, and see attached Notes to Financial Statements.

(vii) Effect of Seasonal Changes in the Financial Condition or Results of Operations
The financial condition or results of operations is not affected by any seasonal change.

PART II - OTHER INFORMATION

Market Information

The principal market of Forum Pacific, Inc. common equity is the Philippine Stock Exchange, Inc. (PSE) where it was listed on December 19, 1994. The high and low sales prices by quarter for the last 3 years are as follows:

		High	Low
2019	First Quarter	0.340	0.203
	Second Quarter	0.280	0.224
2018	First Quarter	0.270	0.185
	Second Quarter	0.265	0.190
	Third Quarter	0.236	0.195
	Fourth Quarter	0.240	0.188
2017	First Quarter	0.270	0.178
	Second Quarter	0.236	0.178
	Third Quarter	0.295	0.193
	Fourth Quarter	0.210	0.180

The high, low and close market price is ₱0.245, ₱0.234, and ₱0.234 per share as of June 28, 2019, respectively. The Corporation has only one class of registered security, “Class A – Common Shares”.

Holders

The number of shareholders of record as of June 30, 2019 was 866. Common shares issued and subscribed were 1,838,943,246.

List of Top 20 Stockholders
June 30, 2019

	NAME	CLASS A NO. OF SHARES HELD	% to TOTAL
1	INTERNATIONAL POLYMER CORPORATION	496,887,494	27.020
2	PCD NOMINEE CORPORATION	417,147,574	22.684
3	THE WELLEX GROUP, INC.	376,950,000	20.498
4	E.F. DURKEE & ASSOCIATES, INC.	77,838,563	4.233
5	INTRA-INVEST SEC., INC.	48,159,000	2.619
6	METROPOLITAN MANAGEMENT CORPORATION	30,000,000	1.631
7	JUANITO C. UY	22,625,001	1.230
8	PACRIM ENERGY N.L.	21,000,000	1.142
9	PCD NOMINEE CORP. (NON-FILIPINO)	20,890,050	1.136
10	SAPPHIRE SECURITIES INC.	19,433,500	1.057
11	BENITO ONG AND/OR ZITA Y. ONG	18,000,000	0.979
12	LI CHIH-HUI	17,100,000	0.930
13	NESTOR S. MANGIO	12,500,000	0.680
14	A & A SECURITIES, INC.	11,911,320	0.648
15	MARK SECURITIES CORPORATION	10,772,800	0.586
16	GLOBALINKS SEC & STOCKS, INC. A/C #	9,400,000	0.511
17	BELSON SECURITIES, INC.	9,200,000	0.500
18	WEALTH SECURITIES, INC.	8,240,000	0.448
19	RUBEN M. GAN	7,610,000	0.414
20	DAVID GO SECURITIES CORPORATION	6,880,000	0.374

FORUM PACIFIC, INC. **Annex A.1**

STATEMENTS OF FINANCIAL POSITION

		Unaudited June 30, 2019	Unaudited June 30, 2018	Audited December 31, 2018
Current Assets				
Cash	5	**₱268,949**	₱179,508	₱287,913
Prepayments and other current assets	6	**41,213**	41,027	44,889
		310,162	220,535	332,802
Non-current Assets				
Advances to related parties – net	10	**251,159,905**	252,371,283	252,422,623
Financial asset at FVOCI	7	**89,303,954**	86,543,144	89,303,953
		340,463,859	338,914,427	341,726,576
TOTAL ASSETS		**₱340,774,021**	₱339,134,962	₱342,059,378
Current Liabilities				
Accounts payable and other current liabilities	8	**₱32,540**	₱39,873	₱357,181
Non-current Liabilities				
Advances from related parties	10	**4,258,720**	4,438,164	4,360,051
TOTAL LIABILITIES		**₱4,291,260**	₱4,478,037	₱4,717,232
EQUITY				
Capital stock		**₱1,207,543,621**	₱1,207,543,621	1,207,543,621
Treasury shares		**(36,056,750)**	(36,056,750)	(36,056,750)
Unrealized fair value gain on financial Assets at FVOCI		**16,062,900**	13,302,090	16,062,900
Deficit		**(851,067,010)**	(850,132,036)	(850,207,625)
TOTAL EQUITY		**₱336,482,761**	₱334,656,925	₱337,342,146
TOTAL LIABILITIES AND EQUITY		**₱340,774,021**	₱339,134,962	₱342,059,378

(The accompanying notes are integral part of these financial statements)

FORUM PACIFIC, INC. **Annex A.2**
STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited April-June 2019	Unaudited April-June 2018	**Unaudited January – June 2019**	Unaudited January – June 2018
Revenues	**₱–**	₱–	**₱–**	₱–
Costs and expenses (Note 11)	**321,771**	272,341	**846,101**	1,048,302
Operating loss	**(321,771)**	(272,341)	**(846,101)**	(1,048,302)
Other income/(expenses)	**74,352**	(152,072)	**(13,285)**	(456,328)
NET LOSS FOR THE PERIOD	**(₱247,419)**	(₱424,413)	**(₱859,386)**	(₱1,504,630)
LOSS PER SHARE (Note 14)	**(₱0.0002)**	(₱0.0004)	**(₱0.0007)**	(₱0.0013)

(The accompanying notes are integral part of these financial statements)

FORUM PACIFIC, INC. **Annex A.3**

STATEMENTS OF CHANGES IN EQUITY

	Unaudited January-June 2019	Unaudited January-June 2018	Audited December 31, 2018
Capital stock	**₱1,207,543,621**	₱1,207,543,621	₱1,207,543,621
Treasury shares	**(36,056,750)**	(36,056,750)	(36,056,750)
Unrealized fair value gain on available-for-sale financial assets	**16,062,900**	13,302,090	16,062,900
Deficit - beginning	**(850,207,624)**	(848,627,407)	(847,579,081)
Net loss for the period	**(859,386)**	(1,504,630)	(2,628,544)
Deficit - ending	**(851,067,010)**	(850,132,037)	(850,207,625)
TOTAL STOCKHOLDERS' EQUITY	**₱336,482,761**	₱334,656,924	₱337,342,146

(The accompanying notes are an integral part of these financial statements)

Annex A.4

FORUM PACIFIC, INC.
STATEMENTS OF CASH FLOWS

	Unaudited January-June 2019	Unaudited January – June 2018	Audited December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	**(₱859,386)**	(₱1,504,630)	(₱2,628,544)
Adjustments for:			
Provision for impairment of input tax – note 6	**114,877**	158,126	235,433
Provision for impairment on advances to related parties – notes12	**-**	-	-
Provision for impairment of financial assets at FVOCI – note 12	**-**	-	-
Unrealized foreign exchange loss – note 12	**(101,331)**	298,437	220,324
Operating loss before working capital changes	**(845,840)**	(1,048,067)	(2,172,787)
Increase in prepayments and other current assets	**(111,202)**	(159,855)	(241,023)
Decrease in accounts payable and other liabilities	**(324,641)**	(451,990)	(134,682)
Net cash used in operating activities	**(1,281,683)**	(1,659,912)	(2,548,492)
CASH FLOWS FROM INVESTING ACTIVITY			
Collection on advances of related parties	**1,262,719**	1,706,999	2,753,984
Additional advances to related parties – note 10	**-**	-	(50,000)
Net cash provided by investing activity	**1,262,719**	1,706,999	2,703,984
CASH FLOW FROM FINANCING ACTIVITY			
Additions to financial assets at FVOCI	**-**	-	-
Net cash used in financing activity	**-**	-	-
NET INCREASE (DECREASE) IN CASH	**(18,964)**	47,087	155,492
CASH			
At beginning of year	**287,913**	132,421	132,421
At end of quarter	**₱268,949**	₱179,508	₱287,913

(The accompanying notes are an integral part of these financial statements)

Annex A.5

FORUM PACIFIC, INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
June 30, 2019

1. CORPORATE INFORMATION

Forum Pacific, Inc. (the "Company"), formerly known as Cophil Exploration, Inc., was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on January 8, 1993 primarily to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products as well as other mineral and chemical substance.

The Company's shares are listed and traded in the Philippine Stock Exchange (PSE). Its registered office address is located at 35th Floor, One Corporate Centre, Doña Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City.

2. MANAGEMENT ASSESSMENT OF GOING CONCERN ASSUMPTION AND BUSINESS PLANS

Management's Assessment of the Going Concern Assumption

The nature of the Company's operations requires it to spend significant amount of funds to support exploration programs and operating expenses for it to operate profitably in the future. The Company incurred losses amounting to ₱859,386 and ₱1,504,630 on June 30, 2019 and 2018, respectively. The Company had accumulated a deficit of ₱851,067,010 and ₱850,132,036 as at June 30, 2019 and 2018 respectively.

To continue as going concern, the officers and major stockholders of the Company has committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

Business Plans

With the volatile situation of metal and oil prices in the global market, the management's previous plan on banking on new petroleum and gas and other mining contracts is temporarily reserved. For 2019 the Company plans to undertake the following:

- Aside from the new investment in Taguig Lake City Development Corporation, the Company will further outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mineral exploration.
- Continue research for areas and land mine with potential mineral deposits using affiliated Group's geologists and engineers.
- Consider investing into potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy.
- Evaluate potential buyers to buy out investment with Forum Exploration Inc.
- Evaluate advances to affiliates and design collection program to improve the Company's financial status. As at June 30, 2019 and 2018, the Company has existing contracts with TWGI to collect outstanding advances (see Note 10).
- Evaluate calling for the remaining stock subscription as source of fund for future projects. The Company has outstanding ₱667,456,379 subscription receivable (see Note 9).

The Company's management believes that the financial support and its business plans are sufficient to provide the Company the ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

Basis of Preparation of Interim Financial Statement

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments, in accordance with applicable Philippine Accounting Standards and in accordance with reporting practices applicable to the subsidiary bank.

The financial statements are presented in Philippine pesos, which is the Company's functional currency.

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS), which are accounting principles generally accepted in the Philippines. These are the

Company's first PFRS financial statements where PRFS 1, "First Time Adoption of the Philippine Financial Reporting Standards", has been applied.

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for the Company's financial assets at FVOCI, which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Functional and Presentation Currency

The financial statements are presented in Philippine peso (₱), the Company's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Impact of the Revised Code

The Republic Act No. 11232 otherwise known as the Revised Corporation Code of the Philippines (the "Revised Code") took effect on February 23, 2019, which aimed at improving ease of doing business, affording more protection to corporations and stockholders, and promoting good corporate governance.

The Revised Code requires the annual financial statements audited by an independent certified public accountant. However, if the total assets or liabilities of the corporation are less than ₱600,000, the financial statements shall be certified under oath by the corporation's treasurer or chief financial officer.

The Revised Code should be applied prospectively. The requirement to prepare and submit the annual financial statements based on the Revised Code is effective beginning on or after February 23, 2019. All financial statements covering the periods on or before February 23, 2019 are required to be prepared and submitted in accordance with the Old Corporation Code or Batas Pambansa Bilang 68, in addition to the requirements of the SRC Rule 68.

The Revised Code will have no impact on the preparation and submission of the Company's financial statements. The Company's total assets and liabilities as at June 2019 exceed ₱600,000.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2018.

PFRS 9, Financial Instruments (2014). PFRS 9, Financial Instruments replaces PAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The standard requires all recognized financial assets that are within the scope of PAS 39 to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balances are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The Company has applied the PFRS for the first time.

The Company has adopted the PFRS 9 *Financial Instruments* from January 1, 2018 and resulted in changes in accounting policies and adjusted amounts recognized in the financial statements. The comparative figures have been restated to comply with the transitional provisions in PFRS 9.

The nature of the adjustments is as follows:

(a) *Classification and measurement of financial instruments*
The changes in the classification and measurement of the Company's financial instruments are as follows:

		Classification	
		PAS 39	PFRS 9
Cash	(1)	Loans and receivable	Amortized Cost
Advances to related parties (net)	(2)	Loans and receivable	Amortized Cost
Available for sale financial assets	(2)	AFS	Financial Asset as FVOCI

The assessment of the Company's business model was made as at January 1, 2018, and applied retrospectively to those financial assets that were not derecognized before January 1, 2018.

(1) Cash and advances to related parties which are previously classified as loans and receivables are held to collect contractual cash flows and give rise on cash flows representing solely payments of principal and interest. This is now classified and measured as debt instruments at amortized cost.

(2) Quoted and unquoted equity investments previously classified as available for sale (AFS) financial assets are now classified and measured as equity instruments designated at fair value through other comprehensive income. The Company elected to classify irrevocably its unquoted equity investments under this category as it considers these investments to be strategic in nature and it intends to hold these investments for the foreseeable future.

(b) *Impairment of financial assets*
The Company adopted PFRS 9, *Financial Instruments*, which was applied using the transitional relief allowed by the standard. This allows the Company not to restate its prior periods' financial statements. Differences arising from the adoption of PFRS 9 in relation to impairment of financial assets are recognized in the opening balance of retained earnings (or other component of equity, as appropriate) in the current year.

PFRS 15, Revenue from Contracts with Customers, PFRS 15 supersedes PAS 11 Construction Contracts, PAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a comprehensive framework for recognizing revenue from contracts with customers. The core principle in that framework is that an entity should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized in accordance with the core principle by applying the following steps: (a) identify the contracts with customers; (b) identify the performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the performance obligations in the contract; and (e) recognize revenue when the entity satisfies a performance obligation. PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the framework to contracts with customers. The standard also specifies the accounting for the incremental costs obtaining a contract with a customer and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Annual Improvements to PFRSs 2014-2016 Cycle
The Annual Improvements to PFRSs 2014-2016 Cycle sets out the amendments to PFRS 1, PFRS 12 and PAS 28. The amendment to PFRS 12 is effective on January 1, 2017.

PFRS 1 (Amendment), First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions for First-time Adopters. The amendment deleted some short-term exemptions for first-time adopters and the related effective date paragraphs as the reliefs provided were no longer applicable and had been available to entities only for reporting periods that had passed.

PAS 28 (Amendments), Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value. The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The application of the above improvements will have no impact on the disclosures and amounts recognized on the Company's financial statements.

PAS 40 (Amendments), Investment Property – Transfers of Investment Property. The amendments clarify that to transfer to, or from, investment properties there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The application of the amendments provides two options for transition: (a) An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments; or (b) retrospective application if, and only if, that is possible without the use of hindsight.

The amendments have no material impact on the disclosures and amounts recognized on the Company's financial statements.

PFRS 2 (Amendment), Share-based Payment – Classification and Measurement of Share-based Payment Transactions. The amendment address the: (a) accounting for modifications to the terms and conditions of share-based payments that change the classification of the transaction from cash-settled to equity-settled; (b) accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; and (c) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations.

The amendments have no impact on the disclosures and amounts recognized on the Company's financial statements.

PFRS 4 (Amendments), Insurance Contracts – Applying PFRS 9 Financial Instruments and PFRS 4 Insurance Contracts. The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4: (a) an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach"); and (b) an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4 (the "deferral approach"). The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. An entity would apply the overlay approach retrospectively to designated financial assets, when it first applies PFRS 9. An entity would apply the deferral approach for annual periods beginning on or after January 1, 2018.

The amendments have no impact on the disclosures and amounts recognized on the Company's financial statements.

Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration. This interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The interpretation does not have any impact on the Company's financial statements.

New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2018
Standards issued but not yet effective up to the date of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

Annual Improvements to PFRS 2015-2017 Cycle
The annual improvements addressed the following issues:

PFRS 3 (Amendments), Business Combinations – Previously Held Interest in a Joint Operation. The amendments provides additional guidance to clarify that, when obtaining control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at its acquisition date fair value.

PFRS 11 (Amendments), Joint Arrangements – Previously Held Interest in a Joint Operation. The amendments clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure its previously held interests.

PAS 12 (Amendments), Income Taxes – Income Tax Consequences of Payments on Financial Instruments classified as Equity. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

PAS 23 (Amendments), Borrowing Costs – Borrowing Costs Eligible for Capitalization. The amendments clarify that an entity treats as part of general borrowings any borrowings originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The application of the above amendments will have no significant impact on the disclosures and amounts recognized on the Company's financial statements.

PAS 19 (Amendments), Employee Benefits – Plan Amendment, Curtailment or Settlement. The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. The amendments also clarify how the requirements on accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The amendments will not have significant impact on the disclosures and amounts recognized on the Company's financial statements.

PAS 28 (Amendments), Investments in Associate and Joint Ventures – Long-term Interests in Associates and Joint Ventures. The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are effective for annual periods beginning on or after January 1, 2019 and shall be applied retrospectively. However, early application of these amendments is permitted.

The amendments will not have significant impact on the disclosures and amounts recognized on the Company's financial statements.

PFRS 9 (Amendments), Financial Instruments – Prepayment Features with Negative Compensation. This addresses the concern about how PFRS 9 classifies particular prepayable financial assets. The amendment also include clarifications to the accounting for a modification or exchange of a financial liability that does not result in derecognition. The amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The amendments will not have significant impact on the disclosures and amounts recognized on the Company's financial statements.

Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments. This interpretation addresses how to apply the recognition and measurement requirements of PAS 12 Income Taxes when there is uncertainty over income tax treatments. This interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The interpretation will not have significant impact on the disclosures and amounts recognized on the Company's financial statements.

PFRS 16, Leases. This new standard introduces a single lessee accounting model to be applied to all leases, whilst substantially carries forward the lessor accounting requirements in PAS 17 Leases. Lessees recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value. Whereas, lessors continue to classify leases as operating leases or finance leases, and to account for those two types of leases differently. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16. The adoption of the standard will result in recognition of an asset for the right to use the underlying asset over the lease term and a lease liability for the obligation to make lease payments in the consolidated statements of financial position. In addition, this will result in recognition of depreciation of the right-of-use asset and interest on lease liability in the consolidated statement of comprehensive income, and presentation of the total amount of cash paid into a principal portion and interest within financing activities in the consolidated statement of cash flows.

The adoption of the new standard will have an impact or recognition of lease expenses, noncurrent assets and liabilities. This will result in recognition of an asset for the right-of-use to the underlying asset over the lease term and a lease liability for the obligation to make lease payments in the statements of financial position. In addition, this will result in recognition of depreciation on the right-of-use asset and interest on lease liability in the statements of comprehensive income, and presentation of the total amounts of cash paid into portion of principal and interest within financing activity in the statements of cash flows.

PAS 1 (Amendments), Presentation of Financial Statements and PAS 8 (Amendments), Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material. The amendments clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about specific reporting entity. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.

The amendments will not have significant impact on the disclosures and amounts recognized on the Company's financial statements.

PFRS 3 (Amendments), Business Combinations – Definition of a Business. The amendments clarify that to be considered a business, an acquired set of activities and asset must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It narrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. In addition, it provides guidance and illustrative examples to help entities assess whether a substantive process has been acquired and remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.

The amendments will not have significant impact on the disclosures and amounts recognized on the Company's financial statements.

PFRS 17, Insurance Contracts. The new standard established principles for the recognition, measurement, presentation and disclosure of insurance contracts, including reinsurance contracts held and investment contracts with discretionary participation features issued. The objective of the standard is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of the standard have on the entity's financial position, financial performance and cash flows. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

The new standard will not have significant impact on the disclosures and amounts recognized on the Company's financial statements.

Determination of Fair Value and Fair Value Hierarchy
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement, such as financial assets at FVPL, and for non-recurring measurement, such as investment properties.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value measurement disclosures of financial and non-financial assets are presented in Note 15 to the financial statements.

“Day 1” Difference
When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

Financial Instruments
Initial recognition, measurement and classification of financial instruments
The Company recognizes financial assets and financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments includes transaction costs, except for those financial assets and liabilities at fair value through profit or loss (FVPL) where the transaction costs are charged to expense in the period incurred.

The Company classifies its financial assets as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing the financial assets. The Company’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company’s business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Company classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method.

Financial assets at amortized cost
Financial assets are measured at amortized when both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, financial assets at amortized cost are subsequently measured using the effective interest method less allowance for impairment. Gains and losses are recognized in the statements of comprehensive income when the financial assets at amortized cost are derecognized, modified or impaired. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at June 30, 2019 and 2018, included under financial assets at amortized cost are the Company’s cash and advances to related parties (see Notes 5 and 10).

<u>Cash</u>
The Company’s cash represents cash in bank that are not legally restricted for use, which carries interest at respective bank deposit rate.

<u>Advances to related parties</u>
Advances to related parties represents promissory note from The Wellex Group Inc. (TWGI) and Forum Exploration Inc. (FEI) which represents cash advance for working capital and value of exploration of assets transferred to the Company (see Note 10).

<u>Equity Instruments Designated at FVOCI</u>
Upon initial recognition, the Company may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis. When the equity instrument is

derecognized, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained earnings. Dividends on such investments are recognized in profit or loss when the right of payment has been established, except when the dividends represent a recovery of part of the cost of the investment, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment. These financial assets are classified as noncurrent assets.

As at June 30, 2019 and 2018, the Company elected to classify irrevocably its quoted and unquoted equity investments under this category (see Note 7).

Financial Liabilities at Amortized Cost
Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated at FVPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

As at June 30, 2019 and 2018, included in financial liabilities at amortized cost are the Company's accounts payable and other liabilities (excluding government liabilities), and advances from a related party (see Notes 8 and 10).

Accounts payable and other liabilities
Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other current liabilities include non-trade payables, accrued expenses and due to government agencies. Accounts payable and other liabilities are classified as current liabilities if payment is due within one (1) year or less or in the normal operating cycle of the business if longer while non-trade payables are classified as current liabilities if payment is due within one (1) year or less. Otherwise, these are presented as noncurrent liabilities.

Advances from a related party
Represents cash advance from a related party for working capital requirements.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition of Financial Instruments
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability was discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Impairment of Financial Assets
The Company recognizes an allowance for expected credit losses (ECL) for all debt instruments that are measured at amortized cost or at FVOCI. ECL is a probability-weighted estimate of credit losses over the expected life of the financial asset.

Credit losses are the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECL. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve (12) months after the reporting period.

For advances to related parties, the Company applies a simplified approach in calculating ECL. The Company recognizes a loss allowance based on lifetime ECL at the end of each reporting period. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

When the credit risk on financial instruments for which lifetime ECL have been recognized subsequently improves, and the requirement for recognizing lifetime ECL is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Company recognizes impairment loss (reversals) in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external
- (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than thirty (30) days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:
- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of investment grade in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of performing. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

When the credit risk on financial instruments for which lifetime ECLs have been recognized subsequently improves, and the requirement for recognizing lifetime ECLs is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Company recognizes impairment loss (reversals) in statements of comprehensive income for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the statements of financial position.

Definition of default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Parent Company, in full (without taking into account any collateral held by the Parent Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than one (1) year to five (5) years past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;

- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concessions that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy
The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables and contract assets, when the amounts are over five (5) years past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Input Tax
Input tax pertains to indirect tax paid by the Company on its local purchase of goods and services from a VAT-registered person. Input tax is deducted against output tax in arriving at the VAT due and payable. The Company's input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment loss.

Impairment of Non-Financial Assets
At each reporting date, the Company assesses whether there is any indication that any of its assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Retirement Benefits
The Company does not provide any retirement benefits because it does not have any employee as at June 30, 2019 and 2018. The Company's administrative functions are performed by its related party, The Wellex Group, Inc. (TWGI).

Income Taxes
The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates and laws, in the period the temporary difference are expected to be recovered or settled, that have been enacted or substantively enacted as at reporting period.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date the Company reassesses the need to recognize previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized for all deductible temporary differences, carrying forward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, carrying forward benefits of unused tax credits from excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Leases
Leases which transfer to the Company substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the Company's statements of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in statements of comprehensive income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the Company's statements of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company is a party to an operating lease as a lessee. Payments made under operating leases (less any incentives given by the lessor) are charged to statements of comprehensive income.

Related Parties and Related Party Transactions
A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Related party relationship exists when: (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity; and (b) when any of the following conditions apply: (i) the entity and the Company are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party; (v) the entity is a post-employment benefit plan for the benefit of employees of the Company; (vi) the entity is controlled or jointly controlled by a person as identified in (a) above; (vii) the entity or any member of a group of which it is part, provides key management personnel services to the Company or to the parent of the Company; (viii) a person identified in (a) above has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.

In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely the legal form.

Equity

Capital stock represents the par value of shares that have been issued at the end of the reporting period.

Subscribed capital stock represents the par value of the subscribed shares.

Subscription receivables represent par value of the shares subscribed but the Company has not yet received the payments from the subscriber.

Treasury shares represent own equity instruments reacquired, the amount of the consideration paid, including directly attributable cost, net of any tax effects, is recognized as a reduction from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as Additional paid-in capital. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively.

When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to Additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Unrealized fair value gain on financial assets at FVOCI represents accumulated gains from increase in the market value of financial assets at FVOCI.

Deficit includes all current and prior period accumulated losses as disclosed in the statements of comprehensive income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Interest income is recognized as it accrues (using the effective interest method i.e., the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Cost and Expense Recognition

Cost and expenses are recognized in statements of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of comprehensive income: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the nature of expense method.

Foreign Currency Denominated Transactions

Foreign currency transactions are initially recognized by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in terms of historical cost are translated using the foreign exchange rate at the date of the transaction. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Basic Earnings (Loss) Per Share
Basic earnings (loss) per share is calculated by dividing the profit (loss) by the weighted average number of common shares issued during the year, excluding common shares purchased by the Company and held as treasury shares.

Provisions and Contingencies
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made with the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, an increase in the provision due to the passage of time is recognized as an interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events after the Reporting Date
The Company identifies post-year events that occurred after the reporting date but before the date when the Company financial statements were authorized for issue. Post year-end events that provide additional information about the Company's position at the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, AND ESTIMARES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments and estimates that affect amounts reported in the Company financial statements. These judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company believes the following represent a summary of these significant judgments and estimate and related impact and associated risks in the Company financial statements.

Significant Accounting Judgments in Applying the Company's Accounting Policies
Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed below.

The Company has a legal case involvement in the "Field Investigation Office vs. Prospero Pichay, et al. For: Malversation." This case involves a complaint for Malversation, under R.A. No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act," and violation of the Manual of Regulations for Banks in relation to Section 36 and 37 of R.A. No. 7653, otherwise known as the "New Central Bank Act ," wherein the Board of Directors of the Local Water Utilities Administration (LWUA), FPI and Wellex Group, Inc. ("WGI"), among others, are charged with conspiring to (a) effect LWUA's supposed anomalous purchase in June 2009 from the Company (127,415 shares), WGI (310,036 shares) and other individual stockholders (78,767 shares) of their total 445,377 shares, representing approximately 60% of the total shares in Express Savings Bank, Inc. ("ESBI") in the total amount of ₱101,363,302.85; and (b) infuse fresh capital in ESBI amounting to a total of ₱700,000,000.

On a resolution issued by Sandiganbayan Fourth Division dated November 17, 2017, hereby dismissed the Company's Directors on the above-mentioned case. The prosecution filed its motion for reconsideration in November 22, 2017. The Company filed their opposition in January 19, 2018. On August 9, 2018, the Sandiganbayan denied the prosecution's motion for reconsideration.

As at June 30, 2019 and 2018, the Company has no outstanding liabilities in relation to the above-mentioned case.

Significant Accounting Estimates and Assumptions
The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of input tax
Management believes that the recoverability of input tax is doubtful since the Company is not expecting income subject to output tax in the near future. Consequently, the Company has provided full valuation allowance of its input tax in 2019 and 2018.

The Company's input tax amounted to ₱1,956,744 and ₱1,764,559 as at June 30, 2019 and 2018, respectively (see Note 6).

Deferred tax assets
The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Due to non-operation of the Company, management expects that the Company will continue to incur losses and the related deferred tax assets will not be utilized in the near future. The Company's unrecognized deferred tax assets are fully disclosed in Note 13.

The Company's unrecognized deferred tax assets amounted to ₱9,473,672 and ₱9,331,306 as at June 30, 2019 and 2018, respectively.

Allowance for impairment of advances to related parties
Allowance for impairment of advances to related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the status of the advances to related parties, past collection experience and other factors that may affect collectability.

Advances to related-parties amounted to ₱251,159,905 and ₱252,371,283, net of allowance for impairment loss of ₱221,205,384 and ₱221,205,384, as at June 30, 2019 and 2018 (see Note 10).

Allowance for impairment on financial assets at FVOCI
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Since management has assessed that the financial assets at FVOCI cannot be recovered and the decline in book value per share is other than temporary, the Company has provided allowance for impairment loss.

5. CASH
Cash represents cash in bank with outstanding balance of ₱268,949 and ₱179,508 as at June 30, 2019 and 2018, respectively. Interest income earned from bank deposits were ₱144 and ₱142 for the quarter ended June 30, 2019 and 2018.

There is no restriction on the Company's cash as at June 30, 2019 and 2018.

6. PREPAYMENTS AND OTHER CURRENT ASSETS
Prepayments and other current assets as at June 30 consist of:

	2019	2018
Input tax	**₱1,956,744**	₱1,764,559
Other current assets	**41,213**	41,027
	1,997,957	1,805,586
Less: Valuation allowance on input tax	**(1,956,744)**	(1,764,559)
	₱41,213	₱41,027

Movements in the allowance on input tax are as follows:

	2019	2018
Balance at beginning of year	**₱1,841,867**	₱1,606,434
Provision during the period – note 12	**114,877**	158,125
Balance at end of period	**₱1,956,744**	₱1,764,559

Other current assets represents mainly of cash in bank subject to garnishment.

The Company had provided full valuation allowance on its input tax since they are not expecting to generate income subject to VAT on which it can claim all its input tax against its output tax.

7. FINANCIAL ASSETS AT FVOCI (net)

Available-for-sale financial assets as at June 30 consist of:

	2019	2018
Unquoted shares		
Balance at beginning of the year	**₱85,711,573**	₱85,711,573
Impairment loss	**(20,000,000)**	(20,000,000)
	65,711,573	65,711,573
Quoted shares		
Cost	**7,529,480**	7,529,480
Net unrealized fair value gain	**16,062,900**	13,302,090
	23,592,380	20,831,570
	₱89,303,954	₱86,543,144

Investment in unquoted shares of stock represents ownership of the Company in Forum Exploration, Inc. (FEI) (see Note 10). In 2017, the Company made an investment in Taguig Lake City Development Corporation. These investments are classified as financial assets at FVOCI as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence.

Investment in quoted shares of stock represents ownership investment in Philippine Estates Corporation (PHES), a publicly listed Company. The fair value of these shares has been determined directly by reference to published prices in the active market.

The movements in the net unrealized fair value gain on financial assets at FVOCI on June 30 are as follows:

	2019	2018
At beginning of year	**₱16,062,900**	₱10,290,297
Fair value changes during the period	**-**	3,011,793
	₱16,062,900	₱13,302,090

The Company's financial assets at FVOCI as at June 30, 2019 and 2018 are not held as collateral for its financial liabilities.

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at June 30 consist of:

	2019	2018
Accounts payable	**₱24,915**	₱32,248
Taxes payable	**7,625**	7,625
	₱32,540	₱39,873

Accrued expenses pertain to unpaid professional fees.

Accounts payable pertains to the amount due to suppliers payable within one (1) year and do not bear any interest.

There were no assets of the Company that were collateralized for the above accounts payable and other liabilities.

9. CAPITAL STOCK

Details of the Company's capital stock as at June 30, 2019 and 2018 are as follows:

Capital stock	No. Shares	Par value	Total
Authorized	**3,500,000,000**	**₱1**	**₱3,500,000,000**
Subscribed	**1,875,000,000**	**₱1**	**₱1,875,000,000**
Subscription receivable	**(667,456,379)**	**1**	**(667,456,379)**
Subscribed and paid up	**1,207,543,621**	**1**	**₱1,207,543,621**
Issued	**1,875,000,000**	**₱1**	**₱1,875,000,000**
Treasury shares	**(36,056,750)**	**1**	**(36,056,750)**
Issued and outstanding	**1,839,943,246**	**₱1**	**₱1,839,943,246**

The Company has one (1) class of common shares which carry no right to fixed income. No movement in the capital stock of the Company in 2019 and 2018 reporting periods. There were no shares of the Company reserved for issue under options and contracts for the sale of shares as at June 30, 2019 and 2018.

Track record of registration of securities
The Company was originally registered as Cophil Exploration, Inc. with the SEC on January 8, 1993. The Company was listed with the PSE on December 19, 1994 with initial registered shares of 50 billion at ₱0.01 par value per share.

On September 2, 1996, the Board of Directors and stockholders approved a resolution to amend the Company's Article of Incorporation by changing the par value per share of ₱0.01 to ₱1.00, removing the pre-emptive rights of shareholders and increasing authorized capital stock from ₱500 million divided by 50 billion shares to ₱2 billion divided into 2 billion shares. On September 27, 1996, SEC approved the amendment on the Company's capital structure.

On August 22, 1997, the Board of Directors and the stockholders approved a further increase in the Company's authorized capital stock from ₱2 billion to ₱3.5 billion divided into 3.5 billion shares with a par value of ₱1 per share. On March 11, 1998, SEC approved the Company's increased in authorized capital stock.

The Company has 1.5 billion shares listed and traded in the PSE as at June 30, 2019 and 2018.

10, RELATED PARTY TRANSACTIONS

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayments period. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting arrangement.

Details of related party relationships, transactions and balances as follows as of June 30:

Related parties and relationships	**Nature of transactions**	**Volume of transactions 2019**	**Volume of transactions** 2018	**Outstanding receivable 2019**	**Outstanding receivable** 2018	**Terms/ Conditions**
With common key management						
The Wellex Group, Inc. (TWGI)	Cash advance	**(₱2,084,204)**	(₱14,957,426)	**₱300,734,213**	₱302,993,917	(a)
	Consultancy fee	**(120,000)**	(120,000)		–	
	Rental expense	**(55,500)**	(55,500)		–	
Forum Exploration, Inc. (FEI)	Transfer of assets	**-**	-	**171,631,076**	171,631,076	(b)
		(2,259,704)	(15,132,926)	**472,365,289**	474,624,993	
Impairment loss		**-**	(9,244,378)	**(221,205,384)**	(221,205,384)	(c)
		(₱2,259,704)	(₱24,377,304)	**₱251,159,905**	₱253,419,609	

Related parties and relationships	**Nature of transactions**	**Volume of transactions 2019**	**Volume of transactions** 2018	**Outstanding receivable 2019**	**Outstanding receivable** 2018	**Terms/ Conditions**
With common key management						
Forum Exploration, Ltd.(FEL)	Cash advance	**₱179,444**	₱307,558	**₱4,258,720**	₱4,438,164	(d)

(a) Advances to The Wellex Group, Inc. (TWGI)
On December 15, 2012, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱330,495,385 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018. During the year, the Company

renewed the promissory note amounting to ₱301,996,932 for another five (5) years maturing on December 16, 2023. To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

The Company subleases an office space from TWGI on May 2014. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. The contract was renewed on May 2016 for another two (2) years. On May 1, 2018, the Company renewed the contract for another two (2) years maturing on April 30, 2020.

Total rental and utilities expense charged to operations for the quarters ended June 30 as follows (see Note 11):

	2019	2018
Rent	**₱37,500**	₱37,500
Utilities	**18,000**	18,000
	₱55,500	₱55,500

On April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. The contract was renewed on May 2016 for another two (2) years. On May 1, 2018, the Company renewed the contract for another two (2) years maturing on April 30, 2020. Total management fee charged to operations amounted to ₱120,000 for the years ended June 30, 2019 and 2018 (see Note 11).

The Company originally provides allowance for impairment on advances to TWGI prior to agreements entered into to settle the outstanding advances. Allowance for impairment will be reversed once the unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

(b) Advances to Forum Exploration, Inc. (FEI)
FEI is a legal and beneficial owner of 100% interest in Service Contract (SC) 40, an upstream oil and gas contract area in the Philippines, entered into with the Philippine Government through the Department of Energy. Annual gas production from field on SC 40 totaled 41.09 million standard cubic feet (MMSCF) and 78.66 MMSCF since the start of production in 2012.

FEI has also implemented Work Program and Budget as approved by DOE on November 17, 2014 which includes, among others, a commitment to perform land gravity survey over the Dalingding Structure starting March 2015. Since 2014, FEI has performing geological and geophysical study aimed to identify and prioritize highly prospective areas for future exploration.

The Company has outstanding advances to FEI pertaining to the value of exploration assets transferred by the Company.

The Company is positive on FEI's success on its exploration and future development work in providing the viability of its oil properties to produce oil in commercial quantities.

(c) Movements in the allowance for ECL are as follows:

	2019	2018
At beginning of year	**₱221,205,384**	₱221,205,384
Provisions during the period		–
At end of period	**₱221,205,384**	₱221,205,384

(d) Advances from Forum Exploration, Inc. Ltd. (FEL)
The Company received USD denominated cash advances from FEL, amounted to $82,922 with no definite terms of payment.

	2019	2018
At beginning of year	**₱4,360,051**	₱4,139,727
Unrealized foreign exchange loss – note 12	**(101,331)**	298,438
At end of year	**₱4,258,720**	₱4,438,164

(d) Remuneration to key management personnel
With the Company's tight cash position, management decided to suspend any form of compensation given to key management personnel.

(e) Others
The Company's administrative functions are performed by its related party, TWGI.

11. COSTS AND EXPENSES

Cost and expenses for the quarters ended June 30 consists of:

	2019	2018	2017
Professional fees	**₱127,000**	₱75,000	₱345,300
Membership fees and dues	**11,399**	11,399	11,049
Management fees **–** note 10	**120,000**	120,000	120,000
Rent and utilities **–** note 10	**55,500**	55,500	55,500
Taxes and licenses	**-**	-	825
Travel and transportation	**850**	2,447	1,313
Meal Expense	**-**	360	159
Office supplies	**3,923**	3,805	3,050
Miscellaneous	**3,100**	3,830	7,326
	₱321,772	₱272,341	₱544,522

Membership fees and dues include annual PSE listing and registration.

Miscellaneous expense mainly consists of website maintenance fees.

12. OTHER INCOME/(EXPENSES) - net

Other expenses for the quarters ended June 30 consists of:

	2019	2018	2017
Provision for impairment on:			
Input tax – note 6	**₱118,081**	(₱109,043)	–
Unrealized foreign exchange loss – note 10	**(43,873)**	(43,171)	–
Interest income – note 5	**144**	142	128
	₱74,352	(₱152,072)	(₱128)

13. INCOME TAXES

Current and deferred tax
On May 24, 2005, Republic Act (RA) No. 9337 changed the normal corporate income tax rate from 32% to 35% effective November 1, 2005 and from 35% to 30% effective January 1, 2009.

On December 20, 2008, Revenue Regulations No.16-2008 on the Optional Standard Deduction (OSD) was published. The regulation prescribed the rules for the OSD application by corporations in the computation of their final taxable income. For corporations, OSD shall be 40% based on gross income; "cost of goods sold" will be allowed to be deducted from gross sales. For taxable period 2008, maximum 40% deduction shall only cover the period beginning July 6, 2008. However, July 1, 2008 shall be considered as the start of the period when the 40% OSD may be allowed.

On February 26, 2010, RR 2-2010 on the amendment of Section 6 and 7 of RR 16-2008 was published. The regulation amended the other implications of the OSD particularly on the election to claim either the OSD or the itemized deduction which must be signified in the first quarter and must be consistently applied for all the succeeding quarterly returns and in the final income tax return for the taxable year.

The Company did not avail of the OSD for purpose of income tax calculation in 2019 and 2018.

The Company has deductible temporary differences that are available for offset against future taxable income or tax payable for which no deferred tax assets have been recognized in the financial statements. Deferred tax assets of the temporary difference amounting to ₱9,473,672 and ₱9,331,306 in 2019 and 2018, respectively, were not recognized as management believes that the deferred tax assets will not be realized within the availment period.

Deferred tax assets are determined using the income tax rates in the periods the temporary differences are expected to be recovered or settled.

The Company has unrecognized deferred tax assets which management believes, that it is more likely than not, that the carry-forward benefits will not be realized in the future.

As at June 30, 2019, the Company has NOLCO that can be claimed as deduction from future income tax payable and taxable income, respectively, as follows:

Year Incurred	Expiration Date	Beginning Balance	Additions	Expired	Claimed	Ending Balance
2018	2021	₱–	₱2,173,246	₱–	₱ –	₱2,173,246
2017	2020	2,596,954	–	–	–	2,596,954
2016	2019	2,805,053	–	–	–	2,805,053
2015	2018	2,154,452	–	(2,154,452)	–	–
		₱7,556,459	**₱2,173,246**	**(₱2,154,452)**	**₱ –**	**₱7,575,253**

Relevant tax updates

Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new law enacted as of that date.

The TRAIN Law, which took effect on January 1, 2018, represents Package 1 of the comprehensive tax reform program of the current administration that aims to correct gaps in the present tax system, allowing it to be more effective and equitable.

Below are the salient points of the TRAIN Law:

- Reduction in personal income taxes
- Changes in capital income taxes
- Final withholding tax on interest from foreign currency deposits increased to 15% (from 7.5%)
- Capital gains tax on unlisted/untraded shares increased to 15% (from 5%/10%)
- Stock transaction tax on listed/traded shares increased to 6/10 of 1% from (1/2 of 1%)
- Amendments to other taxes
- VAT
    - Certain VAT zero-rated transactions to become subject to 12% VAT upon implementation of VAT refund system
    - VAT exemption threshold for sale of goods and services increased to P3.00 million (from P1.90 million)
    - Included in VAT exempt transactions, among others: Transfers of properties pursuant to a tax-free merger; association dues, membership fees, and other assessments and charges collected by homeowners associations and condominium corporations
- Increased documentary stamp taxes (DST) rates by 50% to 100%

Although most of the changes will affect individuals, the TRAIN Law also introduced changes to income tax, VAT and DST that may have an impact on the financial statements starting January 1, 2018.

14. LOSS PER SHARE

The following table presents information necessary to calculate the loss per share as of June 30:

	2019	2018	2017
Net loss for the period	**(₱247,419)**	(₱424,413)	(₱544,396)
Weighted average number of common shares outstanding during the period	**1,171,486,871**	1,171,486,871	1,171,486,871
	(₱0.0002)	(₱0.0004)	(₱0.00046)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risk which results from both its operating and financing activities. The Company's risk management is coordinated with the BOD and focuses on actively securing the short-term cash flows to finance its operation.

The Company's principal financial instruments comprise of cash, advances to related parties, financial assets at FVOCI, accounts payable and other liabilities (excluding local and other taxes and other liabilities to government agencies), and advances from a related party. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company does not actively engage in trading of financial assets for speculative purposes nor does it have options.

The most significant financial risks in which the Company is exposed to are described below:

Credit risk
Credit risk refers to the risk that counterparty will default its contractual obligation resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its financial assets which composed of cash and advances to related parties.

In order to minimize credit risk, the Company has developed and maintained internal credit risk grading to categorize exposures according to their degree of risk of default. The Company uses its own trading records to rate its major customers and other debtors.

The Company current credit risk grading framework is as follows:

Category	**Description**	**Basis for recognizing ECLs**	**Base**	**Minimum allowance for credit losses**	**Stage**
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECS	0%	0%	1
Doubtful	Amount is 1-30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL-not credit impaired	25%	1%	2
	Amount is 31-90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL-not credit impaired	25%	5%	2
	Amount is 91-180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL-not credit impaired	25%	10%	2
	Amount is 181-360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL-not credit impaired	25%	12%	2
In default	Amount is over 1-2 years oast due or there is evidence indicating the asset is credit impaired	Lifetime ECL-credit impaired	50%	15%	3
	Amount is over 2-3 years oast due or there is evidence indicating the asset is credit impaired	Lifetime ECL-credit impaired	100%	15%	3
	Amount is over 3-5 years oast due or there is evidence indicating the asset is credit impaired	Lifetime ECL-credit impaired	100%	50%	3
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	100%	100%	3

The maximum credit risk exposure of the financial assets is the carrying amount of the financial assets shown on the face of statement of financial position, as summarized below (note 5 & 10):

			June 30, 2019		
		Basis for recognizing ECL	**Gross carrying amount**	**Loss Allowance**	**Net carrying amount**
Cash in bank	(a)		**₱268,949**		**₱268,949**
Advances to related parties	(b)	Lifetime ECL	**472,365,289**	**(221,205,384)**	**251,159,905**
			₱472,634,238	**(₱221,205,384)**	**₱251,428,854**

			June 30, 2018 (after adoption of PFRS 9)		
		Basis for recognizing ECL	Gross carrying amount	Loss Allowance	Net carrying amount
Cash in bank	(a)		₱179,508		₱179,508
Advances to related parties	(b)	Lifetime ECL	474,624,992	(221,205,384)	253,419,608
			₱474,804,500	(₱221,205,384)	₱253,240,100

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash as described below.

(a) Cash in banks
The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

(b) Advances to related parties
For advances to related parties, the Company has applied the simplified approach to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The Company applies the simplified approach to measuring ECL which uses a lifetime ECL for advances to related parties.

To measure the ECL, advances to related parties have been grouped based on shared credit risk characteristics and the days past due. The Company has therefore concluded that the expected loss rates for advances to related parties are a reasonable approximation of the loss rates for the financial asset.

The expected loss rates are based on the payment profiles of related parties over a period of sixty (60) months before December 31, 2018 and January 1, 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the related parties to settle the receivables.

Advances to related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and if past due for more than five (5) years.

The management continues to review receivable from related parties for any legally enforceable right to offset with liabilities with the expressed intention of the borrower to settle on a net basis.

Impaired accounts represent account of related parties that have not paid for a while and for which the Company believes that a portion of the receivables may not be collected. The allowance is estimated based on the Company's estimate for accounts which it believes may no longer be collected.

As at June 30, 2019 and 2018, the Company has entered into an agreement with its related party to settle the advances (see Note 10).

Credit quality information for financial assets
The credit quality of financial assets is being managed by the Company using internal credit ratings. Based on this, the management assessed that the financial assets that are neither past due nor impaired has high credit quality. This includes deposits to counterparties with good credit rating or bank standing.
The credit quality of financial assets is discussed below:

<u>Cash</u>
The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

<u>Advances to related parties</u>
The Company has entered into arrangement with related party to secure payment of receivables such as execution of promissory note.

Liquidity risk
Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company is mainly exposed to liquidity risk through its maturing liabilities. The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

The Company manages liquidity risk through continuous collection of advances to related parties which is considered as cash inflow to finance its operation. The Company continuously monitoring forecast and actual cash flows and matching the maturity profiles of liabilities.

The details of the maturity analysis of the Company's liabilities are as follows:

June 30, 2019	**Total**	**On Demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**
Accounts payable and other liabilities	**₱32,540**	**₱-**	**₱-**	**₱32,540**	**₱-**
Advances from related parties	**4,258,720**	**-**	**-**	**-**	**4,258,720**
	₱4,291,260	**₱-**	**₱-**	**₱32,540**	**₱4,258,720**

June 30, 2018	Total	On Demand	Less than 3 months	3 to 12 months	1 to 5 years
Accounts payable and other liabilities	₱39,873	₱-	₱-	₱39,873	₱-
Advances from related parties	4,438,164	-	-	-	4,438,164
	₱4,478,037	₱-	₱-	₱39,873	₱4,438,164

Equity price risk
Equity price risk is the risk that the fair value of equity instrument decreases as a result of changes in the value of individual stocks. The Company's exposure to equity price risk arises from investments held by the Company and classified in the Company's statements of financial position either as financial asset at FVOCI.

Equity instruments designated at FVOCI in listed and non-listed companies are held for strategic rather than trading purposes. The Company does not actively trade these investments. The Company also invested in portfolio of listed shares which are held for trading and has designated equity instrument in a non-listed Company at FVOCI.

Foreign currency risk
The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the U.S. dollars. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company is mainly exposed to foreign currency risk through its advances from related party $82,922 which amounted to ₱4,258,720 and ₱4,438,164 as at June 30, 2019 and 2018, respectively.

The sensitivity rate used on reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% in foreign exchange rates. A positive number indicates an increase in net income when the Philippine peso strengthens at 10% against the relevant currency. For 10% weakening of the Philippine peso against the relevant currency, there would be an equal and opposite impact on the net income.

Capital Risk Objective and Management
The primary objective of the Company's capital management is to ensure its ability to continue as a going concern.

The Board of Directors have the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including accrued and other payables and advances from related party as shown in the statements of financial position) less cash. Total capital is calculated as Equity as shown in the statements of financial position plus Net Debt.

Gearing ratio compares some form of owner's equity to borrowed funds. It is a measure of financial leverage demonstrating the degree to which the Company's activities are funded by owner's funds versus creditors' funds.

The gearing ratios as at June 30, 2019 and 2018 were as follows:

	2019	2018
Debt	**₱4,291,260**	₱4,478,037
Less: Cash	**268,949**	179,508
Net debt	**4,022,311**	4,298,529
Equity	**336,482,761**	334,656,924
Gearing ratio	**1.20%**	1.28%

The Company is subject to externally imposed capital requirement amounting to ₱6,250,000 which is the minimum paid-up capital requirement of SEC for mining companies. As June 30, 2019 and 2018, the Company is in compliance with this externally imposed capital requirement.

16. FAIR VALUE INFORMATION

Assets measured at fair value

The following table gives information about how the fair values of the Company's assets, which are measured at fair value at the end of each reporting period, are determined (in particular, the valuation technique/s and inputs used).

	Fair Value as at December 31		Fair Value	Valuation
	2019	2018	Hierarchy	Techniques
Financial Assets at FVOCI	**₱24,345,328**	₱20,329,604	Level 1	Quoted prices in an active market

Assets and liabilities not measured at fair value

The following table gives information about how the fair values of the Company's assets and liabilities, which are not measured at fair value but the fair values are disclosed at the end of each reporting period, are determined.

	December 31, 2018			
	Carrying Value	**Fair Value**	Valuation Technique	Fair Value Hierarchy
Financial Asset				
Advances to related parties	₱252,422,623	₱36,388,399	Discounted value of future cash flows	Level 2
Financial Liability				
Advances from related parties	₱ 4,360,051	₱4,083,095	Discounted value of future cash flows	Level 2

For the long-term financial assets and liabilities, the fair value of the non-interest bearing noncurrent assets and liabilities are determined based on the discounted value of future cash flows using the prevailing credit adjusted PH VAL for 2018 that are specific to the tenor of the instruments' cash flow as at reporting date. Discount rates used is 6.78% in 2018.

The carrying amounts of cash and accounts payable and other liabilities approximate their fair values due to the relatively short term maturities of these financial instruments.

17. SUPPLEMENTARY INFORMATION REQUIRED BY RR-15-2010 AND RR19-2011

Supplementary information required by Revenue Regulations 15-2010

On December 28, 2010, Revenue Regulation (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by Philippine Financial Reporting Standards.

a) Output value-added tax

The Company has no output VAT since it does not have any income subject to VAT for the quarters ended June 30, 2019 and 2018.

b) Input value-added tax

	2019	2018
At beginning of year	**₱1,841,867**	₱1,606,434
Current purchases and payments for:		

Goods other than for resale or manufacture	**-**	–
Domestic purchases of services	**114,877**	158,125
	₱1,956,744	₱1,764,559

c) Taxes on importation
The Company has no import transactions for the quarters ended June 30, 2019 and 2018.

d) Excise Tax
The Company does not have excise tax in any of the taxable years presented since it does not have any transactions which are subject to excise tax.

e) Documentary stamp tax
There are no documentary stamp tax paid by the Company for the quarters ended June 30, 2019 and 2018.

f) Taxes and licenses
Details of taxes and licenses account are broken down as follows for the quarter ended June 30:

	2019	2018
Business permits	**₱-**	₱-
Corporate community tax	**-**	-
BIR annual registration	**-**	-
	₱-	₱-

g) Withholding taxes
The details of total withholding taxes for the quarters ended June 30 are shown below:

	2019	2018
Withholding tax on compensation	**₱-**	₱–
Expanded withholding tax	**22,875**	22,875
Final withholding tax	**-**	–
	₱22,875	₱22,875

h) Deficiency tax assessment and tax cases
The Company does not have any deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the taxable years.

* * *

FORUM PACIFIC, INC.
APPENDIX A – FINANCIAL SOUNDNESS

	June 30, 2019	**June 30, 2018**	December 31, 2018
Profitability ratios:			
Return on asset	**N/A**	N/A	N/A
Return on equity	**N/A**	N/A	N/A
Net profit margin	**N/A**	N/A	N/A
Solvency and liquidity ratios:			
Current ratio	**9.53:1**	5.53:1	0.35:1
Debt to equity ratio	**0.01:1**	0.01:1	0.01:1
Quick ratio	**8.27:1**	4.01:1	0.27:1
Cash-flow liquidity ratio	**N/A**	N/A	N/A
Financial leverage ratio:			
Asset to equity ratio	**1.01:1**	1.01:1	1.01:1
Debt to asset ratio	**0.01:1**	0.01:1	0.01:1
Interest rate coverage ratio	**N/A**	N/A	N/A

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on ________________.

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig.

Registrant: ELVIRA A. TING
Title: President
Signature: ____________________

Registrant: ATTY. ARSENIO A. ALFILER, JR.
Title: Corporate Secretary
Signature: Arsenio A. Alfiler, Jr.

Registrant: KENNETH T. GATCHALIAN
Title: Treasurer
Signature: ____________________

Dated ____________________

SUBSCRIBED AND SWORN to before me this JUL 31 2019 day of ____________, in CITY OF PASAY affiant (s) exhibiting to me his/their Tax Identification No. as follows:

AFFIANTS	Tax Identification No.
1. Elvira A. Ting	117-922-153-000
2. Atty. Arsenio A. Alfiler, Jr.	108-160-743-000
3. Kenneth T. Gatchalian	167-406-526-000

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ATTY. HENRY D. ADASA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
COMMISSION 17-23
PASADENA ST., PASAY CITY
IBP NO. 047427 - 01/03/19 PASIG
PTR NO. 5826687 01/03/19 P.C.
MCLE COMPLIANCE NO. VI-0002030 4/14/2022
ROLL NO. 29674