



June 13, 2012

Dear Stockholder:


Please be advised that the annual meeting of the stockholders of the Corporation, as fixed by the Board of Directors of FORUM PACIFIC, INC. will be held on Monday, July 16, 2012 at 9:00 a.m. at 6th Floor One Corporate Center, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City for the purpose of transacting the following business:

1. Call to Order
2. Report on Attendance and Quorum
3. Approval of Minutes of Previous Stockholders' Meeting
4. Report to Stockholders for the year 2011
5. Ratification of Acts of the Board and Management
6. Election of Acts of Board of Directors for the Ensuing Term
7. Appointment of External Auditors
8. Appointment of External Counsels
9. Other Business as may properly come before the Meeting
10. Adjournment

As fixed by the Board of Directors, stockholders of record date as of June 15, 2012 shall be entitled to notice of, and vote at, said stockholders' meeting and for this purpose, the Board of Directors authorized the closing of the stock and transfer book of the Corporation from June 15, 2012 to July 16, 2012.

If you are not attending, you may submit a proxy statement to the office of the Corporate Secretary of this Corporation at the address below not later than ten (10) days before the meeting. Corporate stockholders are requested to attach to the proxy instrument their respective Board Resolutions in support to their proxies.

On the day of the meeting, you or your proxy are hereby required to bring this Notice and any form of identification with picture and signature (e.g. driver's license, SSS ID, company ID, etc.) to facilitate registration.


Atty. Arsenio A. Alfiler Jr
Corporate Secretary

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

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We are not soliciting your proxy. All stockholders who will not, are unable, or do not expect to attend the meeting in person but would like to be represented thereat may choose to execute and send a valid proxy form provided below to the Office of the Corporate Secretary on or before June 22, 2012. Validation of proxies shall be held on June 29, 2012 at 10:00 a.m. at the Office of the Corporate Secretary.

PROXY

I/We hereby name and appoint _____, or in his/her absence, the Chairman of the meeting, as my/our proxy at the annual stockholders' meeting of FORUM PACIFIC INC., to be held at One Café and Events Place, 6th Floor One Corporate Center, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City on Monday, July 16, 2011 at 9:00 A.M., and at any postponement or adjournment thereof.

Place

Date

(Printed Name & Signature)

WITNESS:

No. _____ of _____ Shares
Held: _____

**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
 X 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. AS 93000120**

5. BIR Tax Identification Code : **TIN No. 312-002-155-598**

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 stockholders meeting : **July 16, 2012 at 9:00 A.M.,
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 : **June 22, 2012**

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 registrant's securities listed on the Philippine Stock Exchange?

Yes X No

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

Date, Time and Place of Meeting of Security Holders.

Date, Time, and Place of Meeting	:	July 16, 2012 9:00 A.M., 6th Floor One Corporate Center Doña Julia Vargas Ave. cor. Meralco Ave. Ortigas Center, Pasig City
Complete Registrant's Mailing Address	:	35th Floor, One orporate Center DoñaJulia 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	:	June 22, 2012

Dissenters' Right of Appraisal

Under Section 81 and 42 of the Corporation Code, 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 Corporation of the Philippines.

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

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.

Voting Securities and Principal Holders Thereof

- (a) The Corporation has 1,838,943,246 outstanding shares as of April 30, 2012. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.
- (b) All stockholders of record as of June 15, 2012 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 24 of the 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/cast by secret balloting and/or rising 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 April 30, 2012 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 (see note 1)	Filipino	496,887,494	26.501
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 (see note 2)	Filipino	409,565,824	21.844
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 (see note 3)	Filipino	376,950,000	20.104

¹ 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.

²Schedule A. The clients of each company have the power to decide how their shares are to be voted.

³The 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.

Schedule A

PCD Nominee	No. of Shares Held	%
Westlink Global Equities, Inc.	85,024,700	21.47
Ansald. Godinez&Co.,Inc.	15,763,000	3.98
Globalinks Securities & Stocks, Inc.	13,650,754	3.45
Tri-State Securities Inc.	12,320,000	3.11
Tower Securities Inc.	11,477,000	2.90
Quality Investments & Securities Corporation	10,766,250	2.72
Abacus Securities Corporation	9,935,953	2.51
R.S. Lim & Co., Inc.	9,102,000	2.30
Yu & Company, Inc.	9,090,000	2.30
Yao & Zialcita,Inc.	8,850,000	2.23
Angping & Associates Securities Inc.	8,306,000	2.10
Eastern Securities Development Corporation	7,955,000	2.01
Belson Securities, Inc.	7,864,000	1.99
Intra-Invest Securities, Inc.	7,297,000	1.84
A&A Securities, Inc.	7,027,880	1.77
Others	185,136,287	43.33
TOTAL	409,565,824	100.00

(2.) Security Ownership of Directors and Management (As of April 30, 2012)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Geronimo F. Velasco	100 (direct)	Filipino	0.000
Common	Weslie T. Gatchalian	100 (direct)	Filipino	0.000
Common	Peter S. Salud	29,990 (direct)	Filipino	0.001
Common	Elvira A. Ting	400,001 (direct)	Filipino	0.021
Common	Federico E. Puno	2,500,000 (direct)	Filipino	0.128
Common	Joaquin P. Obieta	1 (direct)	Filipino	0.000
Common	Lamberto A. Mercado	100 (direct)	Filipino	0.000
Common	Rogelio D. Garcia	10 (direct)	Filipino	0.000
Common	Arthur R. Ponsaran	1 (direct)	Filipino	0.000
Common	Kenneth T. Gatchalian	100 (direct)	Filipino	0.000
Common	Byoung Hyun Suh	100 (direct)	Korean	0.000
	Atty. Arsenio A. Alfiler Jr.	-	Filipino	0.000
All directors and Officers as a group		2,903,503		0.150

(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.

Directors and Executive Officers

Information required hereunder is incorporated by reference to the section entitled “Directors and Executive Officers of the Registrant” on pages 29 to 32 of the Management Report.

The incumbent directors of the Corporation are expected to be nominated by management for re-election this year.

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

1. Geronimo F. Velasco – Chairman of the Committee (Independent Director)
2. Peter S. Salud – Member
3. Kenneth T. Gatchalian – 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.

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 will be amended after the Stockholders’ meeting on July 1, 2011 to include the provisions of SRC Rule 38, as approved by the Board of Directors and Stockholders during the last Stockholders’ meeting dated December 14, 2004.

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.	Geronimo F. Velasco– Independent	7.	Lamberto A. Mercado Jr.
2.	Peter S. Salud	8.	Rogelio D. Garcia
3.	Weslie T. Gatchalian	9.	Kenneth T. Gatchalian
4.	Elvira A. Ting	10.	Arthur R. Ponsaran
5.	Federico E. Puno– Independent	11.	Joaquin P. Obieta
6.	Byoung Hyun Suh– Independent		

The aforementioned nominees are all incumbent directors, pre-screened by the Committee and their qualifications are presented on pages 29 to 32 of Management Report.

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

The name of the person who recommended the nomination of the foregoing candidates for independent directors is Mr. Peter S. Salud. He has no relationships with these nominees.

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

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

Mr. Kenneth T. Gatchalian, the Director and Mr. Weslie T Gatchalian, the Director/Treasurer are brothers. Ms. Elvira A. Ting, the Vice Chairman/Director, is an aunt of Mr. Kenneth T. Gatchalian and Weslie T. Gatchalian.

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

None of the directors and executive officers was involved in certain legal proceedings during the past five (5) years up to the latest date which is April 30, 2012. Neither have they been convicted by final judgment in any criminal proceedings, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law.

Certain Relationships and Related Transactions

In the previous years, the Forum Pacific, Inc. and its subsidiary Forum Cebu Coal Holdings Inc. , collectively called as “Group” extended/obtained advances to/from related parties to finance the exploration activities of the related parties and to fund the overhead expenses of the Group. These advances are, in general, do not have fixed repayment terms and do not carry interest. (See Note 9, 14 and 15 of the Consolidated Financial Statements as of and for the year ended December 31, 2011).

Ownership Structure and Parent Company

The Forum Pacific Inc. (Parent Company) has 60% ownership interest in Forum Coal Cebu Holdings, Inc. (FCCHI) as of December 31, 2011.

FCCHI is 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. As of December 31, 2011, FCCHI is still on the process of completing all the regulatory requirements for liquidation with SEC and BIR.

Resignation of Directors Due to Disagreement

There is no director who resigned or decline to stand for re-election because of disagreement.

Compensation of Directors & Executive Officers

Summary of Compensation Table

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 2012.

Name & Position	Year	Salary (in Php)	Other Variable Pay (in Php)
Peter S. Salud President/CEO/Director	2012	-	100,000
	2011	-	100,000
	2010	-	-
Geronimo F. Velasco Chairman/Independent Director	2012	-	100,000
	2011	-	100,000
	2010	-	-
Elvira A. Ting Vice Chairman/Director	2012	-	50,000
	2011	-	50,000

	2010	-	-
Kenneth T. Gatchalian Treasurer	2012	-	50,000
	2011	-	50,000
	2010	-	-
All other officers & directors as a Group Unnamed	2012	-	-
	2011	-	-
	2010	-	-

The Chairman, Vice-Chairman, President and Treasurer are the only key officers who will be compensated for 2012.

The members of the Compensation Committee are the following:

1. Peter S. Salud - Chairman/ Director
2. Federico E. Puno - member
3. Weslie T. Gatchalian – member

Standard Arrangement

Except for a nominal amount of per diem 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.

Appointment of Independent Public Accountants

- a. Diaz Murillo Dalupan and Company is the external auditor for the current year. The same external auditor will be recommended for re-appointment at the scheduled annual stockholders' meeting.
- b. 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.

Pursuant to SRC Rule 68.1 (Qualification and Reports of Independent Auditors), the Company has engaged Ms. Rosemary D. De Mesa as the current Partner In-charge. She has been in charge for less than five years.

- c. The members of the Audit Committee of the Corporation are the following:
1. Geronimo F. Velasco - Chairman/Independent Director
 2. Federico E. Puno- member/Independent Director
 3. Elvira A. Ting –member

Changes in and disagreements with Accountants and Financial Disclosure

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

Action with Respect to Reports

- a. Approval of the Minutes of the 2004 Annual Meeting of the Stockholders held on December 16, 2004 covering the following matters:
1. Annual Report of officers
 2. Ratification and approval of all acts and resolutions of the Board of Directors for the year ended 2004
 3. Appointment of External Auditor
 4. Election of Directors
 5. Amendment of By Laws covering the following:
 - Fixing of Record Date
 - Board Committees/Election of Independent Director
- b. Approval of the Annual Report of Management for the year ended December 31, 2011

Other Proposed Action

The following are to be proposed for approval during the stockholders' meeting:

- (a) Election of the members of the Board of Directors, including the independent directors for the ensuing year
- (b) Appointment of Corporate Counsels, Philippines, Law Office as external counsels
- (c) Ratification of all acts of the Board of Directors and Management since the last annual meeting.

The summary of the matters approved and recorded in the Annual Meeting of the Stockholders last December 16, 2004 are as follows: a.) reading and approval of the minutes of the annual meeting of the stockholders held on December 12, 2003; b.) presentation of Annual Report and approval of Financial Statements for the preceding year; c.) election of Board of Directors; d.) election of external auditors; e) ratification of all acts of the Board of Directors and Management since the last annual meeting; and e.) amendment of By-Laws covering the fixing of record date, board committees and election of independent director.

Brief description of material matters approved by the Board of Directors and Management and disclosed to the SEC

and PSE since the last annual meeting of the stockholders held on December 16, 2004 for ratification by the stockholders:

<u>Date of Board Approval</u>	<u>Description</u>
November 22, 2005	Approval for the Sale of PetroCorp Shares
January 18, 2006	Sale of Shares in ESB shares
June 01, 2009	Sale of additional shares in ESB
July 26, 2010	Appointment of Diaz, Murillo , Dalupan and Company as new Independent Auditor for taxable year 2009
March 17, 2011	Approval of the adoption of a revised Corporate Governance Manual in accordance with SEC Memorandum Circular No. 6 (Series of 2009) dated June 22, 2009
April 23, 2012	Authorization to bid for the project of Department of Energy (DOE), more particularly described as "PECR – Petroleum Service Contract"

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 2) Financial Statements 3) Ratification of Corporate Acts of the Board of Directors and Officers of the corporation as reflected in the minutes 4) Appointment of External Counsels .
- (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, Banco De Oro Stock Transfer Agency. 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.

Discussion on Compliance with Leading Practices on 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 Annual Corporate Governance Compliance Evaluation Form is submitted by the Corporation every year to the SEC and PSE.


The Corporation likewise consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards.

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 Floor, One Corporate Center Doha 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 June 4, 2012.

Forum Pacific, Inc. By:


Atty. Arsenio A. Alfiler Jr
Corporate Secretary

CERTIFICATE OF INDEPENDENT DIRECTOR

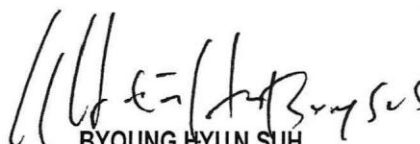
I, **Byoung Hyun Suh**, Korean, of legal age and resident of Unit 2006B The Salcedo Place, Tordesillas St., Salcedo Village, Makati City after having been duly sworn in accordance with law do hereby declare that:

1. I am an Independent Director of **FORUM PACIFIC, INC.**
2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
Pan Islands, Inc.	President	Feb. 1995 - present

3. I possess all the qualifications 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 and its implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of **FORUM PACIFIC, INC.** of any changes in the above mentioned information within five days from its occurrence.

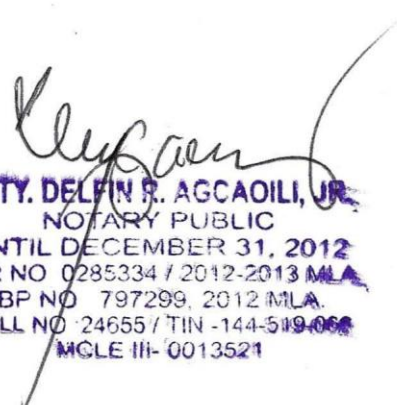
Done this JUN 04 2012 of 2012 at MANILA.


BYOUNG HYUN SUH
 Affiant

JUN 04 2012

SUBSCRIBED AND SWORN TO before me this _____ at _____, affiant exhibiting his Community Tax no. 07000304 at Makati City, Metro Manila on Jan. 12, 2012.

Doc. No. 420
 Page No. 43
 Book No. 304
 Series of 001


ATTY. DELFIN R. AGCAOILI, JR.
 NOTARY PUBLIC
 UNTIL DECEMBER 31, 2012
 PTR NO 0285334 / 2012-2013 MLA
 IBP NO 797299, 2012 MLA
 ROLL NO 24655 / TIN -144-519-068
 MGLE III- 0013521

CERTIFICATE OF INDEPENDENT DIRECTORS

I, **FEDERICO E. PUNO**, Filipino, of legal age and resident of 35 Norway Street, Loyola Grand Villas, Loyola Heights, Diliman, Quezon City, after having been duly sworn in accordance with law do hereby declare that:

1. I am an Independent Director of **FORUM PACIFIC, INC.**
2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
Republic Glass Holdings, Inc.	Independent Director	Mar. 2011 – present
Semirara Mining Corp.	Independent Director	July 2003 - present
Pampanga Sugar Dev.	Director	August 2002 - present
San Roque Power Corp.	Chairman	October 2004 - present
San Fernando Electric	Consultant	July 2004 - present
Team Energy Corporation	President & CEO	June 22, 2007 - present
Lima Utilities Corporation	Director	August 28, 2007 - present
SEM-Calaca Power Corporation	Director	February 2011 - present

3. I possess all the qualifications 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 and its implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of **FORUM PACIFIC, INC.** of any changes in the above mentioned information within five days from its occurrence.

JUN 04 2012

MANILA

Done this _____ of _____, 2012 at _____.


FEDERICO E. PUNO
Affiant

JUN 04 2012

SUBSCRIBED AND SWORN TO before me this _____ at _____, affiant exhibiting his passport no. EB2078357 issued at DFA-Manila, issued on March 11, 2011 and will expire on March 10, 2016.

Doc. No. 428

Page No. 13

Book No. 2100

Series of 2111


ATTY. DELFIN R. AGCAOILI, JR.
NOTARY PUBLIC
UNTIL FEBRUARY 21, 2012
PTR NO. 0285247-10-2013/MLA
IBP NO. 797206-2012/MLA
ROLL NO. 24885701-144519-000
MCLE III-0013521

CERTIFICATE OF INDEPENDENT DIRECTORS

I, **Geronimo F. Velasco Jr.**, Filipino, of legal age and resident of **46 Tamarind Road South Forbes Park, Makati City**, after having been duly sworn in accordance with law do hereby declare that:

1. I am an Independent Director of **FORUM PACIFIC, INC.**
2. I am affiliated with the following companies or organizations:

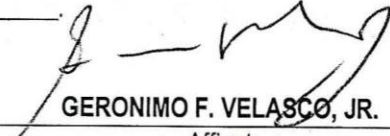
Company	Position	Period of Service
Gervel, Inc.	President/Director	1998 – present
Metropolitan Management Corporation		
Cello Realty Corporation		
Cabildo Holdings, Inc.		
Avenger Holdings, Inc.		
RGC Marine Transport Corporation		1991 – present
RGC Mining & Mineral Corporation		
RGC Investment Corporation		
Republic Glass Holdings Corporation	President/Vice Chairman	1991 - present
-Goshen Development Corporation	President/Chairman	2005 - present
Stradcom Corporation	Vice Chairman	2008 - present
D.S. Realty, Incorporated	Director	1995 – present
Cyberdrive Solutions, Incorporated		2009 - present

3. I possess all the qualifications 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 and its implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of **FORUM PACIFIC, INC.** of any changes in the above mentioned information within five days from its occurrence.

MANILA

FEB 14 2012

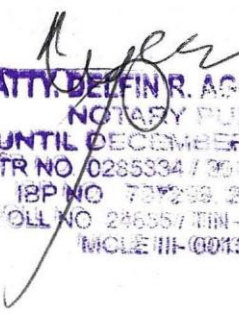
Done this _____ of _____, 2012 at _____


GERONIMO F. VELASCO, JR.
Affiant

FEB 14 2012

SUBSCRIBED AND SWORN TO before me this _____ at _____, affiant exhibiting his Community Tax no. 07047882 at Makati City, Metro Manila on 14th of February 2012.

Doc. No. 90
Page No. 43
Book No. 304
Series of 2012


ATTY. DELFIN R. ACCAOLI, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2012
PTR NO. 0285334 / 2012-2013 MLA
IBP NO. 787299, 2012 MLA
ROLL NO. 24635 / TIN-144-519-000
MCLE III-(001352)

Information Required by the SEC Pursuant to SRC Rule 20

MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION

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

Forum Pacific, Inc. is a company incorporated in the Philippines and registered with the Securities and Exchange Commission on January 8, 1993, with a principal office at the 22nd Floor, Citibank Tower, Paseo de Roxas, Makati 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 is a holding company, owning shares of stocks of an exploration company and another holding shares of stocks. FPI and its subsidiaries are collectively referred to as the Group".

On September 23, 2009, FCCHI, with Forum (FEI) Ltd., entered into a Sale and Purchase Agreement (SPA) with CR Nichrome, Inc. for the sale of FCCC. FCCHI then decided through its Board of Directors to liquidate its business through shortening of its corporate term until November 30, 2009. Currently, FCCHI is in the process of completing all requirements for SEC approval and securing clearance from the Bureau of Internal Revenue (BIR). As of September 30, 2009, FCCHI ceased to have control over FCCC.

In 2008, the Parent 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 Parent 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 Parent 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 Parent 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 Parent Company's securities and the permit to sell its securities.

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

On August 31, 2010, the Parent Company received an order of revocation of the registration and the permit to sell the Parent Company's securities due to late filing of the Parent Company's 2009 annual reports. On September 8, 2010, the Parent Company requested for an extension of time until September 30, 2010 for the filing of the Parent Company's 2009 audited financial statements which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Parent 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 Parent 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 Parent Company paid fines and penalties in the amount of P2.77 million in lieu of the Parent Company's revocation of Registration of securities and Permit to sell securities.

On May 13, 2011, the Parent Company again paid SEC in the amount of P760,500 as payment for its outstanding fines and penalties. On May 17, 2011, PSE lifted the Parent Company's revocation of Registration of Securities and Permit to sell.

To address the foregoing matters that may raise doubt on the Group's ability to continue as a going concern, management and stockholders of the Group have committed in principle to provide full financial support to the Group to sustain its operations, the working capital requirements and obligations as they fall due. The Group's management has been on discussion with prospective strategic partners to form a joint venture to engage in all aspects of oil related business, both downstream and upstream. The Group's management believes that such financial support and management plan are sufficient to provide the Group the ability to continue as a going concern. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Investment in FCCHI

The Parent Company owns 60% of the stockholdings of 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.

As discussed in Note 1, 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. Accordingly, FCCHI changed its basis of accounting in the preparation of its financial statements from the going-concern basis to the liquidation basis of accounting. Financial information of FCCHI for 2009 reflects the remaining assets at their liquidating values as of September 30, 2009. The Group used the September 30, 2009 audited financial statements of FCCHI as basis in the preparation of the consolidated financial statements inasmuch as management believes that transactions occurred subsequently until December 31, 2009 are minimal and that all significant account balances do not differ materially from the amount reported in the September 30, 2009 audited financial statements.

The Group used the December 31, 2011 unaudited financial statements of FCCHI (substantially as of August 31, 2010 audited balances) as basis in the preparation of the consolidated financial statements since there were no or very minimal, if any, transactions during the year.

2.) Properties and Other assets

Forum Pacific Inc. and its subsidiaries carries financial assets at fair value.

This account consists of:

	Forum Exploration, Inc. (FEI)	Express Savings Bank, Inc. (ESBI)	Philippine Estates Corporation (PHES)	Total
As of March 31, 2012				
Net carrying amount, December 31, 2010	P 73,211,573	P 4,660,200	P 3,814,938	P 81,686,711
Write-Off	-	(4,660,200)	-	(4,660,200)
Impairment loss	(9,320,935)	-	-	(9,320,935)
Unrealized fair value gain	-	-	7,880,859	7,880,859
Net Carrying Amount, December 31, 2011	63,890,638	-	11,695,797	75,586,435

Acquisition cost	P 73,211,573	-	P 7,529,480	P 80,741,053
Unrealized fair value gain (loss)	-	-	4,166,317	4,166,317
Accumulated impairment loss	(9,320,935)	-	-	(9,320,935)
Net carrying amount, December 31, 2011	P 63,890,638	-	P11,695,797	P75,586,435
Net carrying amount, as of March 31, 2012	P 63,890,638	-	P11,695,797	P75,586,435

December 31, 2010	FEI	ESBI	PHES	Total
Net carrying amount, December 31, 2009	P 73,211,573	P 16,239,100	P 5,375,638	P 94,826,311
Disposals	-	(11,578,900)	-	(11,578,900)
Unrealized fair value loss	-	-	(1,560,700)	(1,560,700)
Net carrying amount, December 31, 2010	P 73,211,573	P 4,660,200	P 3,814,938	P 81,686,711
Acquisition cost	P 73,211,573	P 28,612,804	P 7,529,480	P180,446,254
Unrealized fair value loss	-	(3,710,917)	(3,714,542)	(7,425,459)
Accumulated impairment loss	-	(20,241,687)	-	(20,241,687)
Net carrying amount, December 31, 2010	P73,211,573	P 4,660,200	P3,814,938	P 81,686,711

FEI

In 2003, 66.67% ownership, or 125 million shares of the Parent Company in FEI, was sold to Tracer Petroleum Corporation (TPC), now Forum Energy, Inc. Subsequent to sale, the Parent 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.

ESBI

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

On June 3, 2009, the Parent Company executed a deed of absolute sale for its 127,415 shares in ESBI for P179.63 per share or equivalent to P22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to P122,592,758 or P423.02 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 P22,887,556, 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 P99,705,202 was recorded which resulted to understatement of available-for-sale financial assets and overstatement of impairment loss in 2008 amounting to P29,170,296.

The fair value of ESBI investment as of December 31, 2009 was based on the actual partial sale that occurred on July 13, 2010 in which 46,602 shares were sold for P4,660,200 at P100/share.

On August 12, 2010, the Parent Company executed a deed of absolute sale for its 115,789 shares in ESBI at P100 per share or equivalent to P11,578,900 which is equal to the carrying value as of December 31, 2009 of P11,578,900. The Parent Company reclassified the corresponding unrealized fair value loss amounting to P9,220,278 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 P4,660,200 was recognized as impairment loss for the year 2011.

PHES

This pertains to the Parent 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, 2009 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value loss was recognized amounting to P2,153,842 and charged to "other comprehensive loss" account in the 2009 statement of comprehensive income and shown separately as "Unrealized fair value loss on available-for-sale financial assets" in equity.

3.) Risks

The Group is exposed to a variety of financial risks, which result from both its operating and investing activities. The Group's principal financial instruments comprise of cash and advances to and from related parties and accrued expenses and other payables. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities which arise directly from its operations.

The Group has policies and guidelines to cover credit risk, market risk, interest rate risk and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.

a. Foreign currency risk

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

The Group is mainly exposed to foreign currency risk through its advances to/from related parties.

b. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group is mainly exposed to credit risk through its cash in banks and advances to related parties. The Group, from time to time, grants advances to related parties. The designation of whether advances from a related party to be interest or non-interest bearing rests with the management, upon careful examination of the given fact.

The Group has adopted stringent procedures in extending credit terms to its affiliates and in monitoring its credit risk.

c. *Liquidity Risk*

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

d. *Interest rate risks*

Interest rate risk is usually classified to cash flow and fair value interest rate risk. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate management exposure policy centers on reducing its exposure to changes in interest rates. The Group's exposure to changes in interest rate relates primarily to cash in bank and other receivables with fixed interest rates.

As part of its risk management activities, the Group closely monitors the movements of interest rates in the market and reviews its assets and liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits.

e. *Capital risk*

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

The Parent Company's BOD and management 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 Group's external environment and the risks underlying the Group's business operations and industry.

4.) *Legal Proceedings*

The Company and its subsidiaries does not have any cases outstanding or pending in courts.

5.) *Submission of Matters to a Vote of Security Holders*

There was no matter submitted to a vote of security holders during 2010.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

A. *Full Calendar Year*

The following discussion and analysis should be read in conjunction with the accompanying financial statements and related notes as of December 31, 2011, 2010 and 2009, 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, hereafter referred to as “Parent Company”, suffered losses for the past years due to country’s economic crisis that greatly affect the stock market. Also, for five years or so, PSE suspended the trading of the Company’s shares due to non-compliance of regulatory requirements. However, the Company is optimistic that 2012 will be a better year than the past years. The Company is also aware that the road to recovery is a long process due to various risks such as exchange rates, crude oil prices, and natural disasters that pose challenges in the year ahead. Despite these, the Company will continue looking for opportunities for new businesses to recover from its losses and be active in the market. As a matter of fact, on Board Meeting held on April 23, 2012, a resolution was made to bid on the project of the Department of Energy for possible oil exploration on East Palawan Basin and Sulu Sea Basin areas. As of May 23, 2012, result of the bidding was not yet released and awarded to any bidders on the project.

For the remaining months of year 2012, the Board of Directors will set another meeting to address the issues with respect to liquidity and capital resources.

Key Performance Indicators

The company and its subsidiary set performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the company has identified as reliable performance indicators.

1. Advances to Related Parties - all payments made by the company were came from the account of the TWGI.
2. Current Ratios - Current Assets against the Current Liabilities of the Company. Current Ratio for the Y2011 is 8.71 and 7.52 for Y2010.
3. Cash Ratio - the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. The cash ratio of the company for the Y2011 is 0.005 and 0.015 for Y2010.
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 Y2011 is 0.43 and 0.42 for Y2010.
5. Debt-to-equity ratio - The formula is total debt divided by total equity. The debt to equity ratio for the Y2011 is 0.77 and 0.72 for the Y2010.

	Years Ended December 31		
	2011	2010	2009
REVENUES (net) - note 3	P -	P -	P -
COSTS AND EXPENSES - notes 3 and 8	1,746,713	5,596,284	1,506,025
GROSS LOSS	1,746,713	(5,596,284)	(1,506,025)
OTHER INCOME (EXPENSES) - net - notes 3 and 9	(34,916,478)	(59,348,950)	(20,488,217)
LOSS BEFORE INCOME TAX	(36,663,191)	(64,945,234)	(21,994,242)
BENEFIT FROM (PROVISION FOR)			
INCOME TAX - notes 3 and 11	-	(30,432)	1,270,500
NET LOSS FOR THE YEAR	(36,663,191)	(64,975,666)	(20,723,742)
OTHER COMPREHENSIVE LOSS			
Unrealized loss on available-for-sale			
Financial assets – notes 3 and 5	7,880,859	(1,560,700)	(15,085,037)
Translation adjustment	(1,154,709)	577,216	-
	6,726,150	(983,484)	(15,085,037)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(29,937,041)	(P 65,959,150)	(P 35,808,779)
TOAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity of the parent in:			
Net loss for the year	(36,663,191)	(P 64,975,666)	(P 12,558,505)
Other Comprehensive loss	7,188,034	(1,214,370)	(15,085,037)
	(29,475,157)	(P 66,190,036)	(P 27,643,542)
Minority interest:			
Net loss for the year	-	-	(8,165,237)
Other comprehensive loss	(461,884)	230,886	-
	(461,884)	230,886	(8,165,237)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(29,937,041)	(P 65,959,150)	(35,808,779)
LOSS PER SHARE – notes 3 and 12	(P 0.031)	(P 0.055)	(P 0.018)

Financial Highlights

The following table shows the comparative operating data and financial statements of the Company for the years ending December 31, 2011, 2010 and 2009. The Consolidated Financial Statements are filed as part of this report.

Changes in the Results of Operations

Revenues and Earnings per share

- Since the parent company ceased to have control over ESBI the company has no revenues recorded in the year 2009, 2010 and 2011.
- The company incurred loss of P29.9 in year 2011, P65.9M in year 2010 and losses in 2009 amounted to P35.8M. The loss per share for 2011 was (P0.031), 2010 was (P0.055) and (P0.018) in 2009.

Cost and Expenses

- Cost and expenses consisted primarily of fines and penalties, professional fees, office supplies, communication, taxes and licenses, transportation & travel and other expenses. For the Year 2011 and Y2010 amounts recorded were P1.7M and P5.5M respectively.
- See notes to the financial statements and its breakdowns.

Changes in Financial Condition

Assets

Cash and Cash Equivalent

In the year 2011 the total Cash and Cash Equivalent was P38,213 and in year 2010 the total Cash and Cash Equivalent was P102,082.

Advances to Affiliates

This account consists of advances mainly to The Wellex Group, Inc. (TWGI) and Forum Exploration, Inc. (FEI). The total amount of recorded for the year 2011, 2010 and 2009 were P579.4M, P552.5M and P614.5M respectively.

Advances to TWGI

Transactions between the Group and TWGI primarily consist of interest bearing advances granted to finance TWGI's working capital requirements. The Group also subleases its office space from TWGI.

In a special meeting on July 4, 2006, the Board of Directors resolved and approved the amendment of certain terms of the agreement between the Group and TWGI, effective January 1, 2005. The significant amendment is the waiving of the 2.5% interest on the outstanding principal advances of P250 million.

On December 31, 2008, the terms of the agreement with TWGI were further amended and the non-interest bearing loan will be paid equally on a quarterly basis within five years starting March 31, 2010.

Due to default in quarterly payments, management has estimated and recognized impairment loss amounting to P32,944,556 in 2010 for its advances to TWGI.

On December 15, 2011, further amendment on the terms of agreement with TWI was made and the non-interest bearing loan will be paid through assuming working capital requirements of the Group. Total collections of advances from TWGI amounted to P811,361, P5,762,946 and P1,207,854 in the 1st quarter of 2012, Y2011 and Y2010, respectively.

Advances to FEI

The advances to FEI pertain to the carrying value of exploration net assets transferred by the Parent Company. The Company recognized impairment loss amounting to P17,221,059 on its advances to FEI in 2011.

Current Liabilities

Accounts Payable, Accrued Expenses, Withholding Taxes Payable and Income tax payable

These accounts consist of Accounts Payable, Withholding tax Payable, Income Tax Payable and Accrued Expense account and a total amounted to P2.5 Million for 2011, P6.6 Million for 2010 and P2.2 Million for 2009. See notes to the Notes to the Financial Statements.

Other Matters

- a. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows except those stated in Management's Discussion and Analysis of Financial Position and Performance.
- b. There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial year.
- c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- d. There were no known trends, demands, commitments, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation, other than those disclosed in the Management's Discussion and Analysis and the Audited Consolidated Financial Statements.
- f. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

B. Interim Period for the 1st Qtr. Ended March 31, 2012

The following are the discussions for the interim report covering the period for the 1st Qtr. Ended March 31, 2012.

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 1st Quarter of Y2012 is 19.72 and 7.61 for 1st Quarter of Y2011.
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 1st Quarter of Y2012 is 0.01 and 0.04 for 1st Quarter of Y2011.
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 1st Quarter of Y2012 is 0.44 and 0.42 for 1st Quarter of Y2011.
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 1st Quarter of Y2012 is 0.77 and 0.73 for the 1st Quarter of Y2011.

Financial Highlights

□ Statements of Comprehensive Loss (Amounts in P '000)

	Jan – March 2012	Jan – March 2011
Revenues	-	-
Less: Cost and Expenses	-524	-3,183
Loss from Operation	-524	-3,183
Add: Other Income	-	-
Loss before Income Tax	-524	-3,183
Net Income(Loss)	-524	-3,183
Earnings (Loss) Per Share	-0.00028	-0.00173

□ Balance Sheet (Amounts in P '000)

	Jan – March 2012	Jan – March 2011
ASSETS		
Assets	654,560	684,710
LIABILITIES & STOCKHOLDERS' EQUITY		
Liabilities	285,135	289,846
Stockholders' Equity	369,425	394,864
Total Liabilities & Stockholders' Equity	654,560	684,710

RESULTS OF OPERATION

Revenue and Earnings per share

- No revenues were recorded for the first qtr of 2012.
- The earnings per share comparison from the first quarter of 2012 and 2011 as follows: (0.00028) and (0.00173) respectively.

Cost and Expenses

- Cost and expenses consisted primarily of professional fees, taxes and licenses, membership dues and subscription, and payment of penalty with SEC.
- Cost and expenses recorded in the first quarter of 2012 was P523,851 and P3,183,017 for Y 2011.

FINANCIAL CONDITION

Current Assets

- Current assets consist mainly of cash and cash equivalent. Part of the current assets account includes the Advances to affiliates, the total amount recorded in the first quarter of 2012 is amounted to Php 50millions, almost the same with Y2011 1st quarter of P50Million.

Current liabilities

- This is primarily consists of Trade and Other Payable. An amount of P2,550,902 was recorded for the 1st Quarter of Y2012. This includes payable for retainer's fees of legal counsel and stock transfer agent of the Company.

Non - Current liabilities

- This is primarily consists of Deferred Credits and Advances from Related Parties the total amounted to 283 millions recorded for the first quarter of both 2012 and 2011.

Undertaking

A copy of 1st Quarter Report for the period ended March 31, 2012 or SEC Form 17-Q will be made available during the Annual Stockholders' Meeting.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE

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

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, 2011 and 2010 amounted to Php 474,208.00 and Php 526,400.00, 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 2011 and 2010.

The Audit Committee's 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.

MARKET INFORMATION

The principal market where the Company's common equity is traded is the Philippine Stock Exchange. The quarterly high and low market prices for calendar years 2009, 2010, 2011 and 1st quarter of 2012 as follows:

<u>“CLASS A”</u>			
		<u>High</u>	<u>Low</u>
2012	First Quarter	0.28	0.27
2011		High	Low
	First Quarter	-	-
	Second Quarter	0.98	0.14
	Third Quarter	0.24	0.20
	Fourth Quarter	0.28	0.15
2010		High	Low
	First Quarter	-	-
	Second Quarter	-	-
	Third Quarter	-	-
	Fourth Quarter	-	-
2009		High	Low
	First Quarter	-	-
	Second Quarter	-	-
	Third Quarter	-	-
	Fourth Quarter	-	-

The high, low and close market price is P0.022 per share as of the latest trading date at May 31, 2012.

There were no stock price quotations for years 2009, 2010 and 1st quarter of 2011 because PSE suspended the trading of Forum Pacific Inc. shares during the period covered due to non-compliance of various reports. After compliance, the trading suspension on the shares of Forum Pacific Inc. has been lifted last May 17, 2011.

HOLDERS

The total number of shareholders of record as of April 30, 2012 was 956. Total shares outstanding as of April 30, 2012 were 1,838,943,246 shares with a par value of P 1.00.

The top 20 stockholders as of April 30,2012 are as follows:

	NAME	CLASS A - Common NO. OF SHARES HELD	% to TOTAL
1	International Polymer Corp	496,887,494	26.501
2	PCD Nominee Corp.	409,565,824	21.844
3	The Wellex Group, Inc.	376,950,000	20.104
4	E.F. Durkee & Associates, Inc.	77,838,563	4.151
5	Intra-Invest Sec., Inc.	48,159,000	2.568
6	Forum Pacific, Inc.	36,056,750	1.923

7	Metropolitan Management Corporation	30,000,000	1.600
8	Juanito C. Uy	22,625,001	1.207
9	Pacrim Energy N.L.	21,000,000	1.120
10	Sapphire Securities, Inc.	19,433,500	1.036
11	Benito Ong and/or Zita Y. Ong	18,000,000	0.960
12	Renato Chua	16,740,000	0.893
13	NestorS. Mangio	12,500,000	0.667
14	A&ASecurities, Inc.	11,911,320	0.635
15	Mark Securities Corporation	10,772,800	0.575
16	Globalinks SEC & Stocks, Inc.	9,400,000	0.501
17	Belson Securities, Inc	9,200,000	0.491
18	PCD Nominee Corp. (Non-Filipino)	8,250,000	0.440
19	Wealth Securities, Inc.	8,240,000	0.439
20	Ruben M. Gan	7,610,000	0.406

The Corporation has only one class of registered security, "Class A – Common Shares".

CASH AND STOCK DIVIDEND DECLARED

No cash or stock dividend has been declared in 2011, 2010 and 2009.

RESTRICTION THAT LIMITS THE PAYMENT OF DIVIDENDS ON COMMON SHARES

None.

RECENT SALES OF UNREGISTERED SECURITIES

Not Applicable.

Directors and Executive Officers of the Registrants

Directors and Executive Officers

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

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>	<u>Position and Office</u>
Geronimo F. Velasco	52	Filipino	Chairman of the Board / Independent Director
Peter S. Salud	57	Filipino	President / Director
Weslie T. Gatchalian	32	Filipino	Director
Elvira A.Ting	52	Filipino	Director / Vice Chairman
Federico E. Puno	65	Filipino	Independent Director
Atty. Lamberto A. Mercado	49	Filipino	Director
Byoung Hyun Suh	55	Korean	Director
Rogelio D. Garcia	72	Filipino	Director
Kenneth T. Gatchalian	36	Filipino	Director/Treasurer
Atty. Arthur R.Ponsaran	67	Filipino	Director
Joaquin P. Obieta	76	Filipino	Director
Atty. Arsenio A. Alfiler Jr.	66	Filipino	Corporate Secretary

A brief description of the directors' and executive officers' business experience and other directorships held in other reporting companies are provided as follows:

Geronimo F. Velasco

Chairman of the Board and Independent Director	Forum Pacific Inc.	1995 to present
Filipino	Republic Glass Holding Corp.	President/Vice Chairman 1991 to present
53 years old	Goshen Development Corp.	President/Chairman 2005 to present
B.S in Commerce and Master of Business Administration in University of Sta. Clara and The Wharton School University, Pennsylvania	Gervel, Inc. Metropolitan Management Corp. Cello Realty Corporation Cabildo Holdings, Inc. Avenger Holdings, Inc. RGC Maritime Transport Corp. RGC Mining & Mineral Corp. RGC Investment Corp.	President/Director 1998 to present President/Director 1991 to present

Weslie T. Gatchalian

Director	Forum Pacific Inc.	Director since 2005
Filipino	NPC Alliance Corporation	Director since 2005
30 years old	Metro Alliance Holdings & Equities Corp.	EVP since 2005
Oxford Brookes University, U.K.	Metro Alliance Holdings & Equities Corp.	Assistant VP 2004-2005
-- BA Honours Degree/DipHE	Mabuhay Vinyl Corporation	Director since 2005
Business and Operation Mngt.	Wellex Industries, Inc.	President since 2008
London Metropolitan University	Westlink Global Equities Corp.	Assistant Vice President
Master (MA) Degree in Management	Wellex Industries, Inc.	Director 2005-2008
	Waterfront Hotels and Casinos	Sales & Marketing 2002-2003
	PCI Bank	Leasing and Finance 2001
	Westlink Global Equities Corp.	Trainee 1999-2000

Atty. Lamberto A. Mercado Jr.

Director	Forum Pacific Inc.	Director since 1998
Filipino	MAHEC and CPDSI	Director since 2003
49 year old	AHI, FEZ and ZDI	Director since 2004
Bachelor of Laws (L.L.B.)	Wellex Industries Inc.	Director since 2005
Ateneo de Manila University	Waterfront Phil., Inc.	Director since 1999
School of Laws Lawyer - 1991	Subic Bay Metropolitan Authority	Deputy Administrator for Administration 1997-98

Atty. Arsenio A. Alfiler, Jr.

Corporate Secretary	Forum Pacific Inc.	Since 2007 to present
Filipino	Acesite (Philippines)Hotel Corporation	Assistant Corporate Secretary
66 years old		
Bachelor of Laws	Waterfront Philippines Inc.	Assistant Corporate Secretary
University of the Philippines		
B.A. in Public Administration	Iloilo City Development Bank	Assistant Corporate Secretary
University of the Philippines		

Atty. Arthur R. Ponsaran

Director	Forum Pacific, Inc.	Director since 2000
Filipino	Wellex Industries, Inc.	Corp. Sec. up to 2003
67 years old	Wellex Industries, inc.	Director since 2000
CPA Lawyer	Philippine Estate Corporation	Director
University of the East	Express Savings Bank	Director
Business Administration	Corporate Counsels	Managing Partner
Major in Accounting	Philippines, Law Offices	
University of the Philippines		
Bachelor of Laws		

Elvira A. Ting

Director/Vice Chairman	Forum Pacific Inc.	Director since 1996
Filipino	Philippine Estates Corporation	President/CEO 1997-2010
52 year old		President/CEO Sept. 2011 - present
BSBA Major in Management	Waterfront Philippines, Inc.	Director/Treasurer since 2001
Philippine School of Business	Wellex Industries, Inc.	Vice President/Director since 1999
	Acesite (Hotels) Phils., Inc.	Vice Chairman/Director since 2000
	Orient Pacific Corporation	Chairman/President/Director since
	Crisanta Realty Development Corp.	Chairman/President/Director 2011
	Recovery Development Corp.	Vice President/Director 2011
	The Wellex Group,	Treasurer/Director 2011
	Plastic City Industrial	Director since 1991

Rogelio D. Garcia

Director	Forum Pacific Inc.	Director since 2004
Filipino	Wellex Industries, Inc.	Chairman since 2005
72 year old	Wellex Industries, Inc.	Director since 2004
Bachelor of Laws (L.L.B.)	Metro alliance Holdings & Equities	Director since 2003
University of the Philippines 1961	ConyBio Philippines, Inc.	CEO 1997-2000
	NIR Placement Center, Inc.	Executive Consultant 1998-2000

Kenneth T. Gatchalian

Director/Treasurer
 Filipino
 36 years old
 B.S. in Architecture

Forum Pacific, Inc.

Director since 2002
 Treasurer since 2010
 Director since 2002
 VP for Special Projects 2011
 Director since 2002
 Treasurer since 2010
 Vice Chairman since 2011
 President/CEO 2010-2011
 EVP & COO 2000-2010
 Director 2000-2011
 Director/Treasurer 2002-2009
 Director 2002-2009
 Director 2003-2004

The Wellex Group, Inc.

Wellex Industries, Inc.

Waterfront Philippines, Inc.
 Philippine Estates Corporation

Metro Alliance Holdings & Equities Corp.
 Express Savings Bank Incorporated
 Mabuhay Vinyl Corporation

Federico Puno

Independent Director
 Filipino
 65 years old

Forum Pacific, Inc.
 Republic Glass Holdings Inc.
 Semirara Mining Corp.
 Pampanga Sugar Dev.
 San Roque Power Corp.
 San Fernando Electric
 Team Energy Corp.
 Lima Utilities Corporation
 SEC-Calaca Power Corp.

Independent Director since 1996
 Independent Director since March
 Independent Director since July
 Director since August 2002
 Chairman since October 2004
 Consultant since July 2004
 President & CEO since June 22,
 Director since August 28, 2007
 Director since February 2011

Peter S. Salud

President/Director
 Filipino
 57 years old

Forum Pacific, Inc.

President/Director since 1996

Atty. Joaquin P. Obieta

Director
 Filipino
 76 years old
 Chemical Engineering
 De la Sale University
 Bachelor of Theology
 University of Sto. Tomas
 Bachelor of Laws
 Ateneo de Manila University

Forum Pacific, Inc .
 Corporate Counsels,
 Philippines Law Offices
 Law Professor – Ateneo de
 Manila University

Director since 2001
 Managing Partner

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.

Financial Statements for the Years
Ended December 31, 2011 and 2010
And Independent Auditors' Report



**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 for the years ended **December 31, 2011 and 2010**, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards (PFRSs). This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submit the same to the stockholders.

DIAZ MURILLO DALUPAN AND COMPANY, CPA the independent auditors, appointed by the stockholders has examined 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 examination.

GERONIMO F. VELASCO
Chairman

PETER S. SALUD
President

KENNETH T. GATCHALIAN
Corporate Treasurer

SUBSCRIBED AND SWORN to before me in QUEZON CITY City/Province, Philippines on 16 APR 2012, affiants personally appeared before me and exhibited to me their

Name	Tax Identification Number
1. GERONIMO F. VELASCO	108-140-565
2. PETER S. SALUD	107-777-803
3. KENNETH T. GATCHALIAN	167-406-526

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

DOC NO: 157:
PAGE NO: 32:
BOOK NO: 94:
SERIES OF 12:

NOTARY PUBLIC FOR _____
Notarial Commission No. _____
Commission expires on December 31, _____
Roll of Attorney Number _____
PTR No. _____
IBP No. _____

Office Address: _____
Bureau of Internal Revenue
Revenue Region No. 8
RDO 50 - South Makati
RECEIVED
JESUS M. MUNOZ
Collection Section
date: APR 16 2012

**Diaz Murillo Dalupan
and Company**
Certified Public Accountants

Independent Auditors' Report

The Board of Directors and Stockholders
FORUM PACIFIC, INC. AND SUBSIDIARY
35th Floor, One Corporate Center,
Doña Julia Vargas Ave., Corner Meralco Avenue,
Ortigas Center, Pasig City

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Forum Pacific, Inc. and Subsidiary**, which comprise the consolidated statements of financial position as at December 31, 2011, 2010 and 2009, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

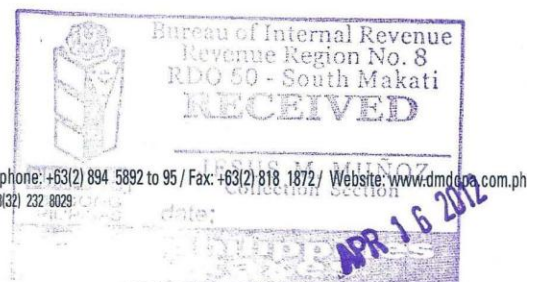
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Local in Touch, Global in Reach

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Cebu Branch Office: Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Phone: +63(32) 415 8108 to 10 Fax: +63(32) 232 8029
Davao Branch Office: 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Ave., Davao City 8000 Phone/Fax: +63(82) 222 6636

an independent member of **HLB** International. A worldwide organization of accounting firms and business adviser.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Forum Pacific, Inc. and Subsidiary** as at December 31, 2011, 2010 and 2009, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2, to the consolidated financial statements which indicate that the Group had been incurring losses in current and prior years and had accumulated a deficit of about P801 million, P764 million and P699 million as at December 31, 2011, 2010 and 2009.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, therefore, it may be unable to realize its assets and settle its liabilities in the normal course of the business. The Group's financial statements do not include any adjustment that might result from the outcome of this uncertainty. The management and stockholders of the Group have committed in principle to provide full financial support to sustain its operations, meet the working capital requirements and settle obligations as they fall due in order for the Group to continue as a going concern. Additionally, as discussed in Note 2 to the consolidated financial statements, the Group's management has been on discussion with prospective strategic partners to form a joint venture to engage in all aspects of oil related business, both downstream and upstream. The Group believes that such financial support and management plans are sufficient for it to continue as a going concern. Consequently, the consolidated financial statements have been prepared assuming that the Group will continue as a going concern.

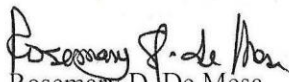


Report on Securities and Exchange Commission Requirements

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The information under Appendices A to C and Schedules A to H to the consolidated financial statements, are presented for the purpose of additional analyses and filing to Securities and Exchange Commission, and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Diaz Murillo Dalupan and Company

By:


Rosemary D. De Mesa

Partner

CPA Certificate No. 29084

SEC Accreditation No. 1089-A, effective until February 23, 2014

Tax Identification No. 104-576-953

PTR No. 3199242, January 17, 2012, Makati City

BIR Accreditation No. 08-001911-7-2010, effective until April 13, 2013

Firm Tax Identification No. 003-294-822

Firm BOA/PRC No. 0234, effective until December 31, 2014

Firm SEC Accreditation No. 0192-F, effective until April 6, 2013

April 13, 2012



FORUM PACIFIC, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position

	December 31		
	2011	2010	2009
		(As restated)	(As restated)
ASSETS			
Current Assets			
Cash - notes 3, 14 and 15	P 38,213	P 102,082	P 203,751
Input tax - note 3	204,152	-	-
	242,365	102,082	203,751
Noncurrent Assets			
Advances to related parties (net) - notes 3, 4, 9, 14, 15 and 17	579,452,745	602,133,173	663,989,819
Available-for-sale financial assets (net) - notes 3, 4, 5, and 15	75,586,435	81,686,711	94,826,311
Other noncurrent asset - note 3	33,444	33,444	-
	655,072,624	683,853,328	758,816,130
TOTAL ASSETS	P 655,314,989	P 683,955,410	P 759,019,881
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables - notes 3, 6, 14 and 15	P 2,781,623	P 6,658,843	P 2,282,005
Noncurrent Liabilities			
Advances from related parties - notes 3, 9, 13, 14 and 15	282,554,019	279,744,073	302,476,942
Deferred tax liability - notes 3 and 10	30,432	30,432	-
	282,584,451	279,774,505	302,476,942
Equity			
Capital stock - notes 3, 8 and 13	1,207,543,621	1,207,543,621	1,207,543,621
Unrealized fair value gain (loss) on available-for-sale financial assets - notes 3 and 5	4,166,317	(7,425,459)	(15,085,037)
Translation adjustments	(1,154,709)	346,330	-
Treasury shares - notes 3, 8 and 13	(36,056,750)	(36,056,750)	(36,056,750)
Deficit - notes 2 and 3	(800,860,753)	(764,197,562)	(699,221,896)
Equity attributable to parent	373,637,726	400,210,180	457,179,938
Minority interest - note 3	(3,688,811)	(2,688,118)	(2,919,004)
	369,948,915	397,522,062	454,260,934
TOTAL LIABILITIES AND EQUITY	P 655,314,989	P 683,955,410	P 759,019,881

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

FORUM PACIFIC, INC. AND SUBSIDIARY
Consolidated Statements of Comprehensive Income

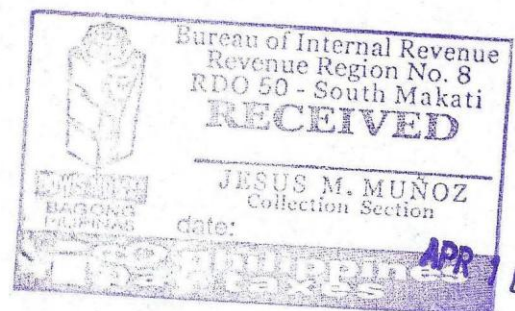
	Years Ended December 31		
	2011	2010	2009
		(As restated)	(As restated)
COSTS AND EXPENSES - notes 3 and 12			
Fines and penalties - note 1	P 760,500	P 2,771,200	P -
Professional fees	539,219	2,422,384	880,150
Office supplies	187,361	95,078	17,377
Communication	67,002	34,981	39,921
Taxes and licenses	31,715	10,000	174,522
Representation	8,656	-	-
Transportation	7,416	3,870	2,187
Others	144,844	258,771	391,868
	1,746,713	5,596,284	1,506,025
OTHER CHARGES - notes 3 and 7	(34,916,478)	(59,348,950)	(20,488,217)
LOSS BEFORE TAX	(36,663,191)	(64,945,234)	(21,994,242)
PROVISION FOR (BENEFIT FROM)			
INCOME TAX - notes 3 and 10	-	(30,432)	1,270,500
NET LOSS FOR THE YEAR	(36,663,191)	(64,975,666)	(20,723,742)
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized fair value gain (loss) on available-for-sale financial assets - notes 2 and 5	7,880,859	(1,560,700)	(15,085,037)
Translation adjustments	(1,154,709)	577,216	-
	6,726,150	(983,484)	(15,085,037)
TOTAL COMPREHENSIVE LOSS	(29,937,041)	(65,959,150)	(35,808,779)
ATTRIBUTABLE TO:			
Equity of the parent			
Net loss for the year	(36,663,191)	(64,975,666)	(12,558,505)
Other comprehensive income	7,188,034	(1,214,370)	(15,085,037)
	(29,475,157)	(66,190,036)	(27,643,542)
Minority Interest			
Net loss for the year	-	-	(8,165,237)
Other comprehensive income	(461,884)	230,886	-
	(461,884)	230,886	(8,165,237)
	(P 29,937,041)	(P 65,959,150)	(P 35,808,779)

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

FORUM PACIFIC, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Equity

	Capital stock (Note 8)	Treasury shares (Note 8)	Unrealized fair value (gain) loss on Available-for-sale financial assets (Note 5)	Translation adjustments	Deficit (Notes 2 and 3)	Minority Interest	Total
Balances at December 31, 2008, as previously stated	P 1,206,617,960	(P 34,605,596)	P -	P -	(P 700,944,945)	(P 3,717,910)	467,349,509
Correction of prior period error - note 13	925,661	(1,451,154)	-	-	-	-	(525,493)
Balances at December 31, 2008 as restated	1,207,543,621	(36,056,750)	-	-	(700,944,945)	(3,717,910)	466,824,016
Total comprehensive income for the year	-	-	(15,085,037)	-	(12,558,505)	(8,165,237)	(35,808,779)
Effect of deconsolidation	-	-	-	-	14,281,554	8,964,143	23,245,697
Balances at December 31, 2009	1,207,543,621	(36,056,750)	(15,085,037)	-	(699,221,896)	(2,919,004)	454,260,934
Total comprehensive loss for the year	-	-	(1,560,700)	346,330	(64,975,666)	230,886	(65,959,150)
Reclassification adjustment	-	-	9,220,278	-	-	-	9,220,278
Balances at December 31, 2010	1,207,543,621	(36,056,750)	(7,425,459)	346,330	(764,197,562)	(2,688,118)	397,522,062
Total comprehensive loss for the year	-	-	7,880,859	(1,501,039)	(36,663,191)	(1,000,693)	(31,284,064)
Reclassification adjustment	-	-	3,710,917	-	-	-	3,710,917
Balances at December 31, 2011	P 1,207,543,621	(P 36,056,750)	P 4,166,317	(P 1,154,709)	(P 800,860,753)	(P 3,688,811)	P 369,948,915

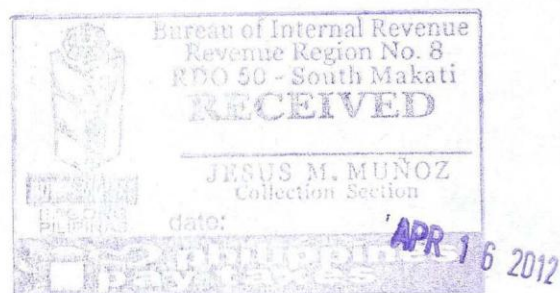
(The accompanying notes are an integral part of these financial statements)



FORUM PACIFIC, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows

	Years Ended December 31		
	2011	2010 As restated (Note 8)	2009 As restated (Note 8)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	(P 36,663,191)	(P 64,945,234)	(P 21,994,242)
Adjustments for:			
Impairment loss on advances to related parties - note 7	17,221,059	50,165,615	-
Impairment loss on available-for-sale financial assets - note 7	17,692,052	9,220,278	-
Unrealized foreign exchange loss (gain) - note 7	(2,498,166)	(101,440)	6,755,652
Loss on assignment of liabilities - note 7	-	-	16,259,591
Operating income (loss) before working capital changes	(4,248,246)	(5,660,781)	1,021,001
Increase in input tax	(204,152)	-	
Decrease in advances to related parties	5,455,804	-	
Decrease (increase) in other noncurrent assets	-	(33,445)	38,832
Increase (decrease) in trade and other payables	(3,877,221)	4,435,244	(2,122,857)
Net cash used in operating activities	(2,873,815)	(1,258,982)	(1,063,024)
Income tax paid	-	(50,541)	-
Net cash used in operating activities	(2,873,815)	(1,309,523)	(1,063,024)
CASH FLOWS FROM INVESTING ACTIVITY			
Increase (decrease) in advances from related parties	2,809,946	1,207,854	(23,987,891)
NET DECREASE IN CASH	(63,869)	(101,669)	(25,050,915)
CASH			
At beginning of year	102,082	203,751	25,254,666
At end of year	P 38,213	P 102,082	P 203,751

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



FORUM PACIFIC, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2011, 2010 and 2009

1. CORPORATE INFORMATION

Forum Pacific, Inc., (the “Parent Company”), formerly known as Air Philippines International Corporation, is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on January 8, 1993 mainly 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 financial position and results of operations of the Parent Company and its Subsidiary, (herein referred to as the “Group”) are consolidated in these financial statements.

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

The Parent Company has 60% ownership interest in Forum Coal Cebu Holdings, Inc. (FCCHI).

On September 23, 2009, FCCHI decided through its Board of Directors to liquidate its business through shortening of its corporate term until November 30, 2009. As at reporting date, the shortening of corporate term of FCCHI is pending approval with the SEC.

The consolidated financial statements as of and for the year ended December 31, 2011, including its comparatives for 2010, were approved and authorized for issue by the Parent Company’s Board of Directors on April 12, 2012.

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

Management’s Assessment of the Going Concern Assumption

Management believes that the going concern assumption is appropriate despite the existence of material uncertainty caused by recurring substantial losses of the Group. The Group had incurred losses from its operations amounting to P36,663,191, P64,975,666 and P20,723,742 in 2011, 2010 and 2009, respectively. Due to prior period losses, the Group has sustained a deficit of P800,860,753, P764,197,562 and P699,221,896 in 2011, 2010 and 2009, respectively.

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



On August 31, 2010, the Parent Company received an order of revocation of the registration and the permit to sell the Parent Company's securities due to late filing of the Parent Company's 2009 annual reports. On September 8, 2010, the Parent Company requested for an extension of time until September 30, 2010 for the filing of the Parent Company's 2009 audited financial statements which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Parent 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 Parent 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 Parent Company paid fines and penalties in the amount of P2.77 million in lieu of the Parent 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 Group's ability to continue as a going concern, management and stockholders of the Group have committed in principle to provide full financial support to the Group to sustain its operations, meet the working capital requirements and settle obligations as they fall due. The Group's management has been on discussion with prospective strategic partners to form a joint venture to engage in all aspects of oil related business, both downstream and upstream. The Group's management believes that such financial support and management plans are sufficient to provide the Group the ability to continue as a going concern. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation and Presentation of Financial Statements

The consolidated financial statements of the Group have been prepared in accordance with 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.

The consolidated financial statements have been prepared under the historical cost convention, except otherwise stated.

The preparation of consolidated financial statements in conformity with PFRS requires the Group's management to exercise its judgment in the process of applying accounting policies. It also requires the use of certain critical accounting estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

New Interpretations, Revisions and Amendments to PFRS

The following revised standard, amendments to existing standards and interpretations as approved by the FRSC which are mandatory for annual periods beginning January 1, 2011:

- *PAS 24 (Revised), Related Party Disclosures* (effective January 1, 2011). The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company has applied the revised standard from January 1, 2011. The adoption did not have significant impact on the consolidated financial statements as the Group has no government-related entities identified as related parties.
- *PAS 32 (Amendment), Financial Instruments: Presentation - Classification of Rights Issues* (effective February 1, 2010). The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

This amendment is not applicable to the Group as there were no rights issues whether in functional other currencies.

- *Philippine Interpretation IFRIC 14, PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)* (effective January 1, 2011). The amendment corrects an unintended consequence of Philippine Interpretations IFRIC 14. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when Philippine Interpretation IFRIC 14 was issued, and the amendment corrects this. The amendment should be applied retrospectively to the earliest comparative period presented. This interpretation is not applicable to the Group.
- *Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments* (effective July 1, 2010). The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. This interpretation is not applicable to the Group.

2010 Improvements to PFRS (effective for annual periods on or after January 1, 2011)

The following are the relevant amendments to PFRS which contains amendments that result in changes in accounting, presentation, recognition and measurement. It also includes amendments that are terminology or editorial changes only which have either minimal or no effect on accounting. These amendments are part of the IASB's annual improvements project published in August 2009.

- *PFRS 1 (Revised), First-time Adoption of Philippine Financial Reporting Standards* (effective January 1, 2011). The amendment clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in PFRS 1 after it has published an interim financial report in accordance with PAS 34, Interim Financial Reporting, it should explain those changes and update the reconciliations between previous GAAP and PFRS. The amendment also allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first PFRS financial statements are issued.

When such re-measurement occurs after the date of transition to PFRS, but during the period covered by its first PFRS financial statements, any subsequent adjustment to that event-driven fair value is recognized in equity.

It also clarifies that entities subject to rate regulation are allowed to use previous GAAP carrying amounts of property, plant and equipment or intangible assets as deemed cost on an item-by-item basis. Entities that use this exemption are required to test each item for impairment under PAS 36 at the date of transition. The amendment is not applicable to the Group.

- *PFRS 3, Business Combinations* (effective July 1, 2010). The amendment clarifies that the amendments to PFRS 7, Financial Instruments: Disclosures, PAS 32, Financial Instruments: Presentation, and PAS 39, Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).

The amendment also clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS.

It also clarifies that the application guidance in PFRS 3 applies to all share-based payment transactions that are part of a business combination, including unreplaced and voluntarily replaced share-based payment awards. The amendment is not applicable to the Group

- *PFRS 7, Financial Instruments: Disclosures* (effective January 1, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The Group has adopted this amendment beginning January 1, 2011 but the adoption did not have significant impact on the consolidated financial statements.
- *PAS 1, Presentation of Financial Statements* (effective January 1, 2011). The amendment clarifies that an entity may present an analysis of other comprehensive income for each

component of equity, either in the statement of changes in equity or in the notes to the financial statements. The Group adopted this amendment beginning January 1, 2011.

- *PAS 27, Consolidated and Separate Financial Statements* (effective July 1, 2010). The amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, The Effect of Changes in Foreign Exchange Rates, PAS 28, Investments in Associates, and PAS 31, Interests in Joint Ventures, apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when PAS 27 is applied earlier. The Group has adopted this amendment beginning January 1, 2011 but the adoption did not have significant impact on the consolidated financial statements.
- *PAS 34, Interim Financial Reporting* (effective January 1, 2011). The amendment provides guidance to illustrate how to apply disclosure principles in PAS 34 and add disclosure requirements around:
 - The circumstances likely to affect fair values of financial instruments and their classification;
 - Transfers of financial instruments between different levels of the fair value hierarchy;
 - Changes in classification of financial assets; and
 - Changes in contingent liabilities and assets.

The Group has adopted this amendment beginning January 1, 2011 but the adoption did not have significant impact on the consolidated financial statements.

- *Philippine Interpretation IFRIC 13, Customer Loyalty Programs* (effective January 1, 2011). The amendment clarifies the meaning of 'fair value' in the context of measuring award credits under customer loyalty program. This amendment is not applicable to the Group.

New standards, amendments and interpretations to existing standards that are not yet effective and not early adopted by the Group

- *PAS 1 (Amendment), Financial Statement Presentation - Other Comprehensive Income* (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income. The Group will apply the amendment beginning January 1, 2013. The adoption is not expected to have a significant impact on the consolidated financial statements as the Group but will result in changes in presentation in the consolidated statements of comprehensive income.

- *PAS 12 (Amendment), Income Taxes - Deferred Tax* (effective January 1, 2012). PAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in PAS 40, Investment Property. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, Income Taxes - Recovery of Revalued Non-Depreciable Assets, will no longer apply to investment properties carried at fair value.

The amendments also incorporate into PAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The Group has yet to assess the amendment's full impact and intends to adopt this amendment beginning January 1, 2012.

- *PAS 19 (Amendment), Employee Benefits* (effective January 1, 2013). These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. They would also require recognition of all actuarial gains and losses in other comprehensive income as they occur and of all past service costs in profit or loss. The amendments replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This amendment is not applicable to the Group.
- *PAS 27 (Revised), Separate Financial Statements* (effective January 1, 2013). The revised standard includes the provisions on separate financial statements that are left after the control provisions of PAS 27 have been included in the new PFRS 10). The Company will apply the amendment beginning January 1, 2013. The revision is not applicable on the consolidated financial statements.
- *PAS 28 (Revised), Investments in Associates and Joint Ventures* (effective January 1, 2013). This revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of PFRS 11. The revision is not applicable to the Group.
- *PFRS 1 (Amendment), First-time Adoption of PFRS - Fixed Dates and Hyperinflation* (effective July 1, 2011). These amendments include two changes to PFRS 1, First-time adoption of PFRS. The first replaces references to a fixed date of January 1, 2004 with 'the date of transition to PFRS', thus eliminating the need for entities adopting PFRS for the first time to restate derecognition transactions that occurred before the date of transition to PFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with PFRS after a period when the entity was unable to comply with PFRS because its functional currency was subject to severe hyperinflation. This amendment is not applicable to the Group.
- *PFRS 7 (Amendment), Financial Instruments: Disclosures - Derecognition* (effective July 1, 2011). This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The Group will adopt the amendment beginning January 1, 2012 and provide the additional disclosures required by the amendment upon adoption.

- *PFRS 9, Financial Instruments* (effective January 1, 2013). This standard is the first step in the process to replace PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The Group has yet to assess PFRS 9's full impact and intends to adopt PFRS 9 beginning January 1, 2013.
- *PFRS 10, Consolidated Financial Statements* (effective January 1, 2013). This new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group will apply the amendment beginning January 1, 2013. The adoption is not expected to have an impact on the consolidated financial statements as the Group as all controlled entities were already included in these consolidated financial statements.
- *PFRS 11, Joint Arrangements* (effective January 1, 2013). This new standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. This new standard is not applicable to the Group.
- *PFRS 12, Disclosures of Interests in Other Entities* (effective January 1, 2013). This new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has yet to assess PFRS 12's full impact and intends to adopt PFRS 12 beginning January 1, 2013.
- *PFRS 13, Fair Value Measurement* (effective January 1, 2013). This new standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Group is yet to assess PFRS 13's full impact and intends to adopt PFRS 13 beginning January 1, 2013.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Group, its subsidiaries, up to December 31 each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date when control is transferred to the Group and cease to be consolidated from the date when control is transferred out of the Group.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired, i.e. discount on acquisition, is credited to profit or loss in the period of acquisition.

The consolidated financial statements were prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Minority Interest

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Parent Company, whether directly or indirectly through subsidiaries and in respect of which the Group has not agreed on any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. Minority interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Parent Company. Minority interests in the results of the Group are presented on the face of the consolidated statements of comprehensive income (loss) as an allocation of the net income (loss) for the year between minority interests and the equity shareholders of the Parent Company.

When losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess and any further losses applicable to the minority are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered in full.

Brief summary of the subsidiary's nature of business and operations as follows:

FCCHI

The Parent Company owns 60% of the stockholdings of 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. Accordingly, FCCHI changed its basis of accounting in the preparation of its financial statements from the going-concern basis to the liquidation basis of accounting. Financial information of FCCHI for 2009 reflects the remaining assets at their liquidating values as of September 30, 2009.

The Group used the December 31, 2010 unaudited financial statements of FCCHI (substantially the 2009 audited balances) as basis in the preparation of the consolidated financial statements since there were no or very minimal, if any, transactions during the year.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Cost and expenses are recognized upon utilization of the service or at the date they are incurred.

Cash

Cash includes cash on hand, deposits held at call with banks.

Financial Instruments

a) Classification

The Group classifies its financial assets and liabilities according to the categories described below. The classification depends on the purpose for which the financial assets and liabilities were acquired. Group's management determines the classification of its financial assets and liabilities at initial recognition.

Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

The Group has no financial assets at fair value through profit or loss and derivative financial assets classified under this category as of December 31, 2011 and 2010, respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are then classified as non-current assets.

The Group's loans and receivables consist of advances to related parties as of December 31, 2011 and 2010, respectively (see Note 9).

Held-to-maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date which are classified as current assets.

The Group does not hold financial assets under this category as of December 31, 2011 and 2010, respectively.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months from the reporting date.

The Group's investment in quoted and unquoted equity securities are classified under this category (see Note 5).

Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

The Group has no financial liabilities are classified as financial liabilities at fair value through profit or loss as of December 31, 2011 and 2010, respectively.

Financial liabilities at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost.

The Group's trade and other payables and advances from related parties are classified under this category.

b) Recognition and measurement

Initial recognition and measurement

Regular purchases and sales of investments are recognized on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets and liabilities are initially recognized at fair value plus transaction costs for all financial assets and liabilities not carried at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

Subsequent measurement

Available for-sale financial assets and financial assets and liabilities at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Other financial liabilities are measured at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, including interest and dividend income and interest expense, are presented in profit or loss within 'other gains/(losses) - net' in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognized in profit or loss as part of other income when the Group's right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in consolidated other comprehensive income. Changes in the fair value of non-monetary securities classified as available-for-sale are recognized in consolidated other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in profit or loss as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognized in profit or loss as part of other income when the Group's right to receive payment is established.

c) Determination of fair value

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

d) Impairment of financial assets

Assets carried at amortized cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty granting to the borrower a concession that the lender;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - i) Adverse changes in the payments status of borrowers in the portfolio; and
 - ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

For loans and receivables category, the Group first assesses whether there is objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Trade and other receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent

discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited against operating expenses in profit or loss.

Assets classified as available-for-sale

The Group 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. For debt securities, the Group uses the criteria referred to for assets carried at amortized cost. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed in profit or loss. Subsequent increase in the fair value after impairment are recognized as other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

e) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled or expires.

f) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Claims for Input Value Added Tax (VAT)

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

Other Non-current Assets

Other noncurrent assets are stated at cost and are recognized when paid.

Equity

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Treasury shares are stated at cost of reacquiring such shares.

Treasury share, are own equity instruments which are reacquired, are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group 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 when the shares were issued and to retained earnings for the remaining balance.

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

Retirement Benefits

The Group has no provision for retirement benefit due to absence of employees. In 2009, the Group derecognized the accrued retirement benefit payable recognized in prior year.

Current and Deferred Income Tax

Current income tax

Current tax assets and liabilities for the current and prior periods and measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred income tax

Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Leases

Leases which transfer to the Group 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 consolidated 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 the statement 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 Group 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 consolidated statements of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Related Parties and Related Party Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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

Foreign Currency Transactions

a) Functional and presentation currency

Items included in the Group financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group financial statements are presented in Philippine Peso, which is the Group functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Outstanding foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at the reporting date. 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, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Earnings (Loss) Per Share

Basic EPS is calculated by dividing the net income or loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any stock dividend declared during the year.

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent Assets and Liabilities

Contingent assets and liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

Events after Reporting Period

The Group identifies events after the reporting period as events that occurred after the reporting date but before the date of consolidated financial statements were authorized for issue. Any events after the reporting period that provide additional information about the Group's consolidated financial position at the reporting date are reflected in the consolidated financial statements. Non-adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Functional currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency is determined to be the Philippine peso. It is the currency that mainly influences the Group's operations.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the guidelines set by PAS 39 on the definitions of a financial asset, a financial liability or equity. In addition, the Group also determines and evaluates its intention and ability to keep the investments until its maturity date.

The substance of a financial instrument, rather than its legal form and the management's intention and ability to hold the financial instrument to maturity generally governs its classification in the consolidated statements of financial position.

Determination of fair value of financial instruments

The Group carries certain financial assets at fair value, which require extensive use of accounting judgment and estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect the consolidated statements of changes in equity.

Impairment of available-for-sale financial assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flows.

Operating lease commitments

The Group, as a lessee, has entered into a property lease of its office space. The Group has determined that the lessor retains all significant risk and reward of ownership of property which is leased out on operating lease. During the year, the parties mutually agreed that the Parent Company would not yet share in the rent expense until it earns income from operations.

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 in Note 3, subheadings Provisions and Contingencies.

Estimates

The Group 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.

Allowance for impairment of advances to related parties

Allowance is made for specific group of accounts where objective evidence of impairment exists. The factors considered by management in the review of the current status of its receivables are (1) length and nature of their relationship and its past collection experience, (2) financial and cash flow position and (3) other market conditions as at reporting date. Management reviews the allowance on a continuous basis.

Advances to related parties, net of allowance for doubtful accounts as of December 31, 2011, 2010 and 2009 amounted to P579,452,745, P602,133,173 and P663,989,819, respectively (see Note 9).

Impairment of available-for-sale financial assets

The Group carries certain financial assets at fair value, which requires the extensive use of accounting judgment and estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

Unrealized fair value gain (loss) recognized on available-for-sale financial assets amounted to P4,166,317, (P7,425,459) and (P15,085,037) in 2011, 2010 and 2009, respectively. This was reported under "Other comprehensive loss" account and presented separately in the equity section of the consolidated statements of financial position.

Impairment loss on available-for-sale financial assets of P17.7 million, P9.2 million and Nil was recognized in 2011, 2010 and 2009 statements of comprehensive income, respectively.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration.

If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific

facts and circumstances.

The Group reviews deferred tax asset at each reporting date and reduces the carrying amount 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 asset to be utilized.

Deferred tax assets amounted to P66,198,346, P58,108,317 and P39,445,734 as of December 31, 2011, 2010 and 2009, respectively (see Note 10). These were provided with full valuation allowance.

Impairment of non-financial assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 3, subheading *Impairment of non-financial assets*. Though management believes that the assumptions used in the estimation of fair values reflected in the Group financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

5. **AVAILABLE-FOR-SALE FINANCIAL ASSETS**

This account consists of:

	2011	2010	2009
Investment in shares of stock – at cost			
Unquoted	P 73,211,573	P 73,211,573	P 73,211,573
Quoted	7,529,480	36,142,284	107,234,681
	80,741,053	109,353,857	180,446,254
Net unrealized fair value gain (loss)	4,166,317	(7,425,459)	(15,085,037)
Impairment loss	(9,320,935)	(20,241,687)	(70,534,906)
	P 75,586,435	P 81,686,711	P 94,826,311

Investment in unquoted shares of stock represents 66.67% and 56% ownership of the Group in Forum Energy, Inc. (formerly Tracer Petroleum Corporation) in 2011, 2010 and 2009 and Express Savings Bank, Inc. (ESBI) in 2010 and 2009, respectively. These investments are classified as available-for-sale financial assets as the Group does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost since there is no quoted price in an active market.

Investment in quoted shares of stock represents 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.

On August 12, 2010, the Group executed a deed of absolute sale for its 115,789 shares in ESBI at P100 per share or equivalent to P11,578,900 which is equal to the carrying value as of December 31, 2009 of P11,578,900. The Group reclassified the corresponding unrealized fair value loss amounting to P9,220,278 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 movements in the net unrealized fair value loss on available-for-sale financial assets follow:

	2011	2010	2009
Balance at beginning of year	(P 7,425,459)	(P 15,085,037)	P –
Reversal due to impairment	3,710,917	9,220,278	–
Fair value changes during the year	7,880,859	(1,560,700)	(15,085,037)
	P 4,166,317	(P 7,425,459)	(P 15,085,037)

6. TRADE AND OTHER PAYABLES

This account consists of:

	2011	2010	2009
Accounts payable	P 1,495,039	P 2,119,301	P 285,190
Accrued expenses	1,285,584	4,524,542	1,934,274
Withholding tax payable	1,000	15,000	12,000
Income tax payable	–	–	50,541
	P 2,781,623	P 6,658,843	P 2,282,005

Accrued expenses are composed of professional fees, utilities and contract services.

The Group considers the carrying amounts recognized in the consolidated statements of financial position to be the reasonable approximation of their fair values.

7. OTHER INCOME (CHARGES) - net

	2011	2010	2009
Impairment loss on:			
AFS financial assets – note 5	(P 17,692,052)	(P 9,220,278)	P –
Advances to related parties – note 13	(17,221,059)	(50,165,615)	–
Unrealized foreign exchange gain (loss)	–	101,440	(6,755,652)
Loss on assignment of liabilities	–	–	(16,259,951)
Others	(3,367)	(64,497)	2,527,026
	(P 34,916,478)	(P 59,348,950)	(P 20,488,577)

8. CAPITAL STOCK

This account consists of the following:

	2011	2010	2009
Authorized common shares at P1 par value per share	P3,500,000,000	P3,500,000,000	P3,500,000,000
Issued and fully paid	P 819,355,920	P 819,355,920	P 819,355,920
Subscribed and fully paid			
Subscribed	1,055,644,080	1,055,644,080	1,055,644,080
Subscriptions receivable, as restated	(667,456,379)	(667,456,379)	(667,456,379)
	388,187,701	388,187,701	388,187,701
Subscribed and issued	1,207,543,621	1,207,543,621	1,207,543,621
Treasury shares, as restated	(36,056,750)	(36,056,750)	(36,056,750)
Issued and outstanding	P1,171,486,871	P1,171,486,871	P1,171,486,871

The cost of the Group's treasury shares amounted to P36,056,750 as of December 31, 2011, 2010 and 2009. Such treasury shares restrict the Group from declaring an equivalent amount from the unappropriated retained earnings as dividends.

9. RELATED PARTY TRANSACTIONS AND RELATED PARTY ACCOUNTS

The Group, in the ordinary course of business, has transactions with its affiliates.

Name of Related Party	Relationship	Nature of transactions
The Wellex Group, Inc. (TWGI)	Affiliate	Cash advances
Forum Exploration, Inc. (FEI)	Affiliate	Cash advances
Forum Exploration, Ltd. (FEI Ltd.)	Affiliate	Cash advances
Wellex Industries, Inc.	Affiliate	Cash advances

Related party transactions consist of advances to/from affiliated companies to meet the operating needs of the Group.

a) Related party transactions

Advances to related parties

Transactions with The Wellex Group, Inc. (TWGI) primarily consist of advances granted to finance their working capital requirements. Also, the receivables from FEI pertain to the carrying value of exploration net assets transferred by the Group.

The Parent Company recognized impairment loss amounting to P17,221,059 on its advances to FEI (see Note 7).

On December 15, 2011, to settle its outstanding obligations to the Parent Company, TWGI issued a one-year promissory note to the Parent Company amounting to P334,737,025 without interest.

Advances from related parties

Transactions with Forum Exploration (FEI), Ltd. pertains to advances received by the Group to finance its acquisitions of 60% stockholdings of FCCHI.

The Group subleases an office space from TWGI. In 2010, the parties mutually agreed that the Parent Company would not yet share in the rent expense until it earns income from operations.

No rental expense was recognized in 2011, 2010 and 2009.

b) Related party balances

The details of the advances to and from related parties are as follows:

	2011		2010		2009	
	Advances to	Advances from	Advances to	Advances from	Advances to	Advances from
TWGI	P334,737,025	P –	P341,025,464	P –	P330,128,925	P –
FEI	172,303,326		172,273,002	–	172,210,593	–
FEPCo	97,732,903	79,736,392	97,627,350	77,126,128	184,866,540	83,286,025
Forum (FEI)Ltd.	13,905	142,392,874	13,947	142,253,605	15,061	154,005,408
Forum Energy Plc (FEPlc)	171,361,414	60,424,491	171,193,672	60,364,340	105,384,659	65,185,509
Wellex Industries, Inc.	–	1,162	–	–	–	–
	776,148,573	282,554,919	782,133,435	279,744,073	790,605,778	302,476,942
Allowance for impairment		–		–		–
	(196,695,828)		(179,474,769)		(129,309,154)	
	P579,452,745	P282,554,019	P602,133,713	P279,744,073	P633,989,819	P302,476,942

The movement of the allowance for doubtful accounts follows:

	2011	2010	2009
At beginning of year	P 179,474,769	P129,309,154	P129,309,154
Provisions during the year - noyte	17,221,059	50,165,615	–
	P 196,695,828	P179,474,769	P129,309,154

The Group believes that the carrying amount of advances to/from related parties approximates their fair value.

c) Compensation of key management personnel

With the Group's tight cash position, management decided to suspend any form of compensation given to officers. Administrative function for the Group is performed by the affiliates.

10. INCOME TAXES

a) Tax reconciliation

A numerical reconciliation of the tax benefit and the product of accounting loss multiplied by the applicable tax rates follow:

	2011	2010	2009
Loss before tax	(P36,663,191)	(P64,945,234)	(P21,994,602)
Income tax benefit at statutory rate :	(P10,998,357)	(P19,483,570)	(P6,598,273)
Income tax effect on:			
Nondeductible expenses	228,090	831,340	–
Expired NOLCO	150,135	–	–
Expired MCIT	–	20,079	–
Loss on assumption of liabilities	–	–	4,877,877
Reversal of deferred tax liabilities	–	–	(1,321,041)
Unrecognized deferred tax assets	–	–	1,642,364
Change in valuation allowance	10,611,132	18,662,583	128,573
	P –	P 30,432	(P1,270,500)

b) Deferred tax assets and liability

The composition of deferred tax assets is as follows:

	2011	2010	2009
Impairment loss on advances to related parties	P59,008,748	P53,842,430	P38,792,746
NOLCO	3,909,473	3,763,743	150,134
Impairment loss on available-for-sale financial assets	2,796,281	–	–
Unrealized foreign exchange loss	433,303	432,234	432,234
MCIT	50,541	50,541	70,620
Unclaimed input VAT	–	19,369	–
	66,198,346	58,108,317	39,445,734
Valuation allowance	(66,918,346)	(58,108,317)	(39,445,734)
	P –	P –	P –

A corresponding full valuation allowance on deferred tax assets have been established since management believes, that it is more likely than not, that the carryforward benefits will not be realized in the future

As of December 31, 2011 and 2010, the composition of deferred tax liabilities on the unrealized foreign exchange gain on advances from/to related parties amounted to P30,432.

c) NOLCO and MCIT

As of December 31, 2011, the Parent Company has NOLCO and MCIT that can be claimed as deduction from future income tax payable and taxable income, respectively, as follows:

NOLCO

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
2011	2014	P –	P 986,213	P –	P –	P 986,213
2010	2013	12,045,362	–	–	–	12,045,362
2009	2012	–	–	–	–	–
2008	2011	500,448	–	(500,448)	–	–
		P12,545,810	P 986,213	(P500,448)	P –	P 13,031,575

MCIT

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
2010	2013	P 50,541	P –	P –	P –	P 50,541

MCIT of P20,079 as of December 31, 2007 expired in 2010.

d) Relevant Tax Regulations

Effective July 2008, Republic Act 9504 was approved, giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made.

On February 18, 2010, the Bureau of Internal Revenue (BIR) issued RR No. 2-2010. It requires a taxpayer who avails of the OSD in the first quarter of its taxable year to claim the same OSD in determining its taxable income for the rest of the year, including final annual income tax return. Likewise, a taxpayer who avails of itemized deduction on the first quarter of its taxable year or fails to file an income tax return for the first quarter of the taxable year shall have to claim the itemized deduction in determining the taxable income for the rest of the year, including the final income tax return. The amendment is applicable beginning annual period ended December 31, 2009.

The Parent Company opted to adopt the itemized deduction in 2011 and 2010.

11. LOSS PER SHARE

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

	2011	2010	2009
Net loss for the year	(P36,663,191)	(P64,975,666)	(P20,723,742)
Weighted average number of common shares outstanding during the year	1,171,486,871	1,171,486,871	1,171,486,871
	(P 0.031)	(P 0.055)	(P 0.018)

12. COMMITMENTS AND CONTINGENCIES

- i. The Parent Company subleases an office space from TWGI. In 2010, the parties mutually agreed that the Parent Company would not yet share in the rent expense until it earns income from operations.
- ii. On May 7, 2007, the SEC suspended the trading of the Parent Company's shares for late filing of its 2004 and 2005 annual reports. The Parent Company failed to comply with the Suspension Order when it paid the penalty after the due date. However, it committed another violation when it failed to timely file its 2006 annual financial reports and 2007 first quarter reports. On October 19 and November 6, 2007, the Parent Company requested the SEC to allow the Parent Company to pay a monetary fine in lieu of the revocation of the registration of its securities due to late filing of the required reports. On May 5, 2008, a petition was filed to lift SEC's Order of Revocation and was lifted by SEC En Banc on July 31, 2008.

On October 31, 2009, the SEC issued SEC-CFD Order No. 145, series of 2009, revoking the Parent Company's registration of Securities and Permit to Sell Securities for failure to file its 2008 Annual Report, 2009 First Quarter Reports and to pay the penalty of P40,000.

Fines and penalties paid on February 14, 2011 in lieu of the Parent Company's revocation of Registration of Securities and Permit to Sell securities amounted to P2,771,200

On May 13, 2011, the Parent Company again paid SEC in the amount of P760,500 as payment for its outstanding fines and penalties. In 2011, PSE lifted the Parent Company's revocation of Registration of Securities and Permit to sell.

Management believes that there are no commitments and contingent liabilities arising from the normal course of business that will have material impact on the Parent Company financial statements.

13. CORRECTION OF PRIOR PERIOD ERROR

In 2011, the Parent Company admitted that an error was inadvertently made on its 2001 Parent Company financial statements in relation to the recording of the cost of treasury shares purchased.

The above error was corrected during the year in accordance with Philippine Accounting Standards 8 "Accounting policies, change in accounting estimates and errors".

The effects of the correction of prior period error on the beginning balance of 2009 statements of financial position are summarized below:

	As previously reported	Effect of correction	As restated
Treasury shares	P 34,605,596	1,451,154	P 36,056,750
Advances from related parties	303,002,435	(525,493)	(302,476,942)
Subscription receivable	668,382,040	(925,661)	667,456,379

The error in 2001 has no effect in the statement of comprehensive income for 2011, 2010 and 2009.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risk which results from both its operating and financing activities. The Group's risk management is coordinated with the Group, in close cooperation with the Board of Directors, and focuses on actively securing the short-term cash flows by minimizing the exposure to financial markets.

The Parent Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

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

a) Credit risk

Credit risk arises from cash and advances to related parties.

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

	2011	2010
Cash	P 38,213	P 102,082
Advances to related parties – net	579,452,745	602,133,173
	P 579,490,958	P 602,235,255

The credit quality of financial assets is discussed below:

Cash in bank

The Parent Company deposits its cash balance in a universal bank to minimize credit risk exposure.

Advances to related parties

As of December 31, 2011 and 2010, the Group classifies the credit quality of advances to related parties which can be assessed based on the following:

	2011	2010
Group 1	P 442,263,787	P447,723,156
Group 2	137,188,958	154,410,017
Group 3	–	
	P579,452,745	P 602,133,173

- Group 1 – Past due but not impaired with expectation of collection.
- Group 2 – Past due and impaired with expectation of collection.
- Group 3 – Past due and impaired without expectation of collection.

Group 1 and 2 mainly relates to the advances to related parties which are in difficult economic situation.

The details of the Group's aging analysis of financial assets as of December 31, 2011 and 2010 are as follows:

December 31, 2011		Neither past due nor impaired	Past due but not impaired				Impaired
			< 30 days	31-90 days	91-180 days	> 3 years but not impaired	
	Total						
Cash	P 38,213	P 38,213	P -	P -	P -	P -	
Advances to related parties - note 9	579,452,745	-	-	-	-	407,821,669	
	P579,490,958	P 38,213	P -	P -	P -	P407,821,669	
						P171,631,076	

December 31, 2010		Neither past due nor impaired	Past due but not impaired				Impaired
			< 30 days	31-90 days	91-180 days	> 3 years but not impaired	
	Total						
Cash	P 102,082	P102,082	P -	P -	P -	P -	
Advances to related parties - note 9	782,133,435	-	-	-	-	602,658,666	
	P782,235,517	P102,082	P -	P -	P -	P602,658,666	
						P179,474,769	

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.

b) Liquidity risk

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

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

The Group 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 Group's liabilities are as follows:

December 31, 2011		Total	On demand	Less than		
				three months	3-12 months	1-5 years
Advances from related parties	P282,554,019	P -	P -	P -	P282,554,019	
Trade and other payables	2,781,622	-	-	-	2,781,622	
	P285,335,641	P -	P -	P -	P282,554,019	

December 31, 2010		Total	On demand	Less than		
				three months	3-12 months	1-5 years
Advances from related parties	P279,744,073	P -	P -	P -	P279,744,073	
Trade and other payables	6,658,843	-	-	-	6,658,843	
	P286,402,916	P -	P -	P -	P279,744,073	

a) Market risk

Interest risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from bank deposits. The Group's cash in bank earns interest at current interest rate level; any variation in the interest is expected to have an insignificant impact on Group's operation.

Foreign currency risk

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

The Group is mainly exposed to credit risk through its advances from a related party.

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 P343,594 and P343,121 in 2011 and 2010, respectively.

15. CATEGORIES AND FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

a) Categories and fair value of financial assets and liabilities

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statements of financial position are shown below:

Financial assets

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	P 38,213	P 38,213	P 102,082	P 102,082
Advances to related parties – net	579,452,745	579,452,745	602,133,173	602,133,173
Available-for-sale financial assets	75,586,435	75,586,435	81,686,711	81,686,711
	P 655,077,393	P 655,077,393	P683,921,966	P683,921,966

Financial liabilities

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Trade and other payables	P 2,781,622	P 2,781,622	P 6,658,843	P 6,658,843
Advances from related parties	282,554,019	282,554,019	279,744,073	279,744,073
	P 285,335,641	P 285,335,641	P286,402,916	P286,402,916

b) Fair value estimation

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and trade and other payables - These approximate fair values as they are relatively short-term maturities and have no definite terms of payment.

Quoted AFS equity securities - Fair value is based on quoted prices as of reporting dates.

Unquoted AFS equity securities - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Advances to/from related parties – the fair value of advances to/from related parties is not reasonably determined due to the unpredictable timing of future cash flows.

c) Fair Value of Financial Instruments

The different fair value valuation methods are fully disclosed in Note 3.

As of December 31, 2011 and 2010, the fair value of available-for-sale financial assets are measured using Level 1 and Level 2 as follows:

December 31, 2011

	Level 1	Level 2	Total
Available-for-sale financial assets	P 11,695,797	P 4,660,200	P 16,355,997

December 31, 2010

	Level 1	Level 2	Total
Available-for-sale financial assets	P 3,814,938	P 4,660,200	P 8,475,138

16. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

The President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Debt-to-equity ratios as of December 31, 2011 and 2010 are 1.58% and 2.5%, respectively. Total debt is equivalent to debt shown in the statements of financial position. Total equity comprises all components of equity as shown in the statements of financial position. Total equity amounts to P369,948,916 and P397,522,062, as of December 31, 2011 and 2010, respectively.

The Group 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 parties as shown in the statement of financial position) less cash. Total capital is calculated as Equity as shown in the consolidated statements of financial position plus Net Debt.

During 2011, the Group Company's strategy, which was unchanged from 2010, was to keep the gearing ratio below 50% as proportion to net debt to capital. The gearing ratios as at December 31, 2011 and 2010 were as follows:

	2011	2010
Trade and other payables	P 2,781,622	P 6,658,843
Advances from related parties	282,554,019	279,744,073
Less: Cash	(38,213)	(102,082)
Net debt	285,297,428	286,300,834
Total equity	369,948,916	397,522,062
Total capital	P655,246,344	684,348,389
Gearing ratio	43.54%	41.80%

17. **SUPPLEMENTAL NON CASH FLOW INFORMATION**

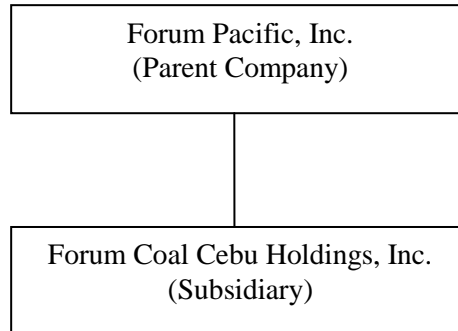
Non-cash flow information of the Group consists of advances granted to related parties from proceeds from sale of available-for-sale financial assets amounting to P11,578,900 and P22,887,556 in 2011 and 2010, respectively.

* * *

FORUM PACIFIC, INC. AND SUBSIDIARY
APPENDIX A – FINANCIAL SOUNDNESS
 DECEMBER 31, 2011

	2011	2010
Profitability ratios:		
Return on assets	Nil	Nil
Return on equity	Nil	Nil
Net profit margin	Nil	Nil
Solvency and liquidity ratios:		
Current ratio	8.71%	1.53%
Debt to equity ratio	77.14%	72.05%
Financial leverage ratio:		
Asset to equity ratio	177.14%	172.05%
Debt to asset ratio	43.55%	41.88%
Interest rate coverage ratio	Nil	Nil

FORUM PACIFIC, INC. AND SUBSIDIARY
APPENDIX B – MAP OF CONGLOMERATE OR GROUP
OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
DECEMBER 31, 2011



FORUM PACIFIC, INC. AND SUBSIDIARY
APPENDIX C – STANDARDS AND INTERPRETATIONS EFFECTIVE FOR
ANNUAL PERIODS BEGINNING JANUARY 1, 2011
DECEMBER 31, 2011

	Effective date	Remarks
<i>Revised standards, amendments to existing standards and interpretations for periods beginning January 1, 2011</i>		
PAS 24 (Revised), Related Party Disclosure	January 1, 2011	Adopted
PAS 32 (Amendment), Financial Instruments: Presentation – Classification of Rights Issues	February 1, 2010	Not applicable
Philippine Interpretation IFRIC 14, PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)	January 1, 2011	Not applicable
Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010	Not applicable
<i>2010 Improvements to PFRS effective for annual periods on or after January 1, 2011</i>		
PFRS 1 (Revised), First-time Adoption of Philippine Financial Reporting Standards	January 1, 2011	Not applicable
PFRS 3, Business Combinations	July 1, 2010	Not applicable
PFRS 7, Financial Instruments: Disclosures	January 1, 2011	Adopted
PAS 1, Presentation of Financial Statements	January 1, 2011	Adopted
PAS 27, Consolidated and Separate Financial Statements	July 1, 2010	Not applicable
PAS 34, Interim Financial Reporting	January 1, 2011	Not applicable
Philippine Interpretation IFRIC 13, Customer Loyalty Programs	January 1, 2011	Not applicable

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2011

Name of Issuing entity and description of Investment	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of reporting period	Income received and accrued
Philippine Estates Corporation	50,196,553	P11,695,797	P11,695,797	
Forum Exploration, Inc.	62,500,000	73,211,573	73,211,573	
		84,907,370	93,278,487	
Allowance for impairment loss		9,320,935	17,692,052	
		75,586,435	75,586,435	

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES,
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
 DECEMBER 31, 2011

Name and designation of debtor	Balance at beginning of period	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
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Not Applicable

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF
FINANCIAL STATEMENTS
DECEMBER 31, 2011

Name and designation of debtor	Balance at beginning of period	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
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Not Applicable

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
 DECEMBER 31, 2011

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Others	P 33,443	P –	P –	P –	P –	P 33,443

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2011

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-term debt" un the related statement of financial position
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Not Applicable

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS
FROM RELATED COMPANIES)
DECEMBER 31, 2011

Name of related party	Balance at beginning of period	Balance at end of period
Affiliates		
The Wellex Group, Inc.	P 340,499,971	P 334,737,025
Forum Exploration, Inc.	172,273,002	172,303,262
Forum Energy, Plc	171,193,672	171,361,415
Forum Exploration (FEI), Ltd.	13,946	13,969
FEPCo	97,627,351	97,732,902
	781,607,942	776,148,573
Allowance for impairment loss	(179,474,769)	(196,695,828)
	P 602,133,173	P 579,452,745

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2011

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
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Not Applicable

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE H – CAPITAL STOCK
DECEMBER 31, 2011

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reversed for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	3,500,000,000	1,171,486,871	–	200,000	2,940,503	1,168,346,368

Interim Financial Statements for the Period Covered
Ended March 31, 2012 and 2011
(Unaudited)

11. Are any or all of these securities listed on the Philippine Stock Exchange?

Yes 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 thereunder, 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 No

(b) has been subject to such filing requirements for the past 90 days.

Yes No

13. The aggregate market value of the voting stock held by non-affiliates: P193,021,150.36

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. Managements Discussion and Analysis of Financial Condition and Results of Operations

□ Income Statements (Amounts in P '000)

	Jan – March 2012	Jan – March 2011
Revenues	-	-
Less: Cost and Expenses	-524	-3,183
Loss from Operation	-524	-3,183
Add: Other Income	-	-
Loss before Income Tax	-524	-3,183
Net Income(Loss)	-524	-3,183
Earnings (Loss) Per Share	-0.00028	-0.00173

□ Balance Sheet (Amounts in P '000)

	Jan – March 2012	Jan – March 2011
ASSETS		
Assets	654,560	684,710
LIABILITIES & STOCKHOLDERS' EQUITY		
Liabilities	285,135	289,846
Stockholders' Equity	369,425	394,864
Total Liabilities & Stockholders' Equity	654,560	684,710

Interim Quarter ended March 31, 2012 Compared with quarter ended March 31, 2011

RESULTS OF OPERATION

Revenue and Earnings per share

- No revenues were recorded for the first qtr of 2012.
- The earnings per share comparison from the first quarter of 2012 and 2011 as follows: (0.00028) and (0.00173) respectively.

Cost and Expenses

- Cost and expenses consisted primarily of professional fees, taxes and licenses, membership dues and subscription, and payment of penalty with SEC.
- Cost and expenses recorded in the first quarter of 2012 was P523,851 and P3,183,017 for Y 2011.

FINANCIAL CONDITION

Current Assets

- Current assets consist mainly of cash and cash equivalent. Part of the current assets account includes the Advances to affiliates, the total amount recorded in the first quarter of 2012 is amounted to Php 50millions, almost the same with Y2011 1st quarter of P50Million.

Available-For-Sale Financial Assets

FEI

In 2003, 66.67% ownership, or 125 million shares of the Parent Company in FEI, was sold to Tracer Petroleum Corporation (TPC), now Forum Energy, Inc. Subsequent to sale, the Parent 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.

ESBI

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

On June 3, 2009, the Parent Company executed a deed of absolute sale for its 127,415 shares in ESBI for P179.63 per share or equivalent to P22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to P122,592,758 or P423.02 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 P22,887,556, 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 P99,705,202 was recorded which resulted to understatement of available-for-sale financial assets and

overstatement of impairment loss in 2008 amounting to P29,170,296.

The fair value of ESBI investment as of December 31, 2009 was based on the actual partial sale that occurred on July 13, 2010 in which 46,602 shares were sold for P4,660,200 at P100/share.

On August 12, 2010, the Parent Company executed a deed of absolute sale for its 115,789 shares in ESBI at P100 per share or equivalent to P11,578,900 which is equal to the carrying value as of December 31, 2009 of P11,578,900. The Parent Company reclassified the corresponding unrealized fair value loss amounting to P9,220,278 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 P4,660,200 was recognized as impairment loss for the year 2011.

PHES

This pertains to the Parent 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, 2011 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value gain was recognized amounting to P7,880,859 and charged to "other comprehensive gain" account in the 2011 statement of comprehensive income and shown separately as "Unrealized fair value gain on available-for-sale financial assets" in equity.

Related Party Transaction Account

In the previous years, the Group extended/obtained advances to/from related parties to finance the exploration activities of the related parties and to fund the overhead expenses of the Group. These advances are, in general, do not have fixed repayment terms and do not carry interest.

The net advances to FEPCo arose from expenses directly incurred by FEPCo on behalf of the Group.

Advances to TWGI

Transactions between the Group and TWGI primarily consist of interest bearing advances granted to finance TWGI's working capital requirements. The Group also subleases its office space from TWGI.

In a special meeting on July 4, 2006, the Board of Directors resolved and approved the amendment of certain terms of the agreement between the Group and TWGI, effective January 1, 2005. The significant amendment is the waiving of the 2.5% interest on the outstanding principal advances of P250 million.

On December 31, 2008, the terms of the agreement with TWGI were further amended and the non-interest bearing loan will be paid equally on a quarterly basis within five years starting March 31, 2010.

Due to default in quarterly payments, management has estimated and recognized impairment loss amounting to P32,944,556 in 2010 for its advances to TWGI.

On December 15, 2011, further amendment on the terms of agreement with TWI was made and the non-interest bearing loan will be paid through assuming working capital requirements of the Group. Total collections of advances from TWGI amounted to P811,361, P5,762,946 and P1,207,854 in the

1st quarter of 2012, Y2011 and Y2010, respectively.

Advances to FEI

The advances to FEI pertain to the carrying value of exploration net assets transferred by the Parent Company. The Company recognized impairment loss amounting to P17,221,059 on its advances to FEI in 2011.

Advances to and from FEPlc

In 2008, the Group recognized a net receivable from FEPlc as a result of a strategic plan to share the Group's financial resources to its related parties to minimize financing cost.

In 2009, prior to the sale of FCCHI's shareholdings on FCCC to CR Nichrome, Inc., FCCHI assumed the outstanding obligations of FCCC from FEPlc amounting to P67.124 million, after offsetting the receivables and payables. A loss amounting to P16,259,591 was recognized as a result of the assumption of liabilities from FEPlc.

Advances to and from FEPCo

The net advances to FEPCo arose from general and administrative expenses directly incurred by FEPCo on behalf of the Group. These general and administrative expenses include salaries and wages, rent, taxes, office expenses and transportation and travel.

Advances from Forum (FEI), Ltd.

This account refers to the obligation of FCCHI from Forum (FEI), Ltd., which has the following major terms:

- i. the loan may be paid in minimum of tranches of US\$250,000 or multiples of such amount, at six- monthly intervals in December and June each year;
- ii. the Borrower shall pay interest in arrears on the loan, in respect of each interest period occurring three years from the anniversary of the effective date on the relevant interest payment date at the floating rate;
- iii. the floating rate means London Interbank Offered Rates (LIBOR) plus three percent;
- iv. the aggregate outstanding amount of the loan shall be repaid in full by the borrower, together with any interest due, on or before the final payment date;
- v. the lender may, at the request of the borrower, remit advances to any subsidiary of the Borrower and may accept payments from any subsidiary or holding company of the Borrower in satisfaction of amounts due to the lender; and
- vi. at the Lender's option, amounts due from the borrower may be offset against the agreed value of services provided by the borrower to the lender or at the lender's request to the lender's subsidiaries or holding companies (other than borrower).

Current liabilities

- This is primarily consists of Trade and Other Payable. An amount of P2,550,902 was recorded for the 1st Quarter of Y2012. This includes payable for retainer's fees of legal counsel and stock transfer agent of the Company.

Non - Current liabilities

- This is primarily consists of Deferred Credits and Advances from Related Parties with total amounted to 283 millions recorded for the first quarter of both 2012 and 2011.

The Top five (5) Key Performance Indicators are:

6. Advances to Related Parties – currently, TWGI is funding all operational expenses of the Company.
7. 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 1st Quarter of Y2012 is 19.72 and 7.61 for 1st Quarter of Y2011.
8. 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 1st Quarter of Y2012 is 0.01 and 0.04 for 1st Quarter of Y2011.
9. 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 1st Quarter of Y2012 is 0.44 and 0.42 for 1st Quarter of Y2011.
10. 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 1st Quarter of Y2012 is 0.77 and 0.73 for the 1st Quarter of Y2011.

(i) Summary of Material Trends, Events and Uncertainties

Forum Pacific, Incorporated

The parent company or FPI. 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.

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 is a holding company, owning shares of stocks of an exploration company and another holding shares of stocks. FPI and its subsidiaries are collectively referred to as "the Group".

On September 23, 2009, FCCHI, with Forum (FEI) Ltd., entered into a Sale and Purchase Agreement (SPA) with CR Nichrome, Inc. for the sale of FCCC. FCCHI then decided through its Board of Directors to liquidate its business through shortening of its corporate term until November 30, 2009. Currently, FCCHI is in the process of completing all requirements for SEC approval and securing clearance from the Bureau of Internal Revenue (BIR). As of September 30, 2009, FCCHI ceased to have control over FCCC.

In 2008, the Parent 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 Parent 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 Parent 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 Parent 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 Parent Company's securities and the permit to sell its securities.

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

On August 31, 2010, the Parent Company received an order of revocation of the registration and the permit to sell the Parent Company's securities due to late filing of the Parent Company's 2009 annual reports. On September 8, 2010, the Parent Company requested for an extension of time until September 30, 2010 for the filing of the Parent Company's 2009 audited financial statements which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Parent 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 Parent 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 Parent Company paid fines and penalties in the amount of P2.77 million in lieu of the Parent Company's revocation of Registration of securities and Permit to sell securities.

On May 13, 2011, the Parent Company again paid SEC in the amount of P760,500 as payment for its outstanding fines and penalties. On May 17, 2011, PSE lifted the Parent 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 Group's ability to continue as a going concern, management and stockholders of the Group have committed in principle to provide full financial support to the Group to sustain its operations, meet the working capital requirements and obligations as they fall due. The Group's management has been on discussion with prospective strategic partners to form a joint venture to engage in all aspects of oil related business, both downstream and upstream. The Group's management believes that such financial support and management plan are sufficient to provide the Group the ability to continue as a going concern. Accordingly, the consolidated financial statements have been prepared on a going concern basis

ii) Events that will Trigger Direct or Contingent Financial Obligation

Since the Forum Pacific Inc. are still looking for a strategic partner to enhance the development of the company specially in exploration business, there are 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.

(ii) 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.

(iii) 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.

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

None

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

The adoption of PFRS 5 stated that "Noncurrent Assets Held for Sale and Discontinued Operations." FPI will have no impact on the consolidated financial statements.

(vi) 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.

(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.

Financial Risk Disclosure

A: Financial condition and results of the operation of the corporation is remarkable during the first quarter of 2011, thus, major adjustment was computed through the audited financial statement.

B-1 There is no major changes and/or impact on the financial condition of the company.

B-2 There is no Foreign Securities considering there are no foreign investments

Other Financial Aspects in regards with the condition of the company. See the Notes to the First Quarter Financial Statement.

PART II - OTHER INFORMATION

(1) Market Information

a) The principal market of Forum Pacific Inc. common equity is the Philippine Stock Exchange, Inc. (PSE) where it was listed. Here are list of the high and low sales price by quarter as follows

		<u>" CLASS A "</u>	
		<u>High</u>	<u>Low</u>
2012	First Quarter	0.28	0.27
2011		<u>High</u>	<u>Low</u>
	First Quarter	-	-
	Second Quarter	0.98	0.14
	Third Quarter	0.24	0.20
	Fourth Quarter	0.28	0.15
2010		<u>High</u>	<u>Low</u>
	First Quarter	-	-
	Second Quarter	-	-
	Third Quarter	-	-
	Fourth Quarter	-	-

Forum Pacific Inc.
List of Top 20 Stockholders - Filipino
As of March 31, 2012

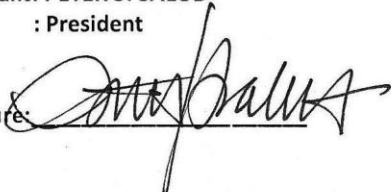
	NAME	CLASS A – NO. OF SHARES HELD	% to TOTAL
1	International Polymer Corp	496,887,494	26.501
2	PCD Nominee Corp.	408,495,824	21.786
3	The Wellex Group, Inc.	376,950,000	20.104
4	E.F. Durkee & Associates, Inc.	77,838,563	4.151
5	Intra-Invest Sec., Inc.	48,159,000	2.568
6	Forum Pacific, Inc.	36,056,750	1.923
7	Metropolitan Management Corporation	30,000,000	1.600
8	Juanito C. Uy	22,625,001	1.207
9	Pacrim Energy N.L.	21,000,000	1.120
10	Sapphire Securities, Inc.	19,433,500	1.036
11	Benito Ong and/or Zita Y. Ong	18,000,000	0.960
12	Renato Chua	16,740,000	0.893
13	Nestor S. Mangio	12,500,000	0.667
14	A & A Securities, Inc.	11,911,320	0.635
15	Mark Securities Corporation	10,772,800	0.575
16	Globalinks SEC & Stocks, Inc.	9,400,000	0.501
17	Belson Securities, Inc	9,200,000	0.491
18	PCD Nominee Corp. (Non-Filipino)	8,250,000	0.440
19	Wealth Securities, Inc.	8,240,000	0.439
20	Ruben M. Gan	7,610,000	0.406

SIGNATURE

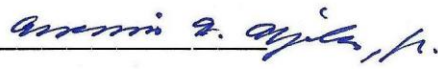
After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on May 10, 2012

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: PETER S. SALUD
Title : President

Signature: 

Registrant: ATTY. ARSENIO A. ALFILER JR.
Title : Corporate Secretary

Signature: 

Registrant: KENNETH T. GATCHALIAN
Title : Treasurer

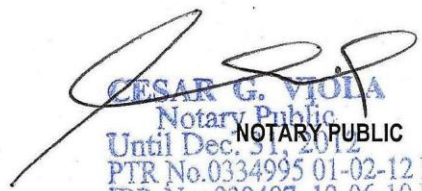
Signature: 

Dated May 10, 2012

SUBSCRIBED AND SWORN to before me this 10 day of MAY, 2012 in PASIG affiant(s) exhibiting to me his/their respective Tax Identification Card as follows:

AFFIANTS	Tax Identification Number
1. Peter S. Salud	107-777-803
2. Arsenio A. Alfiler Jr.	108-760-143
3. Kenneth T. Gatchalian	167-406-526

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Page No.: 53
Book No.: XV
Series of: 2011


CESAR G. VIOLA
Notary Public
NOTARY PUBLIC
Until Dec. 31, 2012
PTR No. 0334995 01-02-12 Mla.
IBP No. 839487 12-06-10 Mla.
Roll No. 15654
MCLE Compliance No. III
0019431 12-2-10

FORUM PACIFIC, INC.
COMPARATIVE CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2012

Annex A.1

ACCOUNT TITLES	Note	Unaudited March 31, 2012	Unaudited March 31, 2011	Audited Dec. 31, 2011
Current Assets				
Cash and cash equivalent	2	38,213	283,712	38,213
Input Tax	2	260,942	-	204,152
Advances to affiliates	4	50,000,000	50,000,000	50,000,000
Total Current Assets		50,299,155	50,283,712	50,242,365
Non-current Assets				
Advances to Related Parties	4	528,641,383	552,658,666	529,452,745
Available for sale Investments -net	3	75,586,435	81,686,711	75,586,435
Other non-current assets		33,444	81,444	33,444
Total Non-current assets		604,261,262	634,426,821	605,072,624
TOTAL ASSETS		654,560,417	684,710,533	655,314,989
Current Liabilities				
Trade and other payables	5	2,550,903	6,605,613	2,781,623
Total Current Liabilities		2,550,903	6,605,613	2,781,623
Non-current Liabilities				
Advances From Related Parties	4	282,554,019	283,209,950	282,554,019
Deferred tax liability		30,432	30,432	30,432
Total Noncurrent Liabilities		282,584,451	283,240,382	282,584,451
TOTAL LIABILITIES		285,135,354	289,845,995	285,366,074
EQUITY				
Capital Stock				
Common stock, P1 par value Authorized 3,5000,000,000 shares				
Issued - 819,355,920 shares		726,735,917	819,355,920	726,735,917
Subscribed - 1,148,264,084 shares (on which subscription receivables amounts to P667,456,380)		480,807,704	387,262,040	480,807,704
Total Equity		1,207,543,621	1,206,617,960	1,207,543,621
Treasury Shares, 36,056,750 shares, at cost		(36,056,750)	(34,605,596)	(36,056,750)
Unrealized fair value loss on Available for sale financial assets		4,166,317	(7,425,459)	4,166,317
Translation adjustments		(1,154,709)	346,330	(1,154,709)
Deficits		(801,384,605)	(767,380,579)	(800,860,753)
Equity Attributable Equity Holders of the Parent		373,113,874	397,552,656	373,637,726
Minority Interest		(3,688,811)	(2,688,118)	(3,688,811)
TOTAL EQUITY		369,425,063	394,864,538	369,948,915
TOTAL LIABILITIES AND EQUITY		654,560,417	684,710,533	655,314,989

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

FORUM PACIFIC, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIOD ENDED MARCH 31, 2012 AND 2011

ACCOUNT TITLES	Jan - March 2012	Jan - March 2011
Revenue	-	-
Costs and Expenses - Note 6	523,851	3,183,017
Gross Income	(523,851)	(3,183,017)
Other Income	-	7
Income (Loss for the Qtr)	<u>(523,851)</u>	<u>(3,183,010)</u>
Loss per Share - Note 7	(0.00028)	(0.00173)

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

FORUM PACIFIC, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOW
For the period ended March 31, 2012

	Unaudited 1st Qtr. Jan.-Mar. 2012	Unaudited 1st Qtr. Jan.-Mar. 2011	Audited Dec. 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	(P 523,851)	(P 3,183,010)	(P 36,663,191)
Adjustments for:			
Impairment loss on advances to related parties	-	-	17,221,059
Impairment loss on available-for-sale financial assets	-	-	17,692,052
Unrealized foreign exchange loss (gain)	-	-	(2,498,166)
Interest income	-	(7)	-
Operating income (loss) before working capital changes	(523,851)	(3,183,017)	(4,248,246)
Increase in input tax	(56,790)	-	(204,152)
Decrease in advances to related parties	811,362	-	5,455,804
Decrease (increase) in other noncurrent assets	-	-	-
Increase (decrease) in trade and other payables	(230,721)	(53,230)	(3,877,221)
Net cash used in operating activities	-	(3,236,247)	(2,873,815)
Income tax paid	-	-	-
Net cash used in operating activities	-	(3,236,247)	(2,873,815)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase (decrease) in non-current assets	-	(48,000)	-
Increase (decrease) in advances from related parties	-	3,465,877	2,809,946
Net cash provided by investing activities	-	3,417,877	2,809,946
NET DECREASE IN CASH	-	181,630	(63,869)
CASH			
At beginning of year	38,213	102,082	102,082
At end of year	P 38,213	P 283,712	P 38,213

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

FORUM PACIFIC, INC. AND SUBSIDIARY
Comparative Consolidated Statements of Changes in Equity
For The Period Ended March 31, 2012 and 2011

	1st Qtr. Jan. - Mar. 2012	1st Qtr. Jan. - Mar. 2011	Audited Dec. 31, 2011
Capital Stock	1,207,543,621	1,206,617,960	1,207,543,621
Treasury Shares	(36,056,750)	(34,605,596)	(36,056,750)
Minority Interest	(3,688,811)	(2,688,118)	(3,688,811)
Unrealized Fair Value Gain (Loss) on Available-For-Sale Financial Assets	4,166,317	(7,425,459)	4,166,317
Translation Adjustment	(1,154,709)	346,330	(1,154,709)
Deficit - Beginning	(800,860,753)	(764,197,562)	(764,197,562)
Net Loss for the period	(523,851)	(3,183,010)	(36,663,191)
Deficit - End	(801,384,604)	(767,380,572)	(800,860,753)
TOTAL STOCKHOLDER'S EQUITY	369,425,064	394,864,545	369,948,915

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

FORUM PACIFIC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2012

Note 1 – Organizational Information

Forum Pacific, Inc., (the “Parent Company”), formerly known as Air Philippines International Corporation, is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on January 8, 1993 mainly 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 financial position and results of operations of the Parent Company and its Subsidiary, (herein referred to as the “Group”) are consolidated in these financial statements.

The Parent Company’s shares are listed and traded in the Philippine Stock Exchange (PSE). Its principal office is located at the 22nd Floor, Citibank Tower, Paseo de Roxas, Makati City.

The Parent Company has 60% ownership interest in Forum Coal Cebu Holdings, Inc. (FCCHI).

On September 23, 2009, FCCHI decided through its Board of Directors to liquidate its business through shortening of its corporate term until November 30, 2009. Currently, FCCHI is in the process of completing all requirements for SEC approval and securing clearance from the Bureau of Internal Revenue (BIR).

MANAGEMENT ASSESSMENT OF THE GOING CONCERN ASSUMPTION AND BUSINESS PLANS

Management’s Assessment of the Going Concern Assumption

Management believes that the going concern assumption is appropriate despite the existence of material uncertainty caused by recurring substantial losses of the Group. The Group had incurred losses from its operations amounting to P36,663,191, P64,975,666 and P20,723,742 in 2011, 2010 and 2009, respectively. Due to prior period losses, the Group has sustained a deficit of P800,860,753, P764,197,562 and P699,221,896 in 2011, 2010 and 2009, respectively.

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

On August 31, 2010, the Parent Company received an order of revocation of the registration and the permit to sell the Parent Company’s securities due to late filing of the Parent Company’s 2009 annual reports. On September 8, 2010, the Parent Company requested for an extension of time until September 30, 2010 for the filing of the Parent Company’s 2009 audited financial statements which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Parent 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 Parent 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 Parent Company paid fines and penalties in the amount of P2.77 million in lieu of the Parent 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 Group's ability to continue as a going concern, management and stockholders of the Group have committed in principle to provide full financial support to the Group to sustain its operations, meet the working capital requirements and obligations as they fall due. The Group's management has been on discussion with prospective strategic partners to form a joint venture to engage in all aspects of oil related business, both downstream and upstream. The Group's management believes that such financial support and management plan are sufficient to provide the Group the ability to continue as a going concern. Accordingly, the consolidated 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.

Note 2 – Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these consolidated financial statements are set forth to facilitate the understanding of data presented in the consolidated statements of financial position. The policies have been consistently applied to all years presented, unless otherwise stated.

Basis of Preparation and Presentation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with 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.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of assets, liabilities, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1 (Revised 2007), *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated. Functional currency is the currency of the primary economic environment in which the Group operates.

Items included in the consolidated financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the entity operates.

Minority Interest

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Parent Company, whether directly or indirectly through subsidiaries and in respect of which the Group has not agreed on any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. Minority interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Parent Company. Minority interests in the results of the Group are presented on the face of the consolidated statements of comprehensive income (loss) as an allocation of the net income (loss) for the year between minority interests and the equity shareholders of the Parent Company.

When losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess and any further losses applicable to the minority are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered in full.

Brief summary of the subsidiary's nature of business and operations

FCCHI

The Parent Company owns 60% of the stockholdings of 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.

As discussed in Note 1, 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. Accordingly, FCCHI changed its basis of accounting in the preparation of its financial statements from the going-concern basis to the liquidation basis of accounting. Financial information of FCCHI for 2009 reflects the remaining assets at their liquidating values as of September 30, 2009.

The Group used the December 31, 2010 unaudited financial statements of FCCHI (substantially the 2009 audited balances) as basis in the preparation of the consolidated financial statements since there were no or very minimal, if any, transactions during the year.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In addition, the following specific criteria must also be met before revenue is recognized:

- Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.
- Dividend income is recognized when the stockholders' right to receive the payment is established.

Cost and expenses are recognized upon utilization of the service or at the date they are incurred.

Financial Assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at each statement of financial position date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss is initially recognized at fair value and transaction costs are expensed in the consolidated statements of comprehensive income.

The foregoing categories of financial assets are more fully described below:

a) Financial assets at fair value through profit or loss

This category includes financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in consolidated statement of comprehensive income as part of other income (expense). Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

The Group has no financial assets at fair value through profit or loss and derivative financial assets classified under this category as of December 31, 2011 and 2010, respectively.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor, with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through amortization process. Interest earned or incurred is recorded as "interest income" in the consolidated statement of comprehensive income.

The Group's cash and advances to related parties are included in this category.

c) *Held-to-maturity financial assets*

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if the Group has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity financial assets are included in non-current assets under Financial Assets account in the statements of financial position, except those maturing within 12 months of the statement of financial position date.

Held-to-maturity financial assets are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes in the carrying amount of the investment are recognized in the consolidated statement of comprehensive income.

The Group has no held-to-maturity financial assets during the years ended December 31, 2011 and 2010.

d) *Available-for-sale financial assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Financial Assets account in the consolidated statements of financial position unless management intends to dispose of the investment within 12 months from the statement of financial position date.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in the consolidated statement of financial position as part of other comprehensive income, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the consolidated statement of comprehensive income when they are sold or when the investment is impaired.

Dividends earned on holding available-for sale financial assets are recognized as "other income" when the right of the payment has been established. These are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the consolidated statement of financial position date.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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 asset and settle the liability simultaneously. This is not generally the case with master netting agreements, when the related assets and liabilities are presented gross in the consolidated statements of financial position.

Impairment of Financial Assets

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if, and only if, there is an objective evidence or impairment as a result of one or more events that has

occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, a breach of contract such as a default or delinquency in interest or principal payments, the probability that the debtor will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortize cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance and the amount of loss is recognized in the statement of comprehensive income. Impaired financial asset together with the associated allowance are written-off when they are assessed as uncollectible.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance. Any subsequent reversal of an impairment loss is recognized to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date and recognized as income. If a write-off is subsequently recovered, the recovery is recognized as income.

Financial assets classified as available-for-sale

For assets classified as available-for-sale, impairment is measured as the difference between the original cost and the fair value. A significant or prolonged decline in the fair value of available-for-sale securities below cost is considered in determining whether the securities are impaired. In the case of impairment, the cumulative loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. If circumstances change, impairment losses on available-for-sale equity instruments are not reversed through profit or loss. On the other hand, if in a subsequent period, the fair value of a debt instrument classified as available-for-sale increase and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Financial assets carried at cost

For assets carried at cost, impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of 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 Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- The Group 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 the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset 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 Group's continuing involvement in the asset.

Claims for Input Value Added Tax (VAT)

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

Other Non-Current Assets

Other noncurrent assets are stated at cost and are recognized when paid.

Financial Liabilities

Financial liabilities are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Group's financial liabilities, except debt instruments classified as at fair value through profit or loss.

Since the Group does not have financial liabilities classified as at fair value through profit or loss, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, when appropriate, a shorter period.

Financial liabilities include advances from related parties and trade and other payables (see Notes 6 and 10).

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

Financial liabilities are derecognized from the statements of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

Equity

Capital stock is determined using the nominal value of shares that have been issued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax. Proceeds and/ or fair value of consideration received in excess of par value are recognized as additional-paid-in capital.

Treasury shares are the Group's equity instruments which are reacquired and recognized at cost and presented as reduction in equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of treasury stock. Any difference in the carrying amount and consideration upon reissuance or cancellation of shares is recognized as additional-paid-in capital.

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

Unrealized fair value gain/loss on change in fair value on available-for-sale financial assets is recognized when there is a difference between the fair value of available-for-sale financial assets and its carrying value.

Retirement Benefits

The Group has no provision for retirement benefit due to absence of employees. In 2009, the Group derecognized the accrued retirement benefit payable recognized in prior year.

Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

Deferred income tax is provided using the balance sheet liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, unused net operating losses carryover (NOLCO) and unused minimum corporate income tax (MCIT), to the extent that it is probable that taxable net profit will be available against which the deductible temporary differences and unexpired NOLCO and MCIT can be utilized.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Income tax relating to items recognized in other comprehensive income is recognized in other comprehensive income and not in profit and loss.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Leases

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Group does not have such arrangement.

The Group accounts for its leases as follows:

a) Group as Lessee

Leases which transfer to the Group 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 consolidated 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 the statement 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 Group 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 consolidated statements of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

b) Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating lease. Lease income from operating lease is recognized in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

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

Earnings Per Share (EPS)

Basic EPS is calculated by dividing the net income or loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any stock dividend declared during the year.

Related Parties and Related Party Transactions

Parties are considered related if one party has control, joint or significant influence over the other party in making financial and operating decisions. The key management personnel of the Group and post-employment benefit plans for the benefit of Group's employees are also considered to be related parties.

Individuals, associates or companies that directly or indirectly control or are controlled by or under common control are considered related parties.

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

Foreign Currency Transactions

The accounting records of the Group are maintained in Philippine peso. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency 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 the consolidated statements of comprehensive income.

Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present

obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial position date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, where time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements.

Contingencies

Contingent liabilities are not recognized in the consolidated 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 outflow of economic benefits is probable.

Events After the Reporting Period

The Group identifies subsequent events as events that occurred after the statement of financial position date but before the date when the consolidated financial statements were authorized for issue. Any subsequent events that provide additional information about the Group's consolidated financial position at the statement of financial position date are reflected in the consolidated financial statements. Events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Note 3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of:

	Forum Exploration, Inc. (FEI)	Express Savings Bank, Inc. (ESBI)	Philippine Estates Corporation (PHES)	Total
As of March 31, 2012				
Net carrying amount, December 31, 2010	P 73,211,573	P 4,660,200	P 3,814,938	P 81,686,711
Write-Off	-	(4,660,200)	-	(4,660,200)
Impairment loss	(9,320,935)	-	-	(9,320,935)
Unrealized fair value gain	-	-	7,880,859	7,880,859
Net Carrying Amount, December 31, 2011	63,890,638	-	11,695,797	75,586,435
Acquisition cost	P 73,211,573	-	P 7,529,480	P 80,741,053
Unrealized fair value gain (loss)	-	-	4,166,317	4,166,317
Accumulated impairment loss	(9,320,935)	-	-	(9,320,935)
Net carrying amount, December 31, 2011	P 63,890,638	-	P11,695,797	P75,586,435
Net carrying amount, as of March 31, 2012	P 63,890,638	-	P11,695,797	P75,586,435

December 31, 2010	FEI	ESBI	PHES	Total
Net carrying amount, December 31, 2009	P 73,211,573	P 16,239,100	P 5,375,638	P 94,826,311
Disposals	-	(11,578,900)	-	(11,578,900)
Unrealized fair value loss	-	-	(1,560,700)	(1,560,700)
Net carrying amount, December 31, 2010	P 73,211,573	P 4,660,200	P 3,814,938	P 81,686,711
Acquisition cost	P 73,211,573	P 28,612,804	P 7,529,480	P180,446,254
Unrealized fair value loss	-	(3,710,917)	(3,714,542)	(7,425,459)
Accumulated impairment loss	-	(20,241,687)	-	(20,241,687)
Net carrying amount, December 31, 2010	P73,211,573	P 4,660,200	P3,814,938	P 81,686,711

FEI

In 2003, 66.67% ownership, or 125 million shares of the Parent Company in FEI, was sold to Tracer Petroleum Corporation (TPC), now Forum Energy, Inc. Subsequent to sale, the Parent 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 less impairment loss since there is no quoted price in an active market.

ESBI

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

On June 3, 2009, the Parent Company executed a deed of absolute sale for its 127,415 shares in ESBI for P179.63 per share or equivalent to P22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to P122,592,758 or P423.02 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 P22,887,556, 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 P99,705,202 was recorded which resulted to understatement of available-for-sale financial assets and overstatement of impairment loss in 2008 amounting to P29,170,296.

The fair value of ESBI investment as of December 31, 2009 was based on the actual partial sale that occurred on July 13, 2010 in which 46,602 shares were sold for P4,660,200 at P100/share.

On August 12, 2010, the Parent Company executed a deed of absolute sale for its 115,789 shares in ESBI at P100 per share or equivalent to P11,578,900 which is equal to the carrying value as of December 31, 2009 of P11,578,900. The Parent Company reclassified the corresponding unrealized fair value loss amounting to P9,220,278 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 P4,660,200 was recognized as impairment loss for the year 2011.

PHES

This pertains to the Parent 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, 2009 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value loss was recognized amounting to P2,153,842 and charged to "other comprehensive loss" account in the 2009 statement of comprehensive income and shown separately as "Unrealized fair value loss on available-for-sale financial assets" in equity.

Note 4. RELATED PARTY TRANSACTIONS AND RELATED PARTY ACCOUNTS

The details of advances to related parties as of March 31, 2012 as follows:

	Nature of Relationship	2011
The Wellex Group, Inc. (TWGI)	Common directorship	P333,925,663
Forum Exploration, Inc. (FEI)	Common directorship	172,303,261
Forum Energy Plc. (FEPIC)	Common directorship	171,361,416
FEPCo	Common directorship	97,732,902
Forum (FEI) Ltd.	Common directorship	13,969
Total		775,337,211
Less: current portion		50,000,000
Non-current portion		725,337,211
Allowance for impairment loss –		(196,695,828)
		P528,641,383

Note 5. – Trade and other payables

This account includes:

	As of March 31, 2012	As of March 31, 2011
Trade Payables	1,264,319	2,158,229
Accrued Expenses	1,285,584	4,432,384
Others	1,000	15,000
Balance	2,550,903	6,605,613

Note 6. – Cost and Expenses

This account includes:

	As of March 31, 2012	As of March 31, 2011
Taxes and licenses	14,673	14,952
Professional fee	253,250	162,000
Printing and reproduction	5,207	3,365
Processing and filing	-	20,500
Registration fee	500	500
Dues and subscription	250,000	250,000
Fines and penalties	-	2,731,200
Transportation and travel	221	500
Balance	523,851	3,183,017

Note 7 – Loss Per Share

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

	As of March 31, 2012	As of March 31, 2011
Income (Loss) as of March 31	(523,851)	(3,183,010)
Weighted average number of common shares		
outstanding during the year	1,838,943,246	1,838,943,246
Loss per Share	(0.00028)	(0.00173)

Note 8 – Commitments and Contingencies

- a. The Parent Company subleases an office space from TWGI. In 2010, the parties mutually agreed that the Parent Company would not yet share in the rent expense until it earns income from operations.
- b. On May 7, 2007, the SEC suspended the trading of the Parent Company's shares for late filing of its 2004 and 2005 annual reports. The Parent Company failed to comply with the Suspension Order when it paid the penalty after the due date. However, it committed another violation when it failed to timely file its 2006 annual financial reports and 2007 first quarter reports. On October 19 and November 6, 2007, the Parent Company requested the SEC to allow the Parent Company to pay a monetary fine in lieu of the revocation of the registration of its securities due to late filing of the required reports. On May 5, 2008, a petition was filed to lift SEC's Order of Revocation and was lifted by SEC En Banc on July 31, 2008.

On October 31, 2009, the SEC issued SEC-CFD Order No. 145, series of 2009, revoking the Parent Company's registration of Securities and Permit to Sell Securities for failure to file its 2008 Annual Report, 2009 First Quarter Reports and to pay the penalty of P40,000.

Fines and penalties paid on February 14, 2011 in lieu of the Parent Company's revocation of Registration of Securities and Permit to Sell securities amounted to P2,771,200.

On May 13, 2011, the Parent Company again paid SEC in the amount of P760,500 as payment for its outstanding fines and penalties. In 2011, PSE lifted the Parent Company's revocation of Registration of Securities and Permit to sell.

- c. Management believes that there are no commitments and contingent liabilities arising from the normal course of business that will have material impact on the Group's financial statements.