

COVER SHEET

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SEC Registration No.

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(Company's Full Name)

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

Atty. Arsenio A. Alfiler Jr.

Contact Person

(632) 706-7888/706-5982

Contact Tel No./Fax No.

1	2	3	1
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Fiscal Year

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	P	R	E	L	I	M	I	N	A	R	Y		

FORM TYPE

3rd Monday of April

Month Day

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

872

Total No. of Stockholders

Total Amount of Borrowings

Domestic

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Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document I.D.

Cashier

STAMPS

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Remarks = pls. use black ink for scanning purposes

20-IS Preliminary: FPI



TABLE OF CONTENTS

	Page
Notice to Stockholders	3
Proxy Form	4
Information Statement	5-16
Certificates of Independent Director	17-22
Management Report	23-47
Directors and Executive Officers	48-51
(Education and Business Experience)	
Audited Financial Statements, Independent Auditor's Report and Audit Report on Additional Components of the Financial Statements	52-118
• Statement of Management's Responsibility for Financial Statements • Independent Auditor's Report • Statements of Financial Position • Statements of Comprehensive Income • Statements of Changes in Equity • Statements of Cash Flows • Notes to Company Financial Statements • Audit Report of Additional Components of the Financial Statements • Appendices and Supplementary Schedules	
Financial Statements for the Quarter Ended June 30, 2018 and 2017	119-163
• Statements of Financial Position • Statements of Comprehensive Income • Statements of Changes in Equity • Statements of Cash Flows • Notes to Company Financial Statements • Appendix	



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Stockholders Meeting of FORUM PACIFIC, INC. will be held at One Café and Events Place 6th Floor, One Corporate Center Pasig City, on Friday, 26 October 2018 at 10:30 a.m., with the following Agenda:

1. Call to Order
2. Certification of Notice and determination of Quorum
3. Approval of Minutes of Previous Meeting
4. Approval of Annual Report for the year ended December 31, 2017
5. Ratification of acts of the Board and Management
6. Election of Directors
7. Election of External Auditor
8. Election of External Counsel
9. Other matters
10. Adjournment

Only stockholders of record as at the close of business on 28 September 2018 are entitled to notice, and to vote at the meeting. The Stock and Transfer Books of the Corporation will be closed from 1 October 2018 to 26 October 2018. Please bring this notice and any form of identification such as driver's license, TIN card, passport, etc. to facilitate registration.

You may attend in person or through your authorized representative with the execution of a proxy. Deadline for submission of proxies is on 2 October 2018. Please note that the Corporation is not soliciting proxies.

Thank you.

A handwritten signature in blue ink, appearing to read 'arsenio a. alfiler, jr.', is written over the printed name.

ARSENIO A. ALFILER, JR.
Corporate Secretary

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

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

PROXY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, stockholder of **FORUM PACIFIC, INC.**, do hereby constitute and appoint _____ as my attorney-in-fact and proxy, to attend and represent me at the Annual Stockholders Meeting of **FORUM PACIFIC, INC.** on **26 October 2018**, and thereat to vote upon _____ shares of stock owned by me on the following agenda items as I have indicated below and any and all business that may come before said meeting. If I fail to indicate my vote on the items specified below, my proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 9, and a "FOR" vote for proposals 1 through 8.

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

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE OCTOBER 2, 2018, THE DEADLINE FOR SUBMISSION OF PROXIES.

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

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

IN WITNESS WHEREOF, the undersigned has executed this PROXY this ____ of _____ 2018 in _____.

Name and Signature of Stockholder/Authorized Representative

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

1. Check the appropriate box:

- ✓ Preliminary Information Statement
Definitive Information Statement

2. Name of Registrant as specified in its charter : **FORUM PACIFIC, INC.
(the "Corporation")**
3. Province, country or other jurisdiction of incorporation or organization : **Metro Manila, Philippines**
4. SEC Identification Number : **SEC Registration No.
AS 93000120**
5. BIR Tax Identification Code : **TIN No. 002-155-598-000**
6. Address of Registrant's Principal Office : **35th Floor One Corporate Centre,
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 : **October 26, 2018 at 10:30 A.M.,
One Café and Events Place
6th Floor One Corporate Centre
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 : **October 5, 2018**
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.

PART 1

A. GENERAL INFORMATION

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

Date, Time, and Place of Meeting : **October 26, 2018
10:30 A.M.,
One Café and Events Place
6th Floor One Corporate Centre
Doña Julia Vargas Ave. cor.
Meralco Ave. Ortigas Center,
Pasig City**

Complete Registrant's Mailing Address : **35th Floor, One Corporate Centre
Doña Julia Vargas Ave. cor.
Meralco Ave. Ortigas Center,
Pasig City**

The approximate date on which the Information Statement are first to be sent and given to the security holders shall be on : **October 5, 2018**

Item 2. 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

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

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

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

B. CONTROL AND OTHER INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Shares as of August 31, 2018;

	Shares Outstanding	No. of Vote Each Share is Entitled
Common Shares:		
Filipino	1,786,288,304	One (1) vote per share

Foreign	52,654,942	One (1) vote per share
Total	1,838,943,246	

The Corporation has 1,838,943,246 outstanding common shares, the only shares traded by the Corporation as of September 30, 2018. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

Record Date:

(b) All stockholders of record as of September 28, 2018 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 August 31, 2018, 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	27.020
Common	PCD Nominee Corporation, 37/F Tower 1, The Enterprise Center, 6766 Ayala Ave. Cor. Paseo De Roxas, Makati City (Stockholder)	PCD Participants and their clients (see note 2)	Filipino	414,777,574	22.555
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	20.498

¹International 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.

²The clients of each company have the power to decide how their shares are to be voted. Natural persons authorized to vote the shares of PCD Nominee cannot be identified until the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney-in-fact.

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.

(2.) Security Ownership of Directors and Management (As of August 31, 2018)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Elvira A. Ting	400,001 (direct)	Filipino	0.022
Common	Peter S. Salud	29,990 (direct)	Filipino	0.002
Common	Kenneth T. Gatchalian	100 (direct)	Filipino	0.000
Common	Arthur R. Ponsaran	1 (direct)	Filipino	0.000
Common	Lamberto B. Mercado, Jr.	100 (direct)	Filipino	0.000
Common	Joaquin P. Obieta	1 (direct)	Filipino	0.000
Common	Omar M. Guinomla	100 (direct)	Filipino	0.000
Common	Richard L. Ricardo	100 (direct)	Filipino	0.000
Common	Byoung Hyun Suh	1,000 (direct)	Korean	0.000
Common	Sergio R. Ortiz-Luis, Jr.	100 (direct)	Filipino	0.000
Common	Ruben Torres	100 (direct)	Filipino	0.000
	Atty. Arsenio A. Alfiler, Jr.	-	Filipino	0.000
All directors and Officers as a group		431,593		0.024

(3.) Voting Trust Holders of 5% or more

There are no voting trust holders of 5% or more.

(4.) Changes in Control

There is no change in control of the Corporation and there is no arrangement of which may result in change of control.

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

Item 5. Directors and Executive Officers

Information required hereunder is incorporated by reference to the section entitled “Directors and Executive Officers of the Registrant” on pages 48 to 51 of the Management Report.

Presented below is the final list of candidates for directors:

The following are expected to be nominated to the Board of Directors of the Corporation for the ensuing year:

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

The aforementioned nominees are all incumbent directors. Their qualifications are presented on pages 45 to 47 of Management Report. The independent directors, Mr. Byoung Hyun Suh, Mr. Sergio R. Ortiz-Luis, Jr. and Ruben Torres will be serving their 7th, 5th and 1 year and 4th month, respectively, as independent directors when elected during the annual meeting. A company's independent director shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting pursuant to SEC Memorandum Circular No. 4 Series of 2017 (Term Limit of Independent Directors).

The Certifications of Independent Directors executed by the aforementioned independent directors of the Corporation are attached hereto. (Please refer to pages 17 and 18)

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

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

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

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

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

A. Definition

1. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the corporation and includes, among others, any person who:
 - 1.1 Is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
 - 1.2 Does not own more than two percent (2%) of the shares of the corporation and/or its related companies or any of its substantial shareholders;
 - 1.3 Is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
 - 1.4 Is not acting as a nominee or representative of any director or substantial shareholder of the corporation, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
 - 1.5 Has not been employed in any executive capacity by the corporation, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;
 - 1.6 Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the corporation, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or
 - 1.7 Has not engaged and does not engage in any transaction with the corporation and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.
2. No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice to other disqualifications which the corporation's Manual on Corporate Governance provides.
3. Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the Commission by appointing independent directors from the list of nominees submitted by the stockholders.
4. When used in relation to a company subject to the requirements above:
 - 4.1 Related company means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and
 - 4.2 Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

B. Qualifications and Disqualifications of Independent Directors

1. An independent director shall have the following qualifications:
 - 1.1 He shall have at least one (1) share of stock of the corporation;
 - 1.2 He shall be at least a college graduate or he has sufficient management experience to substitute for such formal education or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;
 - 1.3 He shall be twenty one (21) years old up to seventy (70) years old, however, due consideration shall be given to qualified independent directors up to the age of eighty (80);
 - 1.4 He shall have been proven to possess integrity and probity; and
 - 1.5 He shall be assiduous.
2. No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:
 - 2.1 He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under letter (A) hereof;
 - 2.2 His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the corporation where he is such director;
 - 2.3 Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family;
 - 2.4 Such other disqualifications that the Corporate Governance Manual provides.

C. Number of Independent Directors

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

D. Nomination and Election of Independent Directors

1. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the corporation's information or proxy statement or such other reports required to be submitted to the Commission.
2. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
3. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.
4. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Corporation is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.
5. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained nor allowed on the floor during the actual annual stockholders' meeting.

6. Election of Independent Director/s
 - 6.1 Except as those required under this Rule and subject to pertinent existing laws, rules and regulations of the Commission, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the company or its by-laws.
 - 6.2 It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent director/s is elected during the stockholders' meeting.
 - 6.3 Specific slot/s for independent directors shall not be filled-up by unqualified nominees.
 - 6.4 In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

E. Termination/Cessation of Independent Directorship

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

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

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

F. Term Limits for Independent Directors

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

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

Significant Employees

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

Family Relationships

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

Involvement in Certain Legal Proceedings

For the past 5 years up to September 30, 2018, the Company is not aware of any bankruptcy proceedings filed by or against any business of a director, person nominated to become a director, executive officer or control person of the Company is a party or of which any of their property is subject.

For the past 5 years up to September 30, 2018, the Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any of its director, person nominated to become a director, executive officer, or control person.

For the past 5 years up to September 30, 2018, the Company is not aware of any order, judgment or decree not subsequently reversed, superseded, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director, person nominated to become a director, executive officer, or control person of the Company in any type of business, securities, commodities, or banking activities.

For the past 5 years up to September 30, 2018, the Company is not aware of any findings by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of its director, person nominated to become a director, executive officer, or control person has violated a securities or commodities law.

Certain Relationships and Related Transactions

In previous years, Forum Pacific, Inc. extended/obtained advances to/from related parties to finance the exploration activities of the related parties and to fund the overhead expenses of the Company. These advances are, in general, do not have fixed repayment terms and do not carry interest. (See Note 10 of the Audited Financial Statements as of and for the year ended December 31, 2017).

Ownership Structure and the Company

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

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

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

Resignation of Directors Due to Disagreement

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

Item 6. Compensation of Directors & Executive Officers

The following table lists the names of the Corporation's Directors and Executive Officers Annual Compensation for the two most recent years including the estimated compensation for year 2018. As observed, there was no compensation, in any form, to all Directors and key officers for the previous years due to the Company's tight cash position.

Name & Position	Year	Salary (In Php)	Other Variable Pay (In Php)
Peter S. Salud Chairman of the Board/Director	2018	–	100,000
	2017	–	100,000
	2016	–	100,000
Elvira A. Ting President/CEO/Director	2018	–	100,000
	2017	–	50,000
	2016	–	50,000
Kenneth T. Gatchalian Treasurer/Director	2018	–	50,000
	2017	–	50,000
	2016	–	50,000
All other officers & directors as a Group unnamed	2018	–	340,000
	2017	–	340,000
	2016	–	340,000

The Chairman, President, Treasurer and three independent directors are the only key officers who will be compensated for 2018.

The members of the Compensation Committee are the following:

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

Standard Arrangement

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

Other Arrangements

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

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

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

Warrants and Options Outstanding

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

Item 7. Appointment of Independent Public Accountants

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

- c. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make statement if they desire to do so and are expected to be available to respond to appropriate questions.
- d. The members of the Audit Committee of the Corporation are the following:
 - 1. Peter Salud – Chairman
 - 2. Elvira A. Ting – Member
 - 3. Byoung Hyun Suh – Member

External Audit Fees and Services

Fees approved in connection with the audit and audit-related services rendered by Diaz Murillo and Company pursuant to the regulatory and statutory requirements for the years ended December 31, 2017 and 2016 amounted to ₱488,000 and ₱480,480 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 2017 and 2016.

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

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

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

The Company submitted its Integrated Annual Corporate Governance Report (ACGR) on May 30, 2018 covering the year 2017.

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

Changes in and disagreements with Accountants and Financial Disclosure

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

Item 8. Compensation Plans

Not applicable.

Item 9. Financial and Other Information

Audited Financial Statements as of 31 December 2017, Management's Discussion and Analysis and Market Price of Shares and other data related to the Corporation's financial information are attached hereto. The schedules required under Part IV(c) of Rule 68 are included in the Annual Report.

Item 10. Mergers, Consolidations, Acquisitions and Similar Matters

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

Item 11. Acquisition or Disposition of Property

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

Item 12. Restatement of Accounts

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

OTHER MATTERS

Item 13. Action with Respect to Reports

- 1) The Annual Report and Audited Financial Statements for the year ended December 31, 2017 will be presented to the stockholders for approval by a majority vote of the stockholders. Approval of the Annual Report and Audited Financial Statements constitutes a ratification of the corporation's performance during the previous fiscal year contained therein.
- 2) Minutes of the Annual Stockholders' Meeting held last October 24, 2017 will also be presented to the stockholders for approval by a majority vote of the stockholders.
- 3) Ratification of the corporate acts of the board of directors, committees and executive officers of the Corporation since October 24, 2017 by a majority vote of the stockholders.
- 4) Election of members of the board of directors for a term of one (1) year.
- 5) Appointment of Diaz Murillo Dalupan and Company, CPAs (DMDC) as external auditors of the Company.
- 6) Appointment of Corporate Counsels, Philippines as external legal counsels of the Company.

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

September 7, 2017

Setting the date of the annual stockholders' meeting on October 24, 2017 at 10:30 in the morning at One Café and Events Place, 6th Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City. The Board also set October 12, 2017 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said meeting.

October 24, 2017

Annual stockholders' meeting for 2017 agenda of which includes:

- a) Approval of minutes of 2016 stockholders' meeting
- b) Election of members of the board of directors for the year 2018-2017
- c) Approval of 2016 Audited Financial Statements
- d) Appointment of External Auditors
- e) Appointment of External Counsels

March 14, 2018

Approval of the audited financial statements including independent auditor's report for the year ended December 31, 2017.

July 19, 2018

Approval of the appointment of new Independent Director Atty. Ruben D. Torres.

August 28, 2018

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

Item 14. Matters Not Required to be Submitted

There is action to be taken with respect to any matter which is not required to be submitted to a vote of the stockholders.

Item 15. Other Proposed Action

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

Item 16. Voting Procedures

- (A) An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient for the approval of:
- 1) Minutes of the Previous Stockholders' Meeting held on October 24, 2017;
 - 2) 2017 Audited Financial Statements;

- 3) Ratification of Corporate Acts of the Board of Directors and Officers of the corporation;
- 4) Appointment of External Counsels;
- 5) Appointment of External Auditors;
- 6) Any other proposed action

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

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

The method by which votes will be counted:

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

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

Item 17. Amendment of Charters, By-Laws & Other Documents

Except for the following, no other amendment was made by the Corporation as of this report:

- 1) Amendment of the Article III of the Articles of Incorporation, as amended at a meeting of the Board of Directors held on March 11, 2011 and at the stockholders' meeting held on July 8, 2011 and approved by the Securities and Exchange Commission (SEC) on September 30, 2011. (Change of principal office address from 22nd Floor Citibank Tower, 8741 Paseo De Roxas, Makati City to 35th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Ave., Brgy. San Antonio, Ortigas Center, Pasig City).
- 2) Amendment of Section 9-13 of the Article III of Corporation's By-Laws as amended at the meeting of the Board of Directors and stockholders held on December 16, 2004 and approved by SEC on September 30, 2011. [Formation of different committees (executive, audit, nomination, compensation and other board committees) including definition of duties and responsibilities].
- 3) Amendment of the Article I of the Articles of Incorporation (amending the name of the Corporation from Air Philippines International Corp. to Forum Pacific, Inc.) as amended at the meeting held by the Board of Directors held on May 2, 2000 and at the stockholders' meeting held on August 8, 2000 and approved by the SEC on November 20, 2000.

Undertaking

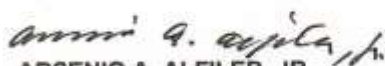
Forum Pacific Inc., as registrant, will provide the stockholders a copy of SEC Form 17- A free of charge. Any written request for a copy of SEC Form 17-A shall be addressed to the Office of the Corporate Secretary c/o FORUM PACIFIC, INC. 35th Floor, One Corporate Centre, Doña Julia Vargas Ave., corner 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 September 11, 2018.

Forum Pacific, Inc.

By :


ARSENIO A. ALFILER, JR.
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

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

- I am an independent director of **Forum Pacific, Inc.** and have been its independent director since 2016.
- I am affiliated with the following companies or organizations:

COMPANY	POSITION	PERIOD OF SERVICE
Alliance Global, Inc.	Vice Chairman	2007 – present
Phil. Chamber of Commerce & Industry	Honorary Chairman/Treasurer	2007 - present
Waterfront Phils., Inc.	Independent Director	2005 – present
PhilExport	President/CEO	2008 - present
ECOP	Past President and Honorary Chairman	2010 - present
Philippine Estates Corporation	Independent Director	2011 - present
B.A. Securities	Independent Director	2012 – present
Acesite (Phils) Hotel Corp.	Independent Director	2013 - present
Consulate Romanian in the Philippines	Honorary Consul General	2015 - present
Welllex Industries, Inc.	Independent Director	2016 – present
Waterfront Manila Premier Development, Inc.	Director	2017
Int'l Chamber of Commerce of the Phil's	Founding Director	Present
Manila Exposition Complex, Inc. (WTC)	Director	Present

- I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Forum Pacific, Inc.**, as provided for in Section 38 of the Securities Regulation Code, its Implement Rules and Regulations and other SEC issuances.
- I am not related to any director/officer/substantial shareholder of **Forum Pacific, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
- To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
- I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
- I shall inform the Corporate Secretary of **Forum Pacific, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day _____ at _____

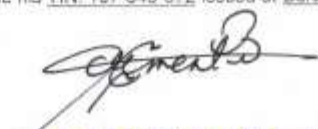

SERGIO R. ORTIZ-LUIS, JR.
 Affiant

10 SEP 2018

Pasig City

SUBSCRIBED AND SWORN to before me this _____ day of _____ at _____
 affiant personally appeared before me and exhibited to me his TIN: 107-846-672 issued at Bureau of Internal Revenue.

Doc. No. 119
 Page No. 25
 Book No. 2
 Series of 2018.


Atty. Lady Mae A. Clemente
 PTR No. 3983436; 1-24-18 Pasig
 IBP Membership No. 029705; RSM
 Roll No. 69675
 MCLE Compliance No. VI-0003249
 Appointment No. 207 (2017-2018)
 35th Floor One Corporate Centre,
 E. Man Vargas Avenue corner Meralco Avenue,
 Triunfo Center, Pasig City

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am an independent director of **Forum Pacific, Inc.** and have been its independent director since June 2011.
2. I am affiliated with the following companies or organizations:

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

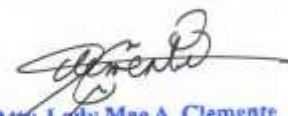
3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Forum Pacific, Inc.**, as provided for in Section 38 of the Securities Regulation Code, its Implement Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of **Forum Pacific, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of **Forum Pacific, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day _____, at _____


BYOUNG HYUN SUH
 Affiant

SUBSCRIBED AND SWORN to before me this 10 SEP 2018 day of Pasig City
 affiant personally appeared before me and exhibited to me his TIN NO: 122-963-522 issued at Bureau of Internal Revenue

Doc. No. 115
 Page No. 24
 Book No. 2
 Series of 2018.


Atty. Lady Mae A. Clemente
 PTR No. 3983436; I-24-18 Pasig
 IBP Membership No. 029705; RSM
 Roll No. 69675
 MCLE Compliance No. VI-0003249
 Appointment No. 207 (2017-2018)
 35th Floor One Corporate Centre,
 Julian Vargas Avenue corner Meralco Avenue,
 Pasig Center Pasig City

CERTIFICATION OF INDEPENDENT DIRECTOR

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

- I am a nominee for independent director of **FORUM PACIFIC, INC.**
- I am affiliated with the following companies or organizations:

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

- I possess all the qualification and none of the disqualifications to serve as an Independent Director of **FORUM PACIFIC, INC.**, as provided for in Section 38 of the Securities Regulation Code, its Implement Rules and Regulations and other SEC issuances.
- I am not related to any director/officer/substantial shareholder of **FORUM PACIFIC INC.**, and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
- To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
- I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
- I shall inform the Corporate Secretary of **FORUM PACIFIC INC.**, of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day _____, at _____


RUBEN D. TORRES
 Affiant

SUBSCRIBED AND SWORN to before me this 10 SEP 2018 day of _____ at Pasig City
 affiant personally appeared before me and exhibited to me his TIN NO. 135-071-068

Doc. No. 117
 Page No. 25
 Book No. 2
 Series of 2018:


Atty. Lady Mae A. Clemente
 PTR No. 3983436; 1-24-18 Pasig
 IBP Membership No. 029705; RSM
 Roll No. 69675
 MCLE Compliance No. VI-0003249
 Appointment No. 207 (2017-2018)
 35th Floor One Corporate Centre,
 Julian Vargas Avenue corner Meralco Avenue
 Trigiga Center, Pasig City

CERTIFICATION

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of September 2018 in the City of Pasig.


ARSENIO A. ALFILER, JR.
Corporate Secretary

Subscribed and sworn to before me this SEP 05 2018 at PASIG CITY, affiant exhibiting to me his TIN with No. 108160743.

Doc. No. 339;
Page No. 69;
Book No. 5;
Series of 2018.





**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**

06 October 2017

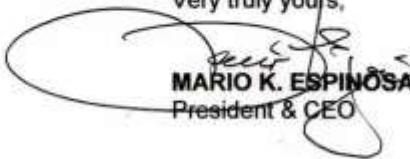
ATTY. LAMBERTO B. MERCADO JR.
Board of Directors Member
PNCC

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

Dear Atty Mercado:

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

Very truly yours,


MARIO K. ESPINOSA
President & CEO

PART 2

MANAGEMENT REPORT AS REQUIRED BY SRC RULE 20 INCLUDING FINANCIAL INFORMATION FOR 2ND QUARTER OF 2018

BUSINESS AND GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

Subsequently on February 14, 2011, the Company paid fines and penalties in the amount of P2.77 million in lieu of the Company's revocation of Registration of securities and Permit to sell securities.

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

Business Plans

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

With the volatile situation of metal and oil prices in the global market, the management's previous plan on banking on new petroleum and gas and other mining contracts is temporarily reserved. The management is currently evaluating potential buyers who recently expressed interest to buy out the Company's remaining 33.33% capital stock investment in Forum Exploration, Inc. (FEI), a subsidiary of Pangilinan-led Forum Energy Plc and the project operator for Libertad Gas Field or Service Contract (SC40). The management is currently on talks with three (3) different companies for the negotiation of the possible sale.

On the other hand, the Company is considering investing into industry of potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy. The management is currently conducting research and feasibility study on this project.

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

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

Plan of Operation

The Company will outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mineral exploration and improve its financial position. As mentioned above, the management is currently discussing on how they will proceed with its remaining 33.33% capital stock investment in Forum Exploration, Inc.: On whether to sell or enter into partnership with potential buyers.

Capital Generation and Satisfaction

The Company will evaluate outstanding receivables and advances to affiliates and design collection program to improve the Company's financial status. The Board will also evaluate calling for the remaining stock subscription as source of fund for the future projects. The Company has net advances to affiliate of ₱277.5M, subscription receivable of ₱600M and unsubscribed stocks of ₱1.6B as of December 31, 2016. The Officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization of business project plan.

Project Research and Development

The Company is affiliated with group of mining companies. Research for areas and land mine with potential mineral deposits is being outsourced from the affiliate's group of researchers composed of geologists and mining engineers. As of this report, the management has yet to identify areas and plan of exploration to be presented to the Board for approval and resolution. With the current situation of the mining sector in the country, whereas Department of Environment and Natural Resources (DENR) is carefully evaluating mining activities, the company will observe due diligence on its planned exploration once the Board approves pursuing investment in mining activities again.

Manpower and Capital Expenditures

The Company is contemplating to purchase equipment needed should the exploration results of the mine sites prove to be favorable. Additional equipment will also be acquired to enhance its operations. Other equipment needed will be provided also by its exploration partner, Forum Exploration, Inc. (FEI).

To date, the Company's main source of revenue came from its 33.33% capital stock investment in Forum Exploration, Inc. (FEI). With the new development on its management, the Company is hoping for a positive return on its investment.

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

2.) Properties and Other assets

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

	Forum Exploration, Inc. (FEI)	Philippine Estates Corporation (PHES)	Taguig Lake City Development Corporation	Total
As of December 31, 2017				
Net carrying amount, December 31, 2016	₱ 63,890,638	₱ 14,055,035	₱ –	₱ 77,945,673
Additions			12,500,000	12,500,000
Write-Off	–	–	–	–
Impairment loss	(10,679,065)	–	–	(10,679,065)
Unrealized fair value gain (loss)	–	3,764,742	–	3,764,742
Net carrying amount, December 31, 2017	₱ 53,211,573	₱ 17,819,777	₱ 12,500,000	₱ 83,531,350
Acquisition cost	₱ 73,211,573	₱ 7,529,480	₱ –	₱ 80,741,053
Unrealized fair value gain (loss)	–	10,290,297	–	10,290,297
Accumulated impairment loss	(20,000,000)	–	–	(20,000,000)
Net carrying amount, as of December 31, 2017	₱ 53,211,573	₱ 17,819,777	₱ –	₱ 71,031,350

	Forum Exploration, Inc. (FEI)	Philippine Estates Corporation (PHES)	Total
As of December 31, 2016			
Net carrying amount, December 31, 2015	₱ 63,890,638	₱ 14,306,018	₱ 78,196,656
Write-Off	–	–	–
Impairment loss	–	–	–
Unrealized fair value gain (loss)	–	(250,983)	(250,983)
Net carrying amount, December 31, 2016	₱ 63,890,638	₱ 14,055,035	₱ 77,945,673
Acquisition cost	₱ 73,211,573	₱ 7,529,480	₱ 80,741,053
Unrealized fair value gain (loss)	–	6,525,555	6,525,555
Accumulated impairment loss	(9,320,935)	–	(9,320,935)
Net carrying amount, as of December 31, 2016	₱ 63,890,638	₱ 14,055,035	₱ 77,945,673

Forum Exploration, Inc. (FEI)

This investment is classified as available-for-sale financial assets as the Company does not

participate in the financial and operating policy of the investee which manifests control or significant influence. As of December 31, 2017, FPI has 33.33% ownership in Forum Exploration, Inc. The investment in FEI is stated at cost less impairment loss since there is no quoted price in an active market.

Philippine Estates Corporation (PHES)

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

The fair value of PHES investment as of December 31, 2017 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value gain was recognized amounting to ₱3,764,742 and charged to "other comprehensive income" account in the 2017 statements of comprehensive income and shown separately as "Unrealized fair value gain (loss) on AFS financial assets" in equity.

The Company's AFS financial assets as at December 31, 2017 and 2016 are not held as collateral for its financial liabilities.

3.) Risks

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

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

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

Credit risk

Credit risk 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 of statement of financial position, as summarized below:

	2017	2016
Cash in bank	₱ 132,421	₱ 527,872
Advances to related parties, net of allowance	254,078,282	278,487,228
	₱ 254,210,703	₱ 279,015,100

The credit quality of financial assets is discussed below:

Cash in bank

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

Advances to related parties

As at December 31, 2017 and 2016, the Company classifies the credit quality of advances to related parties based on the following:

	2017	2016
Group 1	₱ 254,078,282	₱ 278,487,168
Group 2	222,253,710	213,009,332
Group 3	—	—
	₱ 476,331,992	₱ 491,496,500

- 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 Company's aging analysis of financial assets as at December 31, 2017 and 2016 are as follows:

December 31, 2017	Total	Past due but not impaired							Impaired
		Neither past due nor impaired	< 30 days	31-90 days	91-180 days	181-360 days	1-3 years	> 3 years but not impaired	
Cash in bank	P 132,421	P 132,421	P-	P-	P-	P-	P-	P-	P-
Advances to related parties - note 10	476,331,992	-	-	-	-	-	-	254,078,282	222,253,710
	P 476,464,413	P 132,421	P-	P-	P-	P-	P-	P254,078,282	P222,253,710

December 31, 2016	Total	Past due but not impaired							Impaired
		Neither past due nor impaired	< 30 days	31-90 days	91-180 days	181-360 days	1-3 years	> 3 years but not impaired	
Cash in bank	P 527,872	P 527,872	P-	P-	P-	P-	P-	P-	P-
Advances to related parties - note 10	491,496,560	-	-	-	-	-	-	278,487,228	213,009,332
	P492,024,432	P 527,872	P-	P-	P-	P-	P-	P278,487,228	P213,009,332

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.

As at December 31, 2017 and 2016, the Company has entered into an agreement with its related party to settle the advances.

Liquidity risk

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

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

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

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

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

December 31, 2016	Total	On demand	Less than three months	3-12 months	1-5 years
Account payable and other liabilities	P 706,728	P -	P -	P 706,728	P -
Advances from related parties	4,130,606	-	-	-	4,130,606
	P 4,837,334	P -	P -	P 706,728	P 4,130,606

Price risk

The Company is exposed to price risk on the fluctuation on the price or fair value of available-for-sale financial asset. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments. The fair value of available-for-sale financial asset is based on published prices in the market.

If the price of the available-for-sale financial asset had been 10% higher/lower the net income before tax for the year ended December 31, 2017 and 2016 would decrease/increase by ₱8,353,135 and ₱7,794,567, respectively.

Foreign currency risk

The Company 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 Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company is mainly exposed to foreign currency risk through its advances from a related party which amounted to ₱4,139,727 and ₱4,130,606 as at December 31, 2017 and 2016, respectively.

The sensitivity rate used on reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% in foreign exchange rates. A positive number indicates an increase in net income when the Philippine Peso strengthens at 10% against the relevant currency. For 10% weakening of the Philippine Peso against the relevant currency, there would be an equal and opposite impact on the net income. If foreign exchange rates had been 10% higher/lower, the net loss before tax would decrease /increase by ₱413,973 and ₱413,061 in 2017 and 2016, respectively.

Capital Risk Objective and Management

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

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including accrued and other payables and advances from related parties as shown in the Company statement of financial position) less cash. Total capital is calculated as Equity as shown in the Company statement of financial position plus Net Debt.

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

The gearing ratio as at December 31, 2017 and 2016 were as follows:

	2017	2016
Debt	₱ 4,631,590	₱ 4,844,959
Cash	(132,421)	(527,872)
Net debt	4,499,169	4,317,087
Equity	333,149,761	352,156,746
Gearing ratio	1.36%	1.23%

Fair Value Information

Assets measured at fair value

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

	Fair value as at December 31		Fair value hierarchy	Valuation techniques	Significant unobservable input	Relationship of unobservable inputs to fair value
	2017	2016				
AFS financial assets	P17,819,777	P14,055,035	Level 1	Quoted bid prices in an active market	Not applicable	Not applicable

Assets and liabilities not measured at fair value

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

	2017		2016		Fair value hierarchy	Valuation techniques
	Carrying Value	Fair Value	Carrying Value	Fair Value		
Financial Assets						
Advances to related parties -noncurrent	P254,078,282	P246,571,654	P278,487,228	P270,291,975	Level 2	Discounted value of future cash flows
Financial Liabilities						
Advances from related parties	P 4,139,727	P 3,648,799	P 4,130,606	P 3,546,984	Level 2	Discounted value of future cash flows

For the long-term financial assets, the fair value of the non-interest bearing noncurrent assets is determined based on the discounted value of the future cash flows using the prevailing credit adjusted PDEX rates that are specific to the tenor of the instruments' cash flow as at reporting date. Discount rates used range from 4.30% in 2017 and 3.88% in 2016.

The carrying amounts of cash, advances to related parties (current) and accounts payable and other liabilities approximate their fair values due to the relatively short term maturities of these financial instruments.

4.) Legal Proceedings

The Company has a legal case involvement in the "Field Investigation Office v. Prospero Pichay, et. Al. For: Malversation." The case involves a complaint Malversation, violation of R.A. No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act," and violation of the Manual of Regulations for Banks in relation to Section 36 and 37 of R.A. No. 7653, otherwise known as the "New Central Bank Act," wherein the Board of Directors of the Local Water Utilities Administration (LWUA), FPI and The Wellex Group, Inc. (TWGI), among others, are charged with conspiring to (a) effect LWUA's supposed anomalous purchase in June 2009 from FPI (127,415 shares), TWGI (310,036 shares) and other individual stockholders (78,767 shares) of their total 445,377 shares, representing approximately 60% of the total shares, in Express Savings Bank, Inc. (ESBI) in the total amount of P101,363,302.85; and (b) infuse fresh capital in ESBI amounting to a total of P700,000,000. The Company's legal counsel filed a "Joint Rejoinder-Affidavit" dated December 1, 2014 on behalf of the Company's directors. In its Joint Resolution dated March 16, 2015, the Office of the Ombudsman found probable cause against FPI's directors: Mr. Peter S. Salud, Weslie T. Gatchalian, Lamberto B. Mercado, Jr., Rogelio D. Garcia and Evelyn De la Rosa for the alleged crimes.

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

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

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

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

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

A case of illegal dismissal and claims for unpaid salaries, back wages, separation pay and damages was filed by an employee (logistic coordinator), on February 1996. The respondents on the said case are James Dale Hood, Air Philippines International (Formerly), Cophil Exploration & Drilling Co., Air Philippines International, Inc. and Forum Exploration, Inc. The management has its lawyer take care of the settlement and will plan to meet with the Sheriff or labor officer in-charge with the case. As of December 31, 2017, the claimant didn’t make any demands or appeared before the Company’s principal office address to enforce the said writ of execution.

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

There was no matter submitted to a vote of security holders during 2017.

MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

A copy of the Audited Financial Statements as of December 31, 2017 and Unaudited Second Quarter of 2018 Financial Statements are herein attached.

PLAN OF OPERATION

The following discussion and analysis should be read in conjunction with the accompanying financial statements and related notes as of December 31, 2017, 2016 and 2015, included elsewhere in this Annual Report. Our financial statements, and the financial information discussion below, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Forum Pacific, Inc. suffered losses for the past years due to country’s economic crisis that greatly affect the stock market. Management believes that the going concern assumption is appropriate despite the existence of material uncertainty caused by recurring substantial losses of the Company. The Company incurred losses amounting to ₱22,771,727, ₱3,310,490 and ₱2,592,805 in 2017, 2016 and 2015, respectively. To continue as going concern, the officers and major stockholders of the Company has committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

Business Plans

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

The management is currently evaluating potential buyers who recently expressed interest to buy out the Company's capital stock investment in Forum Exploration, Inc. (FEI), a subsidiary of Pangilinan-led Forum Energy Plc and the project operator for Libertad Gas Field or Service Contract (SC40). The management is currently on talks with three (3) different companies for the negotiation of the possible sale.

On the other hand, the Company is considering investing into industry of potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy. The management is currently conducting research and feasibility study on this project.

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

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

Plan of Operation

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

Capital Generation and Satisfaction

The Company will evaluate outstanding receivables and advances to affiliates and design collection program to improve the Company's financial status. The Board will also evaluate calling for the remaining stock subscription as source of fund for the future projects. The Company has net advances to affiliate of ₱254M, subscription receivable of ₱600M and unsubscribed stocks of ₱1.6B as of December 31, 2017. The Officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization of business project plan.

Project Research and Development

The Company is affiliated with group of mining companies. Research for areas and land mine with potential mineral deposits is being outsourced from the affiliate's group of researchers composed of geologists and mining engineers. As of this report, the management has yet to identify areas and plan of exploration to be presented to the Board for approval and resolution. With the current situation of the mining sector in the country, whereas Department of Environment and Natural Resources (DENR) is carefully evaluating mining activities, the company will observe due diligence on its planned exploration once the Board approves pursuing investment in mining activities again.

Manpower and Capital Expenditures

The Company is contemplating to purchase equipment needed should the exploration results of the mine sites prove to be favorable. Additional equipment will also be acquired to enhance its operations. Other equipment needed will be provided also by its exploration partner, Forum Exploration, Inc. (FEI).

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

Key Performance Indicators

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

1. Advances to Related Parties – currently, The Wellex Group, Inc. (TWGI), one of the company's major stockholders, is funding all operational expenses of the Company. Total advances made as of December 31, 2017 and 2016 are ₱15,164,568 and ₱2,729,063, respectively. These advances are offset against the outstanding receivable of the company from TWGI.
2. Current Ratios - Current Assets against the Current Liabilities of the Company. It measures the company's ability to pay short-term obligations. Current Ratio for the Y2017 is 34.91% and 79.63% for Y2016. A significant decrease in the ratio by 44.72% was mainly due to net cash decrease of ₱395,451. The net decrease is composed of cash flows from operating, investing and financing activities.
3. Cash Ratio - the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities. The cash ratio of the company for the Y2017 is 26.92% and 73.90% for Y2016. Same with the current ratio, decrease in cash ratio was due to decrease in cash resulting from the Company's cash flows from operating, investing and financing activities.
4. Debt ratio - It is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the Y2017 is 1.37% and 1.36% for Y2016.
5. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the Y2017 is 1.39% and 1.38% for Y2016.

Financial Highlights

A. Full Calendar Year

The following table shows the comparative operating data and financial statements of the Company for the years ended December 31, 2017, 2016 and 2015.

	Years Ended December 31		
	2017	2016	2015
	₱–	₱–	₱–
Revenues			
Cost and Expenses	2,596,954	2,805,053	2,154,452
Gross Profit (Loss)	(2,596,954)	(2,805,053)	(2,154,452)
Other income (expenses)	(20,174,773)	(505,437)	(438,353)
Net income (loss) before tax	(22,771,727)	(3,310,490)	(2,592,805)
Benefit from (provision for) income tax			
Current	–	–	–
Deferred	–	–	–
Net income (loss) for the year	(22,771,727)	(3,310,490)	(2,592,805)
Other comprehensive loss:			
Unrealized gain (loss) on AFS financial asset	3,764,742	(250,983)	(5,270,638)
Total comprehensive income (loss) for the year	(₱19,006,985)	(₱3,561,473)	(₱7,863,443)
Earnings (loss) per share	(₱0.019)	(₱0.003)	(₱0.002)

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

CHANGES IN RESULTS OF OPERATION

Revenues and Earnings per share

Since the parent company ceased to have control over Express Savings Bank, Inc. and still banking on new petroleum and gas service contracts, the company has no revenues recorded in the year 2015, 2016 and 2017.

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

Cost and Expenses

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

Other Income (Expenses)

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

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

CHANGES IN FINANCIAL CONDITION

ASSETS

Current Assets

Cash

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

Prepayments and other current assets

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

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

Noncurrent Assets

Advances to related parties (net)

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

Advances to TWGI

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

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

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

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

Total collections of advances to TWGI amounted to ₱15,164,568 and ₱2,729,063 in 2017 and 2016, respectively.

Advances to FEI

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

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

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

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

Available-For-Sale Financial Assets

Available-for-sale financial assets as at December 31 consist of:

	2017	2016
Unquoted shares		
Balance at beginning of the year	₱73,211,573	₱73,211,573
Additions	12,500,000	—

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

Unquoted shares - Forum exploration, Inc. (FEI)

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

Quoted shares - Philippine Estates Corporation (PHES)

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

LIABILITIES

Advances from Affiliate

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

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

Accounts Payable and other liabilities

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

Undertaking

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

Calendar Year Ended December 31, 2016 vs. Calendar Year Ended December 31, 2015

CHANGES IN RESULTS OF OPERATION

Revenues and Earnings per share

Since the parent company ceased to have control over Express Savings Bank, Inc. and still banking on new petroleum and gas service contracts, the company has no revenues recorded in the year 2014, 2015 and 2016.

The company incurred losses of ₱3.3M in year 2016, ₱2.6M in year 2015 and ₱19.3M in 2014. Loss per share for 2016, 2015 and 2014 were (₱0.003), (₱0.002) and (₱0.016), respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

Cost and Expenses

Cost and expenses consisted primarily of professional fees, taxes and licenses, PSE annual maintenance fee, management fee and office rental. For the Y2016 and Y2015 amounts recorded were ₱2.8M and ₱2.2M respectively. Increase of ₱0.6M is attributable to the increase in legal expenses in 2016 in connection with the legal case.

Other Income (Expenses)

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

For 2016 and 2015, the Company provided an allowance for impairment of input tax amounting to ₱286,409 and ₱227,446, respectively. No additional allowance for doubtful account on its receivable from Forum Exploration, Inc. (FEI) was provided for both years of 2016 and 2015 as management assessed that said receivable are fully recoverable. Unrealized foreign exchange gain (loss) for 2016 and 2015 are (₱219,496) and (₱211,368), respectively. It arises from the fluctuation of Peso to U.S. dollar exchange rates on the Company's payable to FEI, Ltd. amounting to \$82,229.24 as of December 31, 2016. Interest and other income for 2016, 2015 and 2014 amounted to ₱468, ₱461 and ₱341, respectively.

CHANGES IN FINANCIAL CONDITION

ASSETS

Current Assets

Cash

Cash in bank carries interest at respective bank deposit rate. For the year 2016 and 2015, the total cash and cash equivalents were ₱527,872 and ₱514,110, respectively. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro-Meralco Ave. Branch to facilitate the collection and disbursement processes of the company.

Prepayments and other current assets

The account is composed of advances to officers and employees amounting to ₱40,932 and input tax of ₱1,363,459 with provision for valuation allowance of the same amount.

Input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses. The account has no outstanding balance for the year ended December 31, 2016 and 2015. The Company has provided full valuation allowance on all its input tax for 2016 and 2015 as it sees no economic use for it in the future.

Noncurrent Assets

Advances to related parties (net)

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms or repayments period. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting arrangement. This account consists of advances to Forum Exploration, Inc. (FEI) and The Wellex Group, Inc. (TWGI). Total amount recorded for the year 2016 and 2015, net of allowance for impairment loss of ₱213M, were ₱278.5M and ₱281.2M, respectively.

Advances to TWGI

The account with outstanding balance of ₱319.9M and ₱322.6M as of December 31, 2016 and 2015 respectively, pertains to outstanding receivable from TWGI, a stockholder of the Company. This account pertains to advances obtained by TWGI from the Company to finance its working capital requirements on previous years.

On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱327,540,836 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018. As of December 31, 2016, outstanding obligations amounted to ₱319,865,484, gross of allowance for doubtful accounts amounting to ₱162,253,710.

In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two years but renewable thereafter upon mutual agreement of both parties. The contract was renewed on May 2016 for another two (2) years. Total rental and utilities expense charged to operations amounted to ₱222,000 for both years ended December 31, 2016 and 2015, respectively. Payment for rental and utilities are being offset against advances to TWGI outstanding balance.

Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱480,000 for both years ended December 31, 2016 and 2015, respectively. Likewise, payments for management fee are being offset against advances to TWGI outstanding balance.

Total collections of advances to TWGI amounted to ₱2,729,063 and ₱2,855,056 in 2016 and 2015, respectively.

Advances to FEI

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company in 2007. Balance for the years ended December 31, 2016 and 2015 amounted to ₱120,875,454, net of allowance for impairment loss of ₱50,755,622. The Company recognized an impairment loss amounting to ₱16,313,504 for the year 2014 as review on the FEI financial status and operations showed an unlikely possibility of collection considering that FEI own evaluation shows that Service Contract 40 (SC40) resource estimate was downgraded.

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

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

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

Available-For-Sale Financial Assets

Available-for-sale financial assets as at December 31 consist of:

	2016	2015
Unquoted shares		
Cost	₱ 73,211,573	₱ 73,211,573
Impairment loss	(9,320,935)	(9,320,935)
	63,890,638	63,890,638
Quoted shares		
Cost	7,529,480	7,529,480
Net unrealized fair value gain	6,525,555	6,776,538
	14,055,035	14,306,018
	₱ 77,945,673	₱ 78,196,656

Unquoted shares - Forum exploration, Inc. (FEI)

Investment in unquoted shares of stock represents 33.33% ownership or 62,500,000 shares of the Company in Forum Exploration, Inc. (Inc.) as at December 31, 2016. Previously 100% owned, the Company sold its 66.67% ownership, or 125 million shares to Tracer Petroleum Corporation (TCP), now Forum Energy, Inc. in 2003. Subsequent to sale, the Company did not have any material transaction with FEI, which manifests that it has ceased to have significant influence on the financial and operating policy decisions of FEI. Thus, it is now classified as available-for-sale financial assets in compliance with PAS 39. Investment cost and post-acquisition charges are used to determine the carrying amount of this investment as of reclassification date. The fair value of available-for-sale financial assets approximates its carrying value.

The investment in FEI is stated at cost since there is no quoted price in an active market.

Quoted shares - Philippine Estates Corporation (PHES)

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

LIABILITIES

Advances from Affiliate

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

The Company received cash advances from Forum (FEI) Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI; Company's subsidiary which was formally dissolved last July 6, 2012). The Company received USD denominated cash advances from FEI, Ltd. with no definite terms of payment. Outstanding balance of account as of December 31, 2016 and 2015 were ₱4,130,606 and ₱3,911,110 respectively.

Accounts Payable and other liabilities

These accounts consist of Accounts Payable, Withholding tax Payable and Accrued Expense accounts. Total amounted recorded for 2016 and 2015 were to ₱714,353 and ₱355,941 respectively.

B. Interim Period as of Quarter Ended June 30, 2018

The following are the discussions for the interim report covering the period for the 2nd quarter ended June 30, 2018.

Key Performance Indicators:

1. Advances to Related Parties – currently, TWGI is funding all operational expenses of the Company.
2. Current Ratios – Current Assets against the Current Liabilities of the Company. It measures the company's ability to pay short-term obligations. Current Ratio for the 2nd Quarter of 2018 and 2017 are 553% and 1388%, respectively.
3. Cash Ratio – the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. It measures the amount of cash and cash equivalents there

are in the current assets to cover current liabilities. The cash ratio of the company for the 2nd Quarter of 2018 and 2017 are 401% and 895%, respectively.

4. Debt ratio - It is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the 2nd Quarter of 2018 and 2017 are 1.32% and 1.16%, respectively.
5. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the 2nd Quarter of 2018 and 2017 are 1.34% and 1.17%, respectively.

Financial Highlights

☐ Unaudited Statement of Comprehensive Income

	April – June 2018	April – June 2017	January – June 2018	January – June 2017
Revenues	₱–	–	₱–	–
Less: Cost and Expenses	272,341	544,524	1,048,302	1,264,431
Loss from Operation	(272,341)	(544,524)	(1,048,302)	(1,264,431)
Add: Other Income	(152,072)	128	(456,328)	128
Loss before Income Tax	(424,413)	(544,396)	(1,504,630)	(1,264,303)
Income Tax Expense	–	–	–	–
Net Income(Loss)	(₱424,413)	(544,396)	(₱1,504,630)	(1,264,303)
Earnings (Loss) Per Share	(₱0.0004)	(₱0.00046)	(₱0.0013)	(₱0.00108)

☐ Unaudited Balance Sheet

	As of June 30, 2018	As of June 30, 2017
Assets	₱339,134,962	₱359,061,398
Liabilities	4,478,037	4,153,231
Stockholders' Equity	334,656,925	354,908,167
Total Liabilities & Stockholders' Equity	₱339,134,962	₱359,061,398

Interim Quarter ended June 30, 2018 Compared with quarter ended June 30, 2017

RESULTS OF OPERATION

Revenue and Earnings per share

Since the company is still exploring new business opportunities given the volatile situation of metal and oil prices in the global market, the Company has no revenues for the second quarter of 2018 and 2017.

The company incurred losses of ₱0.4 million and ₱0.5 million for quarters ended June 30, 2018 and 2017, respectively. Earnings (loss) per share for the 2nd quarter of 2018 and 2017 were (₱0.0004) and (₱0.00046), respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

Cost and Expenses

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

Cost and expenses recorded for the 2nd quarter of 2018 and 2017 were ₱272,341 and ₱544,524 respectively.

FINANCIAL CONDITION

Current Assets

Current assets consist of Cash in Bank and Input Tax. Cash in Bank carries interest at respective bank deposit rate. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro to facilitate the collection and disbursement processes of the company. Input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses. Balance of cash in bank as of June 30, 2018 and 2017 were ₱179,508 and ₱202,453, respectively. The Company provided full valuation on its Input tax as of June 30, 2018 amounting to ₱1,764,559.

Available-For-Sale Financial Assets

Available-for-sale financial assets as at June 30 consist of:

	2018	2017
Unquoted shares		
Cost	₱85,711,574	₱ 73,211,573
Impairment loss	(20,000,000)	(9,320,935)
	65,711,574	63,890,638
Quoted shares		
Cost	7,529,480	7,529,480
Net unrealized fair value gain	13,302,090	10,541,279
	20,831,570	18,070,759
	₱86,543,144	₱ 81,961,397

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

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

Express Savings Bank, Inc. (ESBI)

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

The Company's AFS financial assets as at June 30, 2018 and 2017 are not held as collateral for its financial liabilities.

Investments in Subsidiary

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

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

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

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

Related Party Transaction Account

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

Relationships, Transactions and Account Balances

Related Parties	Relationship	Outstanding Balance	
		June 30, 2018	June 30, 2017
The Wellex Group, Inc.	Common key management	₱140,740,207	₱ 155,910,558
Forum Exploration, Inc.	Common key management	111,631,076	120,875,454
Forum Exploration, Ltd.	Common key management	(4,438,164)	(4,130,606)

Advances to The Wellex Group, Inc. (TWGI)

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

On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a three-year promissory note to the Company amounting to ₱330,495,385 without interest. Both parties agreed to renew the promissory note, with all terms and conditions to remain the same, on December 16, 2015 with outstanding balance of ₱322,594,547 for another three years maturing on December 16, 2018.

In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. Total rental and utilities expense charged to operations amounted to ₱55,500 for both periods ended June 30, 2017 and 2016. The lease contract was renewed for another two (2) years when the contract expired last May 2016.

Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱120,000 for both periods ended June 30, 2018 and 2017. The contract was also renewed for another two (2) years when the contract expired last May 2018.

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

	2018	2017
Advances	₱302,993,917	₱ 318,164,268
Allowance for impairment loss	(162,253,710)	(162,253,710)
Net carrying amount	₱140,740,207	₱ 155,910,558

The Company originally provides allowance for impairment amounting to ₱162,253,710 as at

June 30, 2018 and 2017 on advances to TWGI prior to agreements entered to settle the outstanding advances. Allowance for impairment will be reversed once the unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

Advances to Forum Exploration Inc. (FEI)

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

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

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

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

	2018	2017
Advances	₱ 171,631,076	₱ 171,631,076
Allowance for impairment loss	(60,000,000)	(50,755,622)
Net carrying amount	₱ 111,631,076	₱ 120,875,454

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

Advances from Forum (FEI), Ltd.

The Company received cash advances from Forum (FEI), Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI). The advances have no definite terms of payment. Outstanding balance as at June 30, 2018 and 2017 amounted to ₱4,438,164 and ₱4,130,606 respectively.

Remuneration to key management personnel

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

Current liabilities

This is primarily consists of Trade and Other Payable. Outstanding balance as at June 30, 2018 and 2017 amounted to ₱39,873 and ₱22,625, respectively. This includes payable for retainer fees of legal counsel and stock transfer agent of the Company and withholding taxes payable.

Undertaking

A copy of 2nd Quarter Report for the period ended June 30, 2018 or SEC Form 17-Q will be made available during the Annual Stockholders' Meeting.

(i) Summary of Material Trends, Events and Uncertainties

Forum Pacific, Inc.

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

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

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

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

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

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

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

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

Writing-Off of Investments

Express Savings Bank, Inc. (ESBI)

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

On June 3, 2009, the Company executed a deed of absolute sale for its 127,415 shares in ESBI for P179.63 per share or equivalent to ₱22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to ₱1,22,592,758 or ₱423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of December 31, 2008 was recognized as impairment loss in 2008.

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

The fair value of ESBI investment as of December 31, 2009 was based on the actual partial sale that occurred on July 13, 2010 in which 46,602 shares were sold for ₱4,660,200 at P100/share.

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

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

Forum Coal Cebu Holdings, Inc. (FCCHI)

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

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

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

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

ii) Events that will Trigger Direct of Contingent Financial Obligation

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

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

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

(iv) Commitment For Capital Expenditures

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

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

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

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

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

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

June 30, 2017	Total	On demand	Less than three months	3-12 months	1-5 years
Advances from related parties	P 4,130,606	P -	P -	P -	P 4,130,606
Trade and other payables	22,625	-	-	22,625	-
	P 4,153,231	P -	P -	P 22,625	P 4,130,606

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

PFRS 9, Financial Instruments. The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debts investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2017, with earlier application permitted.

The management does not anticipate significant impact on the application of PFRS 9 on the Company's financial statements as the AFS financial assets will continue to be measured at fair value with fair value changes recognize in the other comprehensive income, and advances to related parties, accounts payable and other liabilities and advances from related parties will continue to be measured at amortized cost.

(vii) Material Changes on Line Items in Financial Statements

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

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

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

MARKET INFORMATION

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

<u>"CLASS A"</u>			
		High	Low
2018	First Quarter	0.209	0.204
	Second Quarter	0.197	0.195
2017	First Quarter	0.190	0.189
	Second Quarter	0.207	0.205
	Third Quarter	0.201	0.200
	Fourth Quarter	0.183	0.182
2016	First Quarter	0.240	0.231
	Second Quarter	0.235	0.210
	Third Quarter	0.208	0.202
	Fourth Quarter	0.190	0.180
2015	First Quarter	0.325	0.300
	Second Quarter	0.208	0.208
	Third Quarter	0.295	0.250
	Fourth Quarter	0.225	0.225

The high, low and close market price is ₱0.197, ₱0.195, and ₱0.195 per share as of June 30, 2018, respectively (the latest practicable trading date). There were no stock price quotations for the 1st quarter of 2011 due to trading suspension imposed by PSE for non-compliance with various reports. On May 17, 2011, trading suspension has been lifted after the Company complied thereof. The Corporation has only one class of registered security, "Class A – Common Shares".

The number of shareholders of record as of June 30, 2018 was 871. Common shares issued and subscribed as of June 30, 2018 were 1,838,943,246.

HOLDERS

There are approximately 871 holders of common shares of the Company as of June 30, 2018. Total shares outstanding as of June 30, 2018 were 1,838,943,246 shares with a par value of P 1.00.

**Top 20 Stockholders
Forum Pacific, Inc.
As of June 30, 2018**

	Name	Number of Shares Held Class A	Percentage to Total
1	International Polymer Corporation	496,887,494	27.020
2	PCD Nominee Corporation	414,887,574	22.561
3	The Wellex Group, Inc.	376,950,000	20.498
4	E.F. Durkee & Associates, Inc.	77,838,563	4.233
5	Intra-Invest Sec., Inc.	48,159,000	2.619
6	Metropolitan Management Corporation	30,000,000	1.631
7	Juanito C. Uy	22,625,001	1.230
8	PCD Nominee Coporation (Non-Filipino)	22,600,050	1.229
9	Pacrim Energy N.L.	21,000,000	1.142
10	Sapphire Securities, Inc.	19,433,500	1.057
11	Benito Ong and/or Zita Y. Ong	18,000,000	0.979
12	Li Chih-Hui	17,100,000	0.930
13	Nestor S. Mangio	12,500,000	0.680
14	A & A Securities, Inc.	11,911,320	0.648
15	Mark Securities Corporation	10,772,800	0.586
16	Globalinks Sec. & Stocks, Inc. (A/C# CWUSO001)	9,400,000	0.511
17	Belson Securities, Inc.	9,200,000	0.500
18	Wealth Securities, Inc.	8,240,000	0.448
19	Ruben M. Gan	7,610,000	0.414
20	David Go Securities Corporation	6,880,000	0.374

Cash and Stock Dividend Declared

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

Restriction That Limits The Payment Of Dividends On Common Shares

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

Recent Sales Of Unregistered Securities

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

Directors and Executive Officers of the Registrants

Directors and Executive Officers

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

Name	Age	Citizenship	Position
Peter S. Salud	64	Filipino	Chairman / Director
Elvira A. Ting	57	Filipino	President/Director
Kenneth T. Gatchalian	42	Filipino	Treasurer/Director
Atty. Arthur R. Ponsaran	75	Filipino	Director
Atty. Lamberto B. Mercado,	53	Filipino	Director
Joaquin Obieta	84	Filipino	Director
Omar M. Guinomla	46	Filipino	Director
Richard L. Ricardo	55	Filipino	Director
Byoung Hyun Suh	61	Korean	Independent Director
Sergio R. Ortiz-Luis, Jr.	75	Filipino	Independent Director
Atty. Ruben D. Torres	77	Filipino	Independent Director
Atty. Arsenio A. Alfiler Jr.	72	Filipino	Corporate Secretary

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

Name	Business Experience for the Last Five (5) Years	
Peter S. Salud Chairman/ Director Filipino 64 years old	Forum Pacific Inc. Wellex Industries, Inc. Wellex Petroleum Inc. Sands Mining & Development Corp. Manila Sands Hotel and Casino Inc.	Chairman/Director Treasurer/Director Chairman/Director President/Director

Name	Business Experience for the Last Five (5) Years	
Elvira A. Ting President/ Director Filipino 57 years old BSBA Major in Management <i>Phil. School of Business Administration</i>	Forum Pacific, Inc. Philippine Estates Corporation Waterfront Philippines, Inc. Wellex Industries, Inc. Acesite (Hotels) Phils., Inc. Orient Pacific Corporation Crisanta Realty Devt. Corp. Recovery Devt. Corp. The Wellex Group, Inc. Plastic City Industrial Corp. Waterfront Manila Premier Development, Inc.	President/CEO Treasurer/Director Vice President/Director Vice Chairman/Director Chairman/President/Director Chairman/President/Director Treasurer/Director Treasurer/Director Director Corp. Secretary/Director

Name	Business Experience for the Last Five (5) Years	
Kenneth T. Gatchalian Treasurer/ Director Filipino 42 years old B.S. in Architecture <i>University of Texas, USA</i>	Forum Pacific, Inc. The Wellex Group, Inc. Wellex Industries, Inc. Waterfront Philippines, Inc. Waterfront Manila Premier Development, Inc. Acesite (Hotels) Phils., Inc. Philippine Estates Corporation Orient Pacific Corporation Wellex Mining Corporation	President/Director President/Director President/Director President/Director President/Director Vice Chairman/Director President/Director Chairman/President/Director

	Westland Pacific Properties Corporation Wellex Petroleum, Inc.	Tresurer/Director Corp. Secretary/Director
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Name	Business Experience for the Last Five (5) Years	
Atty. Arthur R. Ponsaran Director Filipino 75 years old CPA Lawyer Business Administration Major in Accounting <i>University of the East</i> Bachelor of Laws <i>University of the Philippines</i>	Forum Pacific, Inc. Philippine Estate Corporation Corporate Counsels, Philippines Law Office Acesite (Hotels) Phils., Inc. Waterfront Philippines, Inc.	Director Managing Partner Director Corporate Secretary

Name	Business Experience for the Last Five (5) Years	
Atty. Lamberto B. Mercado Jr. Director Filipino 53 years old Bachelor of Laws (L.L.B.) <i>Ateneo de Manila University</i> School of Laws Lawyer	Forum Pacific, Inc. MAHEC and CPDSI AHI, FEZ and ZDI Wellex Industries, Inc. Waterfront Philippines, Inc. Philippine National Construction Corporation Wellex Petroleum, Inc. Rexlon Realty Group, Inc. Wellex Mining Corporation	Director Director Director Director Director President/Director Assist. Cop. Sec./Director Corp. Secretary/Director

Name	Business Experience for the Last Five (5) Years	
Atty. Joaquin P. Obieta Director Filipino 84 years old Bachelor of Laws <i>Ateneo de Manila University</i> Chemical Engineering <i>De La Salle University</i> Bachelor of Theology <i>University of Sto. Tomas</i>	Forum Pacific, Inc. Corporate Counsels, Philippines Law Office Philippine Estates Corporation Ateneo de Manila University	Managing Partner Director Law Professor

Name	Business Experience for the Last Five (5) Years	
Richard L. Ricardo Director Filipino 55 years old Bachelor of Science Management Economics <i>Ateneo de Manila University</i>	Forum Pacific, Inc. Wellex Industries, Inc. Waterfront Philippines, Inc. Acesite (Phils.) Hotel Corp. Philippine Estates Corporation The Wellex Group, Inc. Rexlon Realty Group, Inc. Westland Pacific Properties Corporation Wellex Petroleum, Inc. Wellex Mining Corporation	Treasurer/Director Corporate Affairs Officer/ Compliance Officer Vice President for Corporate Affairs/Compliance Officer Treasurer/Investor Relations Officer/Director Corporate Secretary/Director Vice President/Director Corporate Secretary/Director Director Assist. Corp. Sec./Director

Name	Business Experience for the Last Five (5) Years	
Omar M. Guinomla Director Filipino 46 years old A.B. Management <i>De La Salle University</i> Master's in Business Administration <i>Ateneo de Manila University</i>	Present: Forum Pacific, Inc. Wellex Industries, Inc. Recovery Real Estate Corp. Pacific Rehouse Corp. Orient Pacific Corp. Recovery Development Corp.	Director Director Director Assist. Corp. Sec./Director Assist. Corp. Sec./Director

Name	Business Experience for the Last Five (5) Years	
Byoung Hyun Suh Independent Director Korean 61 years old B.S. in Business Administration <i>Korea University,</i> <i>Seoul Korea</i>	Forum Pacific, Inc. Pan Islands, Inc. Overseas Korean Traders Associations Wellex Industries Inc. Bonamis Pharmacy Phil's. Corp. Philippines Estates Corporation Metro Alliance Holdings & Equities Corp.	President President Independent Director President Independent Director Independent Director

Name	Business Experience for the Last Five (5) Years	
Sergio R. Ortiz-Luis, Jr. Independent Director Filipino 75 years old Bachelor of Arts Bachelor of Science in Business Administration Masters of Business Administration <i>De La Salle University</i> PhD Humanities <i>Central Luzon University</i> PhD Business Technology <i>EARIST</i>	Forum Pacific, Inc. Philippine Exporters Confederation Inc. Alliance Global, Inc. Waterfront Philippines, Inc. ECOP BA Securities Waterfront Manila Premier Development, Inc. Acesite (Phils) Hotel Corp. Philippine Estates Corporation Wellex Industries Inc.	President/CEO Vice Chairman Independent Director Past President & Honorary Charman Independent Director Chairman/Director Independent Director Independent Director Independent Director

Name	Business Experience for the Last Five (5) Years	
Atty. Ruben D. Torres Independent Director Filipino 77 years old Bachelor of Arts in Political Science Bachelor of Laws University of the Philippines	Forum Philippines Inc. BPO Workers Association of the Philippines Services Exporters Risk Management & Consultancy Co Trade Union Congress of the Philippines Torres Caparas Torres Law Offices Waterfront Philippines Inc. Acesite Philippines Hotel Corp. Wellex Industries Inc.	President Chairman/CEO VP-International Affairs Senior Partner Independent Director Independent Director Independent Director

Name	Business Experience for the Last Five (5) Years	
Atty. Arsenio A. Alfiler, Jr. Corporate Secretary Filipino 72 years old Bachelor of Laws <i>University of the Philippines</i> B.A. in Public Administration <i>University of the Philippines</i>	Forum Pacific, Inc. Acesite (Phils.) Hotel Corporation Waterfront Philippines, Inc. Iloilo City Development Bank	Assistant Corporate Secretary Assistant Corporate Secretary Assistant Corporate Secretary

CORPORATE GOVERNANCE

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

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

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

The Company submitted its Integrated Annual Corporate Governance Report (IACGR) on May 30, 2018 covering the year 2017.

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

Forum Pacific, Inc.

**Financial Statements
December 31, 2017 and 2016**

Independent Auditor's Report

and

**Audit Report on Additional Components
Of the Financial Statements**

AUDITED FINANCIAL STATEMENTS

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A	A	F	S
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S	E	C	
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N	A		
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forumpacific010393@yahoo.com

706-7888

NA

876

Third Monday of April

December/31

Atty. Arsenio A. Alfiler Jr.

forumpacific010393@yahoo.com

706-7888

NA

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

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



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **FORUM PACIFIC, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2017 and 2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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


PETER S. SALUD
Chairman of the Board


ELVIRA A. TING
President


KENNETH T. GATCHALIAN
Corporate Treasurer



SUBSCRIBED AND SWORN to before me in _____ City/Province, Philippines on _____
affiants personally appeared before me and exhibited to me their

Name
1. PETER S. SALUD
2. ELVIRA A. TING
3. KENNETH T. GATCHALIAN

Tax Identification Number
107-777-803
117-922-153
167-406-526

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

DOC NO: 236
PAGE NO: 68
BOOK NO: 7
SERIES OF: 108

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

Forum Pacific, Inc.

Financial Statements
December 31, 2017 and 2016

and

Independent Auditors' Report

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

Independent Auditors' Report

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

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of **Forum Pacific, Inc.** (the 'Company'), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for each of the three years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has been incurring losses in current and prior years and has accumulated a deficit of about ₱849 million and ₱826 million as at December 31, 2017 and 2016, respectively. As stated in Note 1, these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. To continue as a going concern, the officers and major stockholders of the Company have committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due. We have conducted sufficient audit procedures to verify the validity of the management plan to address the material uncertainty related to going concern. Our opinion is not modified in respect of this matter.

Local in Touch. Global in Reach

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Telephone: +63(2) 894 5882 - 95 / 894 0273 / 844 9421 - 23 / Fax: +63(2) 818 1872
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029
Davao Office : 3rd Floor Building 8 Plaza De Lusa, Ramon Magsaysay Avenue, Davao City 8000 Phone/Fax: +63(82) 222 6636
Website : www.dmdcpa.com.ph

an independent member of  International. A worldwide organization of accounting firms and business advisors



Key Audit Matters

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

Impairment Assessment on Available-for-Sale (AFS) Financial Assets

Portion of the Company's available-for-sale financial assets pertains to investment in unquoted shares of stocks. These investments are stated at cost less impairment loss since there is no quoted price in an active market. During the year, the Company provided an allowance based on management subjective judgement on a "significant" or "prolonged" decline of investments below its cost.

Our Response

Our audit procedures to address impairment assessment on AFS financial assets, which was considered to be a significant risk, included:

- Assessed the valuation methodology used by the management on additional allowance provided.
- Obtained audited financial statements of the investee to verify the status and financial stability and recoverability of the Company's investments.
- Verified the reasonableness of the additional impairment made during the year.

Valuation of Advances to Related Parties

Advances to related parties amounted to approximately ₱254 million and ₱278 million as at December 31, 2017 and 2016, respectively, represent 75% of the total assets. Portion of the advances to related parties pertains to the value of assets transferred by the Company to a related party for exploration and future development work of its oil properties which remained nonmoving and uncollected for more than five (5) years. Thus, the valuation of the receivable was significant to our audit.

Our Response

Our audit procedures to address the risk of material misstatement relating to valuation of receivables, which was considered to be a significant risk, included:

- Obtained understanding on Company's credit and impairment policy.
- Confirmed the necessity and adequacy of impairment provisions by reviewing correspondence and other documentation
- Checked and evaluated methodologies and assumptions used in performing both individual and collective impairment assessment.
- Inspected financial statements of related parties to verify the collectability of the advances.
- Assessed the related parties' repayment abilities.
- Performed recomputation of recoverable amount against carrying value of advances.

The Company's disclosures about its advances to related parties are included in Note 10.



Going Concern

As disclosed in Note 2, the Company incurred losses amounting to ₱22,771,727, ₱3,310,490, and ₱2,592,805 in 2017, 2016, and 2015, respectively. The Company had accumulated deficit of ₱848,627,407 and ₱825,855,680 as at December 31, 2017 and 2016, respectively.

Our Response

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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



Auditors' Responsibilities for the Audits of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



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

Report on Supplementary Information required by the Bureau of Internal Revenue

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

Diaz Murillo Dalupan And Company

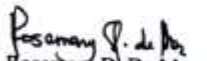
Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until August 11, 2020

SEC Accreditation No. 0192-FR-2, Group A, effective until May 1, 2019

BIR Accreditation No. 08-001911-000-2016, effective until March 17, 2019

By:


Rosemary D. De Mesa

Partner

CPA Certificate No. 29084

SEC Accreditation No. 1089-AR-2, Group A, effective until May 10, 2020

Tax Identification No. 104-576-953

PTR No. 6615250, January 4, 2018, Makati City

BIR Accreditation No. 08-001911-007-2016, effective until March 17, 2019

March 14, 2018



FORUM PACIFIC, INC.
Statements of Financial Position



	2017	2016
ASSETS		
Current Assets		
Cash - note 5	P 132,421	P 527,872
Prepayments and other current assets (net) - note 6	39,298	40,932
	171,719	568,804
Noncurrent Assets		
Available-for-sale financial assets (net) - note 7	83,531,350	77,945,673
Advances to related parties (net) - note 10	254,078,282	278,487,228
	337,609,632	356,432,901
TOTAL ASSETS	P 337,781,351	P 357,001,705
LIABILITIES AND EQUITY		
Current Liability		
Accounts payable and other liabilities - note 8	P 491,863	P 714,353
Noncurrent Liability		
Advances from related party - note 10	4,139,727	4,130,606
	4,631,590	4,844,959
Equity		
Capital stock - note 9	1,207,543,621	1,207,543,621
Unrealized fair value gain on AFS financial assets - note 7	10,290,297	6,525,555
Deficit - note 2	(848,627,407)	(825,855,680)
	369,206,511	388,213,496
Treasury shares - note 9	(36,056,750)	(36,056,750)
	333,149,761	352,156,746
TOTAL LIABILITIES AND EQUITY	P 337,781,351	P 357,001,705

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



FORUM PACIFIC, INC.
Statements of Comprehensive Income

	For the Years Ended December 31		
	2017	2016	2015
COSTS AND EXPENSES - note 11			
OTHER EXPENSES (net) - note 12	(P 2,596,954)	(P 2,805,053)	(P 2,154,452)
LOSS BEFORE INCOME TAX	(20,174,773)	(505,437)	(438,353)
BENEFIT FROM INCOME TAX - note 13	(22,771,727)	(3,310,490)	(2,592,805)
Current			
Deferred	-	-	-
NET LOSS FOR THE YEAR	-	-	-
OTHER COMPREHENSIVE INCOME (LOSS)	(22,771,727)	(3,310,490)	(2,592,805)
Subject to reclassification to profit or loss:			
Unrealized fair value gain (loss) on AFS financial assets - note 7	3,764,742	(250,983)	(5,270,638)
TOTAL COMPREHENSIVE LOSS	(P 19,006,985)	(P 3,561,473)	(P 7,863,443)
LOSS PER SHARE - note 14	(P 0.019)	(P 0.003)	(P 0.002)

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



FORUM PACIFIC, INC.
Statements of Changes in Equity

	Capital Stock (Note 9)	Treasury Shares (Note 9)	Deficit (Note 2)	Unrealized Fair Value Gain (Loss) on AFS Financial Assets (Note 7)	Total
Balance as at January 1, 2015	P 1,207,543,621	(P 36,056,750)	(P 819,952,385)	P 12,047,176	P 363,581,662
Comprehensive loss					
Net loss for the year	-	-	(2,592,805)	-	(2,592,805)
Other comprehensive loss	-	-	-	(5,270,638)	(5,270,638)
Total comprehensive loss for the year	-	-	(2,592,805)	(5,270,638)	(7,863,443)
Balance as at December 31, 2015	1,207,543,621	(36,056,750)	(822,545,190)	6,776,538	355,718,219
Comprehensive loss					
Net loss for the year	-	-	(3,310,490)	-	(3,310,490)
Other comprehensive loss	-	-	-	(250,983)	(250,983)
Total comprehensive loss for the year	-	-	(3,310,490)	(250,983)	(3,561,473)
Balance as at December 31, 2016	1,207,543,621	(36,056,750)	(825,855,680)	6,525,555	352,156,746
Comprehensive income (loss)					
Net loss for the year	-	-	(22,771,727)	-	(22,771,727)
Other comprehensive income	-	-	-	3,764,742	3,764,742
Total comprehensive income (loss) for the year	-	-	(22,771,727)	3,764,742	(19,006,985)
Balance as at December 31, 2017	P 1,207,543,621	(P 36,056,750)	(P 848,627,407)	P 10,290,297	P 333,149,761

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

FORUM PACIFIC, INC.
Statements of Cash Flows

	For the Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(P 22,771,727)	(P 3,310,490)	(P 2,592,805)
Adjustments for income tax:			
Provision for impairment of input tax - note 12	242,976	286,408	227,446
Provision for impairment on advances to related parties - note 12	9,244,378	-	-
Provision for impairment of AFS financial assets - note 12	10,679,065	-	-
Unrealized foreign exchange loss - note 12	9,121	219,496	211,368
Operating loss before working capital changes	(2,596,187)	(2,804,586)	(2,153,991)
Increase in prepayments and other current assets	(241,341)	(269,127)	(247,429)
Increase (decrease) in accounts payable and other liabilities	(222,491)	358,412	(70,712)
Net cash used in operating activities	(3,060,019)	(2,715,301)	(2,472,132)
CASH FLOW FROM INVESTING ACTIVITIES			
Collection of advances to related parties - note 10	15,164,568	2,729,063	2,855,056
Additions to AFS financial assets - note 7	(12,500,000)	-	-
Net cash provided by investing activities	2,664,568	2,729,063	2,855,056
NET INCREASE (DECREASE) IN CASH	(395,451)	13,762	382,924
CASH - note 5			
At beginning of year	527,872	514,110	131,186
At end of year	P 132,421	P 527,872	P 514,110

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

FORUM PACIFIC, INC.

Notes to Financial Statements

As at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017

1. CORPORATE INFORMATION

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

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

The accompanying financial statements of the Company as at and for the year ended December 31, 2017 including its comparatives for 2016 and 2015 were approved and authorized for issue by its Board of Directors (BOD) on March 14, 2018.

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

Management's Assessment of the Going Concern Assumption

The Company incurred losses amounting to ₱22,771,727, ₱3,310,490, and ₱2,592,805 in 2017, 2016, and 2015, respectively. The Company had accumulated deficit of ₱848,627,407 and ₱825,855,680 as at December 31, 2017 and 2016, respectively. To continue as a going concern, the officers and major stockholders of the Company have committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

Business Plans

With the volatile situation of metal and oil prices in the global market, the management's previous plan on banking on new petroleum and gas and other mining contracts is temporarily reserved. For 2017 the Company plans to undertake the following:

- Aside from the new investment in Taguig Lake City Development Corporation, the Company will further outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mineral exploration.
- Continue research for areas and land mine with potential mineral deposits using affiliated Group's geologists and engineers.
- Evaluate acquisition of equipment should the mine sites proved to be favorable.

- Evaluate advances to affiliates and design collection program to improve the Company's financial status. As at December 31, 2017 and 2016, the Company has existing contracts with TWGI to collect outstanding advances (see Note 10).
- Evaluate calling for the remaining stock subscription as source of fund for future projects. The Company has outstanding ₱667,456,379 subscription receivable as at December 31, 2017 (see Note 9).

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

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Statement of Compliance

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

Basis of Preparation

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

Functional and Presentation Currency

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2017.

PAS 7 (Amendment), Statement of Cash Flows – Disclosure Initiative. The amendment require to provide disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

PAS 12 (Amendments), Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses. These amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments also clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.

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

Annual Improvements to PFRSs 2014-2016 Cycle

The Annual Improvements to PFRSs 2014-2016 Cycle sets out the amendments to PFRS 1, PFRS 12 and PAS 28. The amendments to PFRS 12 are adopted by the Company for the current year. The other amendments are not yet mandatorily effective and have not been early adopted by the Company.

The annual improvements addressed the following issues:

PFRS 12 (Amendments), Disclosure of Interests in Other Entities – Clarification of the Scope of the Standard. The amendments clarify the scope of PFRS 12 by specifying that its disclosure requirements, except for those in paragraphs B10–B16, apply to an entity's interests that are classified (or included in a disposal group that is classified) as held for sale or discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The application of the above improvements has no material impact on the disclosures and amounts recognized on the Company's financial statements.

New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2017

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

Annual Improvements to PFRS 2014-2016 Cycle

The Annual Improvements to PFRS 2014-2016 Cycle sets out the amendments to PFRS 1, PFRS 12 and PAS 28. The amendments to PFRS 1 and PAS 28 are effective for annual periods beginning on or after January 1, 2018. The amendments to PAS 28 shall be applied retrospectively with earlier application permitted.

The annual improvements addressed the following issues:

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

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

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

PAS 40 (Amendments), Investment Property – Transfers of Investment Property. The amendments clarify that to transfer to, or from, investment properties there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The application of the amendments provides two options for transition: (a) An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments; or (b) retrospective application if, and only if, that is possible without the use of hindsight. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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

PFRS 2 (Amendment), Share-based Payment – Classification and Measurement of Share-based Payment Transactions. The amendment address the: (a) accounting for modifications to the terms and conditions of share-based payments that change the classification of the transaction from cash-settled to equity-settled; (b) accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; and (c) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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

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

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

PFRS 9, Financial Instruments (2014). The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2018, with earlier application permitted.

The management does not anticipate that the application of PFRS 9 will have a significant impact on the financial statements as the Company's AFS financial assets will continue to be measured at fair value with fair value recognize in the other comprehensive income, and other financial assets and financial liabilities pertains only to debt securities that will continue to be measured at amortized cost.

PFRS 15, Revenue from Contracts with Customers. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in that framework is that an entity should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps: (a) identify the contracts with customers; (b) identify the performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the performance obligations in the contract; and (e) recognize revenue when the entity satisfies a performance obligation. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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

PFRS 15 (Amendments), Revenue from Contracts with Customers – Clarifications to PFRS 15 Revenue from Contracts with Customers. This addresses clarifying amendments to PFRS 15 and introduced a transitional relief for entities applying the standard for the first time. The focus of these amendments is on clarifying the application of PFRS 15 when (a) identifying performance obligations by clarifying how to apply the concept of 'distinct', (b) determining whether an entity is acting as principal or an agent in a transaction by clarifying how to apply the control principle, and (c) assessing whether a license transfers to a customer over time or at a point in time by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights. The amendments also add two practical expedients to the transition requirements of PFRS 15 for completed contracts under the full retrospective transition approach and contract modifications at transition. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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

Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration. This interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. This interpretation is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The interpretation will have no significant impact on the Company's financial statements.

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

The interpretation will have no significant impact on the Company's financial statements.

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

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

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

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

PFRS 16, Leases. This new standard introduces a single lessee accounting model to be applied to all leases, whilst substantially carries forward the lessor accounting requirements in PAS 17 Leases. Lessees recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value. Whereas, lessors continue to classify leases as operating leases or finance leases, and to account for those two types of leases differently. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

The adoption of the standard will have an impact on recognition of lease expenses, noncurrent assets and liabilities.

Financial Instruments

Initial recognition, measurement and classification of financial instruments

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

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

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at fair value through profit and loss (FVPL), loans and receivables, available-for-sale (AFS) financial assets and held-to-maturity (HTM) investment. The Company also classifies its financial liabilities into FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017 and 2016, the Company did not hold any financial assets at FVPL and HTM investment, and financial liabilities at FVPL.

Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

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

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

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

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

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

The Company determines the policies and procedures for both recurring fair value measurement, such as financial assets at FVPL, and for non-recurring measurement, such as investment properties.

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

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

"Day 1" Difference

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated, taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company's loans and receivables comprise of cash and advances to related parties (see Notes 5 and 10).

Cash

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

Available-for-sale (AFS) Financial Assets

AFS financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the three other categories. The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the statement of comprehensive income under other comprehensive income as "Unrealized fair value gain (loss) on AFS financial assets", net of deferred income tax effect. When fair value cannot be reliably measured, AFS financial assets are measured at cost less any impairment in value.

When the investment is disposed or determined to be impaired, the cumulative gains or losses recognized in other comprehensive income is reclassified from equity to the income statement as reclassification adjustment. The amount of the cumulative loss that is reclassified from equity to the income statement is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on the financial assets previously recognized in the statement of comprehensive income.

Impairment loss recognized in the statement of comprehensive income for an investment in an equity instrument classified as AFS is not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as AFS 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 shall be reversed, with the amount of the reversal recognized in the statement of comprehensive income.

Interest earned on the investments is reported as interest income using the effective interest method. Dividends earned on investments are recognized in the statement of comprehensive income when the right of payment has been established. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve (12) months from the end of reporting period.

The Company's AFS financial assets include equity securities as at December 31, 2017 and 2016 (see Note 7).

Other Financial Liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Other financial liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) while nontrade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as noncurrent liabilities.

Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2017 and 2016, included in other financial liabilities are the Company's accounts payable and other liabilities (excluding government liabilities), and advances from related party (see Notes 8 and 10).

Accounts payable and other liabilities

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other current liabilities include non-trade payables, accrued expenses and due to government agencies.

Offsetting of Financial Assets and Liabilities

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Impairment of Financial Assets

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

Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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 discounted at the current market rate of return of a similar financial asset.

(b) Loans and receivables

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets 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.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a 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 (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the statement of comprehensive income.

If in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, and the increase or decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the statement of comprehensive income. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company.

(c) AFS financial assets

For AFS financial assets, the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as greater than twelve (12) months for quoted equity securities. Where there is evidence of impairment, 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 other comprehensive income is removed from other comprehensive income and recognized in the statement of comprehensive income.

Impairment losses on equity investments are not reversed through the statement of comprehensive income. Increases in fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost.

Input Tax

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

Impairment of Non-Financial Assets

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

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

Retirement Benefits

The Company does not provide any retirement benefits because it does not have any employee as at December 31, 2017 and 2016. The Company's administrative functions are performed by its related party, The Wellex Group, Inc. (TWGI).

Current and Deferred Income Tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates and laws, in the period the temporary difference are expected to be recovered or settled, that have been enacted or substantively enacted as at reporting period.

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

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

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

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

Leases

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

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

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

Related Parties and Related Party Transactions

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

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

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

Equity

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

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

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

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

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

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

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

Revenue Recognition

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

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

Cost and Expense Recognition

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

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

Foreign Currency Denominated Transactions

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

Basic Earnings (Loss) Per Share

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

Provisions and Contingencies

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

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

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

Events after the Reporting Period

Post year-end events that provide additional information about the Company's position at the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, AND ESTIMATES AND ASSUMPTIONS

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

Significant Accounting Judgments in Applying the Company's Accounting Policies

Operating lease commitments

The Company has entered into contract of lease for the office space it occupies. The Company has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Company considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset. The Company accordingly accounted for these as operating leases.

Provisions and contingencies

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

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

On a resolution issued by Sandiganbayan Fourth Division dated November 17, 2017, hereby dismissed the Company's Directors on the above-mentioned case.

As at December 31, 2017 and 2016, the Company has no outstanding liabilities in relation to the above-mentioned case.

Significant Accounting Estimates and Assumptions

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

Impairment of input tax

Management believes that the recoverability of input tax is doubtful since the Company is not expecting income subject to output tax in the near future. Consequently, the Company has provided full valuation allowance of its input tax in 2017 and 2016.

The Company's input tax amounted to ₱1,606,434 and ₱1,363,458 as at December 31, 2017 and 2016, respectively (see Note 6).

Deferred tax assets

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

The Company's unrecognized deferred tax assets amounted to ₱9,331,306 and ₱5,910,394 as at December 31, 2017 and 2016, respectively (see Note 13).

Allowance for impairment of advances to related parties

Allowance for impairment of advances to related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the status of the advances to related parties, past collection experience and other factors that may affect collectibility. Advances to related parties amounted to ₱254,078,282 and ₱278,487,228, net of allowance for impairment loss of ₱222,253,710 and ₱213,009,332, as at December 31, 2017 and 2016, respectively (see Note 10).

Allowance for impairment on AFS carried at cost

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

During the year, the Company provided an additional allowance for impairment loss amounting to ₱10,679,065 (see Note 12).

The Company's available-for-sale financial assets amounted to ₱83,531,350 and ₱77,945,673 as at December 31, 2017 and 2016, respectively (see Note 7).

5. CASH

Cash represents cash in bank with outstanding balance of ₱132,421 and ₱527,872 as at December 31, 2017 and 2016, respectively. Interest income earned from bank deposits were ₱767, ₱467 and ₱461 for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 12).

Cash in banks generally earns interest at annual rates based on daily bank deposit rates ranging from 0.125% to 0.25% per annum in 2017 and 2016.

There is no restriction on the Company's cash as at December 31, 2017 and 2016.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2017	2016
Input tax	₱ 1,606,434	₱ 1,363,458
Other current assets	39,298	40,932
	1,645,732	1,404,390
Less: Valuation allowance on input tax	(1,606,434)	(1,363,458)
	₱ 39,298	₱ 40,932

Movements in the allowance on input tax are as follows:

	2017	2016
Balance at beginning of year	₱ 1,363,458	₱ 1,077,050
Provision during the year – note 12	242,976	286,408
Balance at end of year	₱ 1,606,434	₱ 1,363,458

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

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

7. **AVAILABLE-FOR-SALE FINANCIAL ASSETS (net)**

Available-for-sale financial assets as at December 31 consist of:

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

Investment in unquoted shares of stock represents ownership of the Company in Forum Exploration, Inc. (FEI) (see Note 10). Additional investment made during the year represents ownership in Taguig Lake City Development Corporation. These investments are classified as AFS financial assets as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost less impairment loss since there is no quoted price in an active market.

Movements in impairment loss are as follows:

	2017	2016
Balance at beginning of year	₱ 9,320,935	₱ 9,320,935
Provision during the year – note 12	10,679,065	–
Balance at end of year	₱ 20,000,000	₱ 9,320,935

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

The movements in the net unrealized fair value gain on available-for-sale financial assets are as follows:

	2017	2016	2015
At beginning of year	₱ 6,525,555	₱ 6,776,538	₱12,047,176
Fair value changes during the year	3,764,742	(250,983)	(5,270,638)
At end of year	₱ 10,290,297	₱ 6,525,555	₱ 6,776,538

The component of deferred income tax recognized in other comprehensive income from unrealized fair value gain (loss) on AFS financial assets amounted to ₱1,129,423, (₱75,295), and (₱1,581,191) for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 13).

The Company's AFS financial assets as at December 31, 2017 and 2016 are not held as collateral for its financial liabilities.

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	2017	2016
Accounts payable	₱ 44,238	₱ 15,000
Accrued expenses	440,000	691,728
Withholding taxes	7,625	7,625
	₱ 491,863	₱ 714,353

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

Accrued expenses pertain to unpaid professional fees.

The Company believes that the carrying amount of accounts payable and other liabilities approximates fair value.

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

9. **CAPITAL STOCK**

Details of the Company's capital stock as at December 31, 2017 and 2016 are as follows:

Capital stock	Number of Shares	Par value	Total
Authorized	3,500,000,000	₱ 1	₱ 3,500,000,000
Subscribed	1,875,000,000	1	1,875,000,000
Less: subscription receivable	(667,456,379)	1	(667,456,379)
Subscribed and paid-up	1,207,543,621	1	1,207,543,621
Less: Treasury shares	(36,056,750)	1	(36,056,750)
Issued and outstanding	1,171,486,871	₱ 1	₱ 1,171,486,871

The Company has one (1) class of common shares which carry no right to fixed income. No movement in the capital stock of the Company in 2017 and 2016 reporting periods. There were no shares of the Company reserved for issue under options and contracts for the sale of shares as at December 31, 2017 and 2016.

Track record of registration of securities

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

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

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

The Company has 1.2 billion shares listed and traded in the PSE as at December 31, 2017 and 2016.

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

December 31, 2017	₱ 0.199
December 31, 2016	0.190
December 31, 2015	0.210

As at December 31, 2017 the Company has 876 stockholders.

10. **RELATED PARTY TRANSACTIONS**

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

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

Related parties and relationships	Nature of transactions	Amount of transactions		Outstanding receivable		Terms	Condition
		2017	2016	2017	2016		
With common key management							
The Wellex Group, Inc.(TWGI)	Cash advance	(P14,462,568)	(P2,027,063)	P304,700,916	P319,865,484	(a)	Unsecured, Partially impaired
	Consultancy agreement	(480,000)	(480,000)	-	-	(a)	
	Rental of office space	(222,000)	(222,000)	-	-	(a)	
Forum Exploration, Inc. (FEI)	Transfer of assets	-	-	171,631,076	171,631,076	(b)	
		(15,164,568)	(2,729,063)	476,331,992	491,496,560		
Impairment loss		9,244,378	-	(222,253,710)	(213,009,332)	(c)	Unsecured, Partially impaired
		(P5,920,190)	(P2,729,063)	P254,078,282	P278,487,228		
Related parties and relationships	Nature of transactions	Amount of transactions		Outstanding payable		Terms	Condition
		2017	2016	2017	2016		
With common key management							
Forum Exploration, Inc. Ltd. (FEI – Ltd.)	Cash advance for working capital	P -	-	P4,139,727	P4,130,606	(d)	Unsecured

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

On December 15, 2012, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to P330,495,385 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018. To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

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

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

	2017	2016	2015
Rent	P 150,000	P 150,000	P 150,000
Utilities	72,000	72,000	72,000
	P 222,000	P 222,000	P 222,000

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

	2017	2016
Not later than one year	P 50,000	P 150,000
Later than one year but not later than five years	—	50,000
	P 50,000	P 200,000

- On April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to P480,000 for the years ended December 31, 2017, 2016 and 2015 (see Note 11).

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

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

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

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

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

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

(c) The movement of the allowance for doubtful accounts follows:

	2017	2016
At beginning of year	P213,009,332	P213,009,332
Provisions during the year – note 12	9,244,378	—
At end of year	P222,253,710	P213,009,332

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

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

	2017	2016
At beginning of year	₱ 4,130,606	₱ 3,911,110
Unrealized foreign exchange loss – note 12	9,121	219,496
At end of year	₱ 4,139,727	₱ 4,130,606

(e) Remuneration to key management personnel

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

(f) Others

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

11. COSTS AND EXPENSES

Cost and expenses for the years ended December consists of:

	2017	2016	2015
Professional fees	₱1,363,100	₱1,565,622	₱ 915,822
Management fees – note 10	480,000	480,000	480,000
Membership fees and dues	269,049	264,049	264,049
Rent and utilities – note 10	222,000	222,000	222,000
Office supplies	66,786	77,658	86,674
Communication	31,312	39,687	26,282
Travel and transportation	22,507	52,728	37,563
Taxes and licenses	18,014	17,480	17,485
Miscellaneous	124,186	85,829	104,577
	₱2,596,954	₱2,805,053	₱ 2,154,452

Membership fees and dues include annual PSE listing and registration.

Miscellaneous expense mainly consists of website maintenance fees.

12. **OTHER EXPENSES** (net)

Other expenses for the years ended December 31 consists of:

	2017	2016	2015
Provision for impairment on:			
Input tax – note 6	(P 242,976)	(P 286,408)	(P 227,446)
AFS financial assets – note 7	(10,679,065)	–	–
Advances to related parties – note 10	(9,244,378)	–	–
Unrealized foreign exchange loss – note 10	(9,121)	(219,496)	(211,368)
Interest income – note 5	767	467	461
	(P20,174,773)	(P 505,437)	(P 438,353)

13. **INCOME TAXES**

Reconciliation of tax expense

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

	2017	2016	2015
Loss before income tax	(P22,771,727)	(P 3,310,490)	(P 2,592,805)
Income tax benefit at statutory rate :	(P 6,831,518)	(P 993,147)	(P 777,842)
Income tax effect on:			
Nontaxable income	(230)	(140)	(138)
Expired NOLCO	637,523	799,162	442,105
Expired MCIT	–	–	61,353
Nondeductible expense	2,773,313	–	–
Change in unrecognized deferred tax assets	3,420,912	194,125	274,522
	P –	P –	P –

The composition of deferred tax assets is as follows:

	2017	2016
NOLCO	P 2,266,938	P 2,125,374
Impairment loss on AFS Securities	6,000,000	2,796,280
Unrealized foreign exchange loss	582,438	579,702
Provision for input tax	481,930	409,038
	9,331,306	5,910,394
Unrecognized deferred tax assets	(9,331,306)	(5,910,394)
	P –	P –

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

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

The component of deferred income tax recognized in other comprehensive income from unrealized fair value gain (loss) on AFS financial assets amounted to ₱1,129,423, (₱75,295), and (₱1,581,191) for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 7).

As at December 31, 2017, the Company has NOLCO that can be claimed as deduction from future income tax payable and taxable income, respectively, as follows:

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
2017	2020	₱ —	₱ 2,596,954	₱ —	₱ —	₱ 2,596,954
2016	2019	2,805,053	—	—	—	2,805,053
2015	2018	2,154,452	—	—	—	2,154,452
2014	2017	2,125,076	—	(2,125,076)	—	—
		₱ 7,084,581	₱ 2,596,954	(₱ 2,125,076)	₱ —	₱ 7,556,459

Relevant Tax Update

Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new law enacted as of that date.

The TRAIN Law, which took effect on January 1, 2018, represents Package 1 of the comprehensive tax reform program of the current administration that aims to correct gaps in the present tax system, allowing it to be more effective and equitable. Below are the salient points of the TRAIN Law:

- Reduction in personal income taxes
- Changes in capital income taxes
 - Final withholding tax on interest from foreign currency deposits increased to 15% (from 7.5%)
 - Capital gains tax on unlisted/untraded shares increased to 15% (from 5%/10%)
 - Stock transaction tax on listed/traded shares increased to 6/10 of 1% from (1/2 of 1%)
- Increased documentary stamp taxes (DST) rates by 50% to 100%
- Value-added tax
 - Certain VAT zero-rated transactions to become subject to 12% VAT upon implementation of VAT refund system
 - VAT exemption threshold for sale of goods and services increased to ₱3.00 million (from ₱1.90 million)
 - Included in VAT exempt transactions, among others: Transfers of properties pursuant to a tax-free merger; association dues, membership fees, and other assessments and charges collected by homeowners associations and condominium corporations
- Excise taxes
 - Revised excise taxes on cigars and cigarettes, manufactured oils and other fuels, petroleum products, automobiles, and minerals
 - Expanded scope of excise tax to include non-essential services and sweetened beverages

Although most of the changes will affect individuals, the TRAIN Law also introduced changes to income tax, VAT and DST that may have an impact on the financial statements starting January 1, 2018.

14. LOSS PER SHARE

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

	2017	2016	2015
Net loss for the year	(P 22,771,727)	(P 3,310,490)	(P 2,592,805)
Weighted average number of common shares outstanding during the year	1,171,486,871	1,171,486,871	1,171,486,871
	(P 0.019)	(P 0.003)	(P 0.002)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Credit risk

Credit risk is the risk that the Company will incur a loss from customers or counterparties that fail to discharge their contractual obligations. The Company manages credit risk by setting limits on the amount of risk the Company is willing to accept from counterparties and by monitoring exposures in relation to such limits.

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 of statement of financial position, as summarized below:

	2017	2016
Cash in bank	P 132,421	P 527,872
Advances to related parties	254,078,282	278,487,228
	P 254,210,703	P 279,015,100

The Company does not hold any collateral as security and other credit enhancement for the above financial assets.

The details of the Company's aging analysis of financial assets as at December 31, 2017 and 2016 are as follows:

December 31, 2017	Total	Neither past due nor impaired	Past due but not impaired					Impaired
			< 30 days	31-90 days	91-180 days	181-360 days	1-3 years	
Cash in bank	P 132,421	P 132,421	P -	P -	P -	P -	P -	P -
Advances to related parties	476,331,992	-	-	-	-	-	254,078,282	222,253,710
	P476,464,413	P 132,421	P -	P -	P -	P -	P254,078,282	P222,253,710

December 31, 2016	Total	Neither past due nor impaired	Past due but not impaired					Impaired
			< 30 days	31-90 days	91-180 days	181-360 days	1-3 years	
Cash in bank	P 527,872	P 527,872	P -	P -	P -	P -	P -	P -
Advances to related parties	491,496,560	-	-	-	-	-	278,487,228	213,009,332
	P492,024,432	P 527,872	P -	P -	P -	P -	P278,487,228	P213,009,332

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

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

As at December 31, 2017 and 2016, the Company has entered into an agreement with its related party to settle the advances (see Note 10).

Credit quality information for financial assets

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

The credit quality of financial assets is discussed below:

Cash

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Advances to related party

As at December 31, 2017 and 2016, the Company classifies the credit quality of advances to related parties based on the following:

	2017	2016
Group 1	P254,078,282	P278,487,228
Group 2	222,253,710	213,009,332
Group 3	—	—
	P476,331,992	P491,496,560

- 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.

Liquidity risk

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

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

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

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

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

December 31, 2016	Total	On demand	Less than three months	3 to 12 months	1 to 5 years
Account payable and other liabilities*	P 706,728	P —	P —	P 706,728	P —
Advances from related party	4,130,606	—	—	—	4,130,606
	P 4,837,334	P —	P —	P 706,728	P 4,130,606

*excluding government liabilities

The Company's current ratio for year ended December 31, 2017 and 2016 is 0.35 to 1 and 0.8 to 1, respectively.

Price risk

The Company is exposed to price risk on the fluctuation on the price or fair value of AFS financial assets. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments. The fair value of AFS financial assets is based on published prices in the market.

If the price of the AFS financial assets had been 10% higher/lower the net income before tax for the year ended December 31, 2017 and 2016 would decrease/increase by ₱8,353,135 and ₱7,794,567 respectively.

Foreign currency risk

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

The Company is mainly exposed to foreign currency risk through its advances from related party of \$82,922 which amounted to ₱4,139,727 and ₱4,130,606 as at December 31, 2017 and 2016, respectively.

The sensitivity rate used on reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% in foreign exchange rates. A positive number indicates an increase in net income when the Philippine peso strengthens at 10% against the relevant currency. For 10% weakening of the Philippine peso against the relevant currency, there would be an equal and opposite impact on the net income. If foreign exchange rates had been 10% higher/lower, the net loss before tax would decrease /increase by ₱413,973 and ₱413,061 in 2017 and 2016, respectively.

Capital Risk Objective and Management

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

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

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

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

The gearing ratios as at December 31, 2017 and 2016 were as follows:

	2017	2016
Debt	₱ 4,631,590	₱ 4,844,959
Cash	132,421	527,872
Net debt	4,499,169	4,317,087
Equity	333,149,761	352,156,746
Gearing ratio	1.36%	1.23%

The Company is subject to externally imposed capital requirement amounting to ₱6,250,000 which is the minimum paid-up capital requirement of SEC for mining companies. As at December 31, 2017 and 2016, the Company is in compliance with this externally imposed capital requirement.

16. FAIR VALUE INFORMATION

Assets measured at fair value

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

	Fair value as at December 31		Fair value hierarchy	Valuation techniques
	2017	2016		
AFS financial assets	₱17,819,777	₱ 14,055,035	Level 1	Quoted prices in an active market

Assets and liabilities not measured at fair value

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

	2017		2016		Valuation techniques	Fair value hierarchy
	Carrying Value	Fair Value	Carrying Value	Fair Value		
Financial Asset						
Advances to related parties	₱254,078,282	₱246,571,654	₱278,487,228	₱270,291,975	Discounted value of future cash flows	Level 2
Financial Liability						
Advances from related party	₱ 4,139,727	₱ 3,648,799	₱ 4,130,606	₱ 3,546,984	Discounted value of future cash flows	Level 2

For the long-term financial assets and liabilities, the fair value of the non-interest bearing noncurrent assets and liabilities are determined based on the discounted value of future cash flows using the prevailing credit adjusted PDEx rates that are specific to the tenor of the instruments' cash flow as at reporting date. Discount rates used is 4.30% in 2017 and 3.88% in 2016.

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

17. SUPPLEMENTARY INFORMATION REQUIRED BY REVENUE REGULATIONS 15-2010

On December 28, 2010, Revenue Regulations (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by Philippine Financial Reporting Standards.

a) Output value-added tax

The Company has no output VAT since it does not have any income subject to VAT for the years ended December 31, 2017 and 2016.

b) Input value-added tax

	2017	2016
At beginning of year	₱ 1,363,458	₱ 1,077,050
Current purchases and payments for:		
Domestic purchases of services	242,976	286,408
	₱ 1,606,434	₱ 1,363,458

c) Taxes on importation

The Company has no import transactions for the years ended December 31, 2017 and 2016.

d) Excise tax

The Company does not have excise tax in any of the taxable years presented since it does not have any transactions which are subject to excise tax.

e) Documentary stamp tax

Documentary stamp tax paid by the Company amounted to nil in 2017 and 2016, respectively.

f) Taxes and licenses

Details of taxes and licenses account are broken down as follows:

	2017	2016
Business permits	P 16,854	P16,195
Corporate Community tax	660	660
BIR Annual registration	500	625
	P 18,014	P17,480

g) Withholding taxes

The details of total withholding taxes for the years ended December 31 are shown below:

	2017	2016
Withholding tax on compensation	P -	P -
Expanded withholding tax	95,413	94,418
Final withholding tax	-	-
	P 95,413	P 94,418

h) Deficiency tax assessment and tax cases

The Company does not have any deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the taxable years.

* * *

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

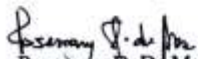
**Audit Report on Additional Components
of the Financial Statements**

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

We have audited the accompanying financial statements of **Forum Pacific, Inc.** as at and for the year ended December 31, 2017, on which we have rendered the attached report dated March 14, 2018. The supplementary information shown in Appendices A "*Financial Soundness*" and B "*List of Effective Standards and Interpretations*", and Schedules A to I, as additional component required by Rule 68, Part I, Section 4 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of basic financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audits of basic financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Diaz Murillo Dalupan And Company
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 11, 2020
SEC Accreditation No. 0192-FR-2, Group A, effective until May 1, 2019
BIR Accreditation No. 08-001911-000-2016, effective until March 17, 2019

By:


Rosemary D. De Mesa
Partner

CPA Certificate No. 29084
SEC Accreditation No. 1089-AR-2, Group A, effective until May 10, 2020
Tax Identification No. 104-576-953
PTR No. 6615250, January 4, 2018, Makati City
BIR Accreditation No. 08-001911-007-2016, effective until March 17, 2019

March 14, 2018

Local in Touch, Global in Reach

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FORUM PACIFIC, INC.
INDEX TO FINANCIAL STATEMENTS, APPENDICES AND
SUPPLEMENTARY SCHEDULES

FORM 17-A, ITEM 7

Financial Statements

Statement of Management's Responsibility for Financial Statements
Report of Independent Public Accountants
Statements of Financial Position as at December 31, 2017 and 2016
Statements of Comprehensive Income for each of the three years ended December 31, 2017, 2016 and 2015
Statements of Changes in Equity for each of the three years ended December 31, 2017, 2016 and 2015
Statements of Cash Flows for each of the three years ended December 31, 2017, 2016 and 2015
Notes to Financial Statements

Appendices

Appendix A. Financial soundness
Appendix B. Standards and interpretations effective as at December 31, 2017

Supplementary Schedules

- A. Financial Assets
- B. Amounts Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
- C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
- D. Intangible Assets – Other Assets
- E. Long-Term Debt
- F. Indebtedness of Related Parties
- G. Guarantees of Securities of Other Issuers
- H. Capital Stock
- I. List of Top 20 Stockholders of Record

APPENDIX A

FORUM PACIFIC, INC.
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

Ratio	2017	2016
Profitability ratios:		
Return on assets	N/A	N/A
Return on equity	N/A	N/A
Net profit margin	N/A	N/A
Solvency and liquidity ratios:		
Current ratio	0.35:1	0.80:1
Debt to equity ratio	0.01:1	0.01:1
Quick ratio	0.27:1	0.74:1
Cash-flow liquidity ratio	N/A	N/A
Financial leverage ratio:		
Asset to equity ratio	1.01:1	1.01:1
Debt to asset ratio	0.01:1	0.01:1
Interest rate coverage ratio	N/A	N/A

APPENDIX B

Schedule of Philippine Financial Reporting Standards effective as at December 31, 2017

FORUM PACIFIC, INC.
DECEMBER 31, 2017

Philippine Financial Reporting Standards		Adopted	Not Adopted
Framework for the Preparation and Presentation of Financial Statements			
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓	
PFRSs Practice Statement Management Commentary			✓
Philippine Financial Reporting Standards			
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards		✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters		✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters		✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters		✓
	Amendments to PFRS 1: Government Loans		✓
PFRS 2	Share-based Payment		✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations		✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions		✓
PFRS 3 (Revised)	Business Combinations		✓
PFRS 4	Insurance Contracts		✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts		✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations		✓
PFRS 6	Exploration for and Evaluation of Mineral Resources		✓
PFRS 7	Financial Instruments: Disclosures	✓	
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓	

APPENDIX B

	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments			✓
PFRS 9 (2014)	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓

APPENDIX B

Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓

APPENDIX B

PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓

APPENDIX B

PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				✓
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓

APPENDIX B

	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓

APPENDIX B

Standards and Interpretations that are effective as at January 1, 2017 Standards and Interpretations that are not effective as at January 1, 2017				
SIC-32	Intangible Assets - Web Site Costs			✓

Not Applicable – Standards and interpretations that are effective as at January 1, 2017 but will never be applicable to the Company due to the nature of its operations or not relevant to the Company because there are currently no related transactions.

Not Adopted – Standards and interpretations that are already issued but are not effective for the year ended December 31, 2017 and were not early adopted by the Company.

Please refer to Note 3 to the financial statements for related discussion on the assessed impact on the Company's financial statements on the adoption of new standards and interpretations effective in 2017 including standards effective in 2017 and onwards.

FORUM PACIFIC, INC.
Schedule A. Financial Assets
December 31, 2017

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Philippine Estates Corporation	50,196,553	P 17,819,777	P 17,819,777	P —
Forum Exploration, Inc.	62,500,000	73,211,573	—	—
Taguig Lake City Development Corporation	125,000	12,500,000	—	—
Total	112,821,553	P 103,531,350	P 17,819,777	P —

=

FORUM PACIFIC, INC.
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal
Stockholders (Other than Affiliates).
December 31, 2017

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
The Wellex Group, Inc.	P319,865,484	P —	P15,164,568	P —	P —	P304,700,916	P304,700,916
Forum Exploration, Inc.	171,631,076	—	—	—	—	171,631,076	171,631,076
Total	P491,496,560	P —	P15,164,568	P —	P —	P476,331,992	P476,331,992

FORUM PACIFIC, INC.

**Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation
of Financial Statement
December 31, 2017**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
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None

FORUM PACIFIC, INC.
Schedule D. Intangible Assets - Other Assets
December 31, 2017

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
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None

FORUM PACIFIC, INC.
Schedule E. Long Term Debt
December 31, 2017

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
---------------------------------------	--------------------------------	---	--

None

FORUM PACIFIC, INC.
Schedule F. Indebtedness to Affiliates and Related Parties (Long-Term Loans
from Related Companies)
December 31, 2017

Name of Affiliates	Balance at beginning of period	Balance at end of period
<i>a. Other affiliates</i>		
Forum Exploration Inc. Ltd.	P 4,130,606	P 4,139,727

FORUM PACIFIC, INC.
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2017

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
--	---	---	---	---------------------

None

FORUM PACIFIC, INC.
Schedule H. Capital Stock
December 31, 2017

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common Stock	3,500,000,000	1,171,486,871	—	—	431,503	1,171,055,368

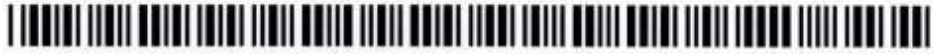
FORUM PACIFIC, INC.

**Schedule I. List of Top 20 Stockholders of Record
December 31, 2017**

Name of Stockholders	Citizenship	Tax Identification No.	Amount Subscribed	Percentage to total Outstanding
International Polymer Corporation	Filipino	210-000-232-426	₱ 496,887,494	26.501
PCD Nominee Corporation	Filipino	004-774-849-000	415,757,574	22.174
The Wellex Group, Inc.	Filipino	004-740-001-000	376,950,000	20.104
E.F. Durkee & Associates, Inc.	Filipino	321-002-155-628	77,838,563	4.151
Intra-Invest Sec., Inc.	Filipino	000-162-545-000	48,159,000	2.568
Metropolitan Management Corporation	Filipino	470-002-151-280	30,000,000	1.600
Juanito C. Uy	Filipino	127-179-750-000	22,625,001	1.207
PCD Nominee Corp. (Non-Filipino)	Others	004-774-849-000	21,450,050	1.144
Pacrim Energy N.L.	Others	324-668-750-000	21,000,000	1.120
Sapphire Securities, Inc.	Filipino	000-511-869-000	19,433,500	1.036
Benito Ong and/or Zita Y. Ong	Filipino	268-192-032-000	18,000,000	0.960
Li Chih-Hui	Filipino	004-454-732-000	17,100,000	0.912
Nestor S. Mangio	Filipino	003-754-123-000	12,500,000	0.667
A & A Securities, Inc.	Filipino	000-103-110-000	11,911,320	0.635
Mark Securities Corporation	Filipino	000-544-789-000	10,772,800	0.575
Globalinks Sec. & Stocks, Inc.	Filipino	000-849-752-000	9,400,000	0.501
Belson Securities, Inc.	Filipino	000-154-219-000	9,200,000	0.491
Wealth Securities, Inc.	Filipino	000-330-678-000	8,240,000	0.439
Ruben M. Gan	Filipino	174-154-039-000	7,610,000	0.406
David Go Securities Corporation	Filipino	000-320-855-000	6,880,000	0.367
			₱ 1,641,715,302	

Forum Pacific, Inc.

**Unaudited Financial Statements
For the Quarter Ended
June 30, 2018 and 2017**



108102018001737

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No. AS93000120
Company Name FORUM PACIFIC INC.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 108102018001737
Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)
Document Code 17-Q
Period Covered June 30, 2018
No. of Days Late 0
Department CFD
Remarks

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 11
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the Quarter Period ended **June 30, 2018**
2. SEC Identification Number **AS 093000120**
3. BIR Tax Identification No. **002-155-598**
4. **FORUM PACIFIC, INC.**
Exact name of registrant as specified in its charter
5. **Metro Manila, Philippines**
(Province, country or other jurisdiction of incorporation or organization)
6. (SEC Use only)
Industry Classification Code
7. **35/F One Corporate Center, Doña Julia Vargas Ave., Cor. Meralco Ave., Ortigas Center Pasig City**
Address of principal office
8. **Telephone No. 706-7888**
Registrant's telephone number, including area code
9. **NOT APPLICABLE**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 4 and 8 of the RSA :

Title of Each Class

**No. of Shares of Common Stock Outstanding:
and Amount of Debt Outstanding**

Common Shares – ₱1.00 par value

Issued - ₱1,838,943,246
(Partially paid Subscription – ₱1,148,264,079)

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

Yes [x] No. []

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No []

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

Yes [x] No []

13. The aggregate market value of the voting stock held by non-affiliates: ₱1,303,929,249

14. Not Applicable

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See Annex A.1 to A.5 and the accompanying notes to financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

□ Unaudited Income Statements

	April – June 2018	April – June 2017	January – June 2018	January – June 2017
Revenues	₱–	–	₱–	–
Less: Cost and Expenses	272,341	544,524	1,048,302	1,264,431
Loss from Operation	(272,341)	(544,524)	(1,048,302)	(1,264,431)
Add: Other Income	(152,072)	128	(456,328)	128
Loss before Income Tax	(424,413)	(544,396)	(1,504,630)	(1,264,303)
Income Tax Expense	-	–	-	–
Net Income(Loss)	(₱424,413)	(544,396)	(₱1,504,630)	(1,264,303)
Earnings (Loss) Per Share	(₱0.0004)	(₱0.00046)	(₱0.0013)	(₱0.00108)

□ Unaudited Balance Sheet

	As of June 30, 2018	As of June 30, 2017	As of December 31, 2017
Assets	₱339,134,962	₱359,061,398	₱337,781,351
Liabilities	4,478,037	4,153,231	4,631,590
Stockholders' Equity	334,656,925	354,908,167	333,149,761
Total Liabilities & Stockholders' Equity	₱339,134,962	₱359,061,398	₱337,781,351

Interim quarter ended June 30, 2018 compared with quarter ended June 30, 2017

RESULTS OF OPERATION

Revenue and Earnings per share

- Since the company is still exploring new business opportunities given the volatile situation of metal and oil prices in the global market, the Company has no revenues for the second quarter of 2018 and 2017.
- The company incurred losses of ₱0.4 million and ₱0.5 million for quarters ended June 30, 2018 and 2017, respectively. Earnings (loss) per share for the 2nd quarter of 2018 and 2017 were (₱0.0004) and (₱0.00046), respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

Cost and Expenses

- Cost and expenses consisted primarily of professional fees, taxes and licenses, PSE annual maintenance fee, management fee and office rental. Cost and expenses recorded for the 2nd quarter of 2018 and 2017 were ₱272,341 and ₱544,524 respectively.

FINANCIAL CONDITION

Current Assets

- Current assets consist of Cash in Bank and Input Tax. Cash in Bank carries interest at respective bank deposit rate. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro to facilitate the collection and disbursement processes of the company. Input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses. Balance of cash in bank as of June 30, 2018 and 2017 were ₱179,508 and ₱202,453, respectively. The Company provided full valuation on its Input tax as of June 30, 2018 amounting to ₱1,764,559.

Available-For-Sale Financial Assets

Available-for-sale financial assets as at June 30 consist of:

	2018	2017
Unquoted shares		
Cost	₱85,711,574	₱ 73,211,573
Impairment loss	(20,000,000)	(9,320,935)
	65,711,574	63,890,638
Quoted shares		
Cost	7,529,480	7,529,480
Net unrealized fair value gain	13,302,090	10,541,279
	20,831,570	18,070,759
	₱86,543,144	₱ 81,961,397

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

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

Express Savings Bank, Inc. (ESBI)

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

The Company's AFS financial assets as at June 30, 2018 and 2017 are not held as collateral for its financial liabilities.

Investments in Subsidiary

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

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

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

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

Related Party Transaction Account

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

Relationships, Transactions and Account Balances

Related Parties	Relationship	Outstanding Balance	
		June 30, 2018	June 30, 2017
The Wellex Group, Inc.	Common key management	₱140,740,207	₱ 155,910,558
Forum Exploration, Inc.	Common key management	111,631,076	120,875,454
Forum Exploration, Ltd.	Common key management	(4,438,164)	(4,130,606)

Advances to The Wellex Group, Inc. (TWGI)

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

On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a three-year promissory note to the Company amounting to ₱330,495,385 without interest. Both parties agreed to renew the promissory note, with all terms and conditions to remain the same, on December 16, 2015 with outstanding balance of ₱322,594,547 for another three years maturing on December 16, 2018.

In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. Total rental and utilities expense charged to operations amounted to ₱55,500 for both periods ended June 30, 2018 and 2017. The lease contract was renewed for another two (2) years when the contract expired last May 2018.

Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱120,000 for both periods ended June 30, 2018 and 2017. The contract was also renewed for another two (2) years when the contract expired last May 2018.

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

	2018	2017
Advances	₱302,993,917	₱ 318,164,268
Allowance for impairment loss	(162,253,710)	(162,253,710)
Net carrying amount	₱140,740,207	₱ 155,910,558

The Company originally provides allowance for impairment amounting to ₱162,253,710 as at June 30, 2018 and 2017 on advances to TWGI prior to agreements entered to settle the outstanding advances. Allowance for impairment will be reversed once the

unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

Advances to Forum Exploration Inc. (FEI)

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company. No transaction in the account balance was recognized for the quarter ended June 30, 2018 and 2017.

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

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

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

	2018	2017
Advances	₱ 171,631,076	₱ 171,631,076
Allowance for impairment loss	(60,000,000)	(50,755,622)
Net carrying amount	₱ 111,631,076	₱ 120,875,454

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

Advances from Forum (FEI), Ltd.

The Company received cash advances from Forum (FEI), Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI). The advances have no definite terms of payment. Outstanding balance as at June 30, 2018 and 2017 amounted to ₱4,438,164 and ₱4,130,606 respectively.

Remuneration to key management personnel

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

Current liabilities

- This is primarily consists of Trade and Other Payable. Outstanding balance as at June 30, 2018 and 2017 amounted to ₱39,873 and ₱22,625, respectively. This includes payable for retainer fees of legal counsel and stock transfer agent of the Company and withholding taxes payable.

The Top five (5) Key Performance Indicators are:

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

2. Current Ratios – Current Assets against the Current Liabilities of the Company. It measures the company's ability to pay short-term obligations. Current Ratio for the 2nd Quarter of 2018 and 2017 are 553% and 1388%, respectively.
3. Cash Ratio – the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities. The cash ratio of the company for the 2nd Quarter of 2018 and 2017 are 401% and 895%, respectively.
4. Debt ratio - It is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the 2nd Quarter of 2018 and 2017 are 1.32% and 1.16%, respectively.
5. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the 2nd Quarter of 2018 and 2017 are 1.34% and 1.17%, respectively.

(i) Summary of Material Trends, Events and Uncertainties

Forum Pacific, Incorporated

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

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

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

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

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

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

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

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

Business Plans

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

The management is currently evaluating potential buyers who recently expressed interest to buy out the Company's remaining capital stock investment in Forum Exploration, Inc. (FEI), a subsidiary of Pangilinan-led Forum Energy Plc and the project operator for Libertad Gas Field or Service Contract (SC40). The management is currently on talks with three (3) different companies for the negotiation of the possible sale.

On the other hand, the Company is considering investing into industry of potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy. The management is currently conducting research and feasibility study on this project.

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

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

Plan of Operation

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

Capital Generation and Satisfaction

The Company will evaluate outstanding receivables and advances to affiliates and design collection program to improve the Company's financial status. The Board will also evaluate calling for the remaining stock subscription as source of fund for the future projects. The Company has net advances to affiliate of ₱253M, subscription receivable of ₱600M and unsubscribed stocks of ₱1.6B as of June 30, 2018. The Officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization of business project plan.

Project Research and Development

The Company is affiliated with group of mining companies. Research for areas and land mine with potential mineral deposits is being outsourced from the affiliate's group of researchers composed of geologists and mining engineers. As of this report, the management has yet to identify areas and plan of exploration to be presented to the Board for approval and resolution. With the current situation of the mining sector in the country, whereas Department of Environment and Natural Resources (DENR) is carefully evaluating mining activities, the Company will observe due diligence on its planned exploration once the Board approves pursuing investment in mining activities again.

Manpower and Capital Expenditures

The Company is contemplating to purchase equipment needed should the exploration results of the mine sites prove to be favorable. Additional equipment will also be acquired to enhance its operations. Other equipment needed will be provided also by its exploration partner, Forum Exploration, Inc. (FEI).

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

Writing-Off of Investments

Express Savings Bank, Inc. (ESBI)

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

On June 3, 2009, the Company executed a deed of absolute sale for its 127,415 shares in ESBI for ₱179.63 per share or equivalent to ₱22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to ₱122,592,758 or ₱423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of December 31, 2008 was recognized as impairment loss in 2008.

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

The fair value of ESBI investment as of December 31, 2009 was based on the actual partial sale that occurred on July 13, 2010 in which 46,602 shares were sold for ₱4,660,200 at ₱100 per share.

On August 12, 2010, the Company executed a deed of absolute sale for its 115,789 shares in ESBI at ₱100 per share or equivalent to ₱11,578,900 which is equal to the carrying value as of December 31, 2009 of ₱11,578,900. The Company reclassified the corresponding unrealized fair value loss amounting to ₱9,220,278 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

On July 8, 2011, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas placed Express Savings Bank, Inc. under receivership of the Philippine Deposit Insurance Corporation (PDIC) by virtue of MB resolution No. 987.B. As receiver, PDIC took over the bank on July 8, 2011. The remaining book value of investment in Express Savings Bank amounting to ₱4,660,200 was recognized as impairment loss for the year 2011.

Forum Coal Cebu Holdings, Inc. (FCCHI)

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

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

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

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

ii) Events that will Trigger Direct of Contingent Financial Obligation

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

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

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

(iv) 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 company, still focus on looking for a strategic partner, there are no major expenses of the business for the year.

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

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

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

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

PFRS 9, Financial Instruments. The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debts investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2018, with earlier application permitted.

The management does not anticipate significant impact on the application of PFRS 9 on the Company's financial statements as the AFS financial assets will continue to be measured at fair value with fair value changes recognize in the other comprehensive income, and advances to related parties, accounts payable and other liabilities and advances from related parties will continue to be measured at amortized cost.

(vii) Material Changes on Line Items in Financial Statements

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

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

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

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 on December 19, 1994. The high and low sales prices by quarter for the last 3 years are as follows:

<u>"CLASS A"</u>			
		High	Low
2018	First Quarter	0.209	0.204
	Second Quarter	0.197	0.195
2017	First Quarter	0.190	0.189
	Second Quarter	0.207	0.205
	Third Quarter	0.201	0.200
	Fourth Quarter	0.183	0.182
2016	First Quarter	0.240	0.231
	Second Quarter	0.235	0.210
	Third Quarter	0.208	0.202
	Fourth Quarter	0.190	0.180
2015	First Quarter	0.325	0.300
	Second Quarter	0.208	0.208
	Third Quarter	0.295	0.250
	Fourth Quarter	0.225	0.225

The high, low and close market price is ₱0.197, ₱0.195, and ₱0.195 per share as of June 30, 2018, respectively (the latest practicable trading date). There were no stock price quotations for the 1st quarter of 2011 due to trading suspension imposed by PSE for non-compliance with various reports. On May 17, 2011, trading suspension has been lifted after the Company complied thereof. The Corporation has only one class of registered security, "Class A – Common Shares".

The number of shareholders of record as of June 30, 2018 was 871. Common shares issued and subscribed as of June 30, 2018 were 1,838,943,246.

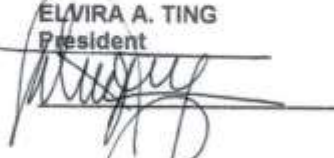
Forum Pacific Inc.
List of Top 20 Stockholders
As of June 30, 2018

	Name	Number of Shares Held Class A	Percentage to Total
1	International Polymer Corporation	496,887,494	27.020
2	PCD Nominee Corporation	414,887,574	22.561
3	The Wellex Group, Inc.	376,950,000	20.498
4	E.F. Durkee & Associates, Inc.	77,838,563	4.233
5	Intra-Invest Sec., Inc.	48,159,000	2.619
6	Metropolitan Management Corporation	30,000,000	1.631
7	Juanito C. Uy	22,625,001	1.230
8	PCD Nominee Coporation (Non-Filipino)	22,600,050	1.229
9	Pacrim Energy N.L.	21,000,000	1.142
10	Sapphire Securities, Inc.	19,433,500	1.057
11	Benito Ong and/or Zita Y. Ong	18,000,000	0.979
12	Li Chih-Hui	17,100,000	0.930
13	Nestor S. Mangio	12,500,000	0.680
14	A & A Securities, Inc.	11,911,320	0.648
15	Mark Securities Corporation	10,772,800	0.586
16	Globalinks Sec. & Stocks, Inc. (A/C# CWUSO001)	9,400,000	0.511
17	Belson Securities, Inc.	9,200,000	0.500
18	Wealth Securities, Inc.	8,240,000	0.448
19	Ruben M. Gan	7,610,000	0.414
20	David Go Securities Corporation	6,880,000	0.374

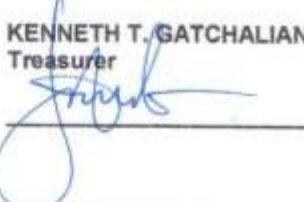
SIGNATURE

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

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig.

Registrant: ELVIRA A. TING
Title: President
Signature: 

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

Registrant: KENNETH T. GATCHALIAN
Title: Treasurer
Signature: 
Dated _____

SUBSCRIBED AND SWORN to before me this AUG 09 2018 day of _____, in PASIG CITY _____ affiant (s) exhibiting to me his/their Tax Identification No. as follows:

AFFIANTS

1. Elvira A. Ting
2. Atty. Arsenio A. Alfiler, Jr.
3. Kenneth T. Gatchalian

Tax Identification No.

117-922-153-000
108-160-743-000
167-406-526-000

Doc. No.: 330
Page No.: 68
Book No.: 5
Series of: 2018



FORUM PACIFIC, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018 (in Php)

Annex A.1

Account Titles	Note	Unaudited June 30, 2018	Unaudited June 30, 2017	Audited Dec. 31, 2017
Current Assets				
Cash	5	179,508	202,453	132,421
Prepayments and other current assets	6	41,027	111,535	39,298
		<u>220,535</u>	<u>313,988</u>	<u>171,719</u>
Non-current Assets				
Advances to related parties	10	252,371,283	276,786,012	254,078,282
Available-for-sale financial assets – net	7	74,043,144	81,961,398	71,031,350
Investment in shares		12,500,000		12,500,000
		<u>338,914,427</u>	<u>358,747,410</u>	<u>337,609,632</u>
TOTAL ASSETS		<u>339,134,962</u>	<u>359,061,368</u>	<u>337,781,351</u>
Current Liabilities				
Accounts payable and other current liabilities	8	39,873	22,625	491,863
Non-current Liabilities				
Advances from related parties	10	4,438,164	4,130,606	4,139,727
TOTAL LIABILITIES		<u>4,478,037</u>	<u>4,153,231</u>	<u>4,631,590</u>
EQUITY				
Capital Stock	9			
Common stock, ₱1 par value				
Authorized shares – 3,500,000,000 shares				
Issued – 819,355,920 shares		819,355,920	819,355,920	819,355,920
Subscribed – 1,055,644,080 shares				
(on which subscription receivables amounts to ₱667,456,379)		388,187,701	388,187,701	388,187,701
			1,207,543,621	1,207,543,621
		<u>1,207,543,621</u>		
Treasury shares – 36,056,750 shares at cost		(36,056,750)	(36,056,750)	(36,056,750)
Unrealized fair value loss on AFS assets		13,302,090	10,541,279	10,290,296
Deficits		(850,132,036)	(827,119,983)	(848,627,406)
TOTAL EQUITY		<u>334,656,925</u>	<u>354,908,167</u>	<u>333,149,761</u>
TOTAL LIABILITIES AND EQUITY		<u>339,134,962</u>	<u>359,061,398</u>	<u>337,781,351</u>

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

FORUM PACIFIC, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED JUNE 30, 2018 AND 2017

Annex A.2

	April – June 2018	April – June 2017	January – June 2018	January – June 2017
Revenue	–	–	–	–
Costs and Expenses (Note 11)	<u>₱272,341</u>	<u>(₱ 544,524)</u>	<u>₱1,048,302</u>	<u>(₱ 1,264,431)</u>
Gross Income (Loss)	(272,341)	(544,524)	(1,048,302)	(1,264,431)
Other Income	<u>(152,072)</u>	<u>128</u>	<u>(456,328)</u>	<u>128</u>
Income (Loss) for the period	<u>(₱424,413)</u>	<u>(₱ 544,396)</u>	<u>(₱1,504,630)</u>	<u>(₱ 1,264,303)</u>
Loss per share (Note 14)	<u>(₱0.0004)</u>	<u>(₱ 0.00046)</u>	<u>(₱0.0013)</u>	<u>(₱ 0.00108)</u>

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

FORUM PACIFIC, INC. AND SUBSIDIARY
Annex A.3

STATEMENTS OF CASH FLOW

For the Period Ended June 30, 2018

	Unaudited 2nd Qtr. Jan.-Jun. 2018	Unaudited 2nd Qtr. Jan.-Jun. 2017	Audited Dec. 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	(P1,504,630)	(P 1,264,303)	(P22,771,727)
Adjustments for:			
Provision for impairment of input tax	158,126	85,172	242,976
Provision for impairment on advances to related parties	-	-	9,244,378
Provision for impairment of AFS financial assets	-	-	10,679,065
Unrealized foreign exchange loss (gain)	298,437	-	9,121
Operating income (loss) before working capital changes	(1,048,067)	(1,179,131)	(2,596,187)
Decrease (Increase) in prepayments and other current assets	(159,855)	(155,775)	(241,341)
Increase (decrease) in accounts payable and other liabilities	(451,990)	(691,728)	(222,491)
Net cash used in operating activities	(1,659,912)	(2,026,634)	(3,060,019)
CASH FLOWS FROM INVESTING ACTIVITY			
Collections from (payments of):			
Available-for-sale financial assets – net		(4,015,724)	
Advances to related parties	1,706,999	1,701,216	15,164,568
Net cash provided by investing activity	1,706,999	(2,314,508)	15,164,568
CASH FLOW FROM FINANCING ACTIVITY			
Collections from (payments of):			
Unrealized fair value gain on AFS	-	4,015,724	
Additions to AFS financial assets	-	-	(12,500,000)
Net cash used in financing activity	-	4,015,724	(12,500,000)
NET INCREASE (DECREASE) IN CASH	47,087	(325,419)	(395,451)
CASH			
At beginning of year	132,421	527,872	527,872
At end of year	P179,508	P202,453	P132,421

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

FORUM PACIFIC, INC. AND SUBSIDIARY
Statements of Changes in Equity
For The Period Ended June 30, 2018 and 2017

Annex A.4

	2nd Qtr. Jan. – Jun. 2018	2nd Qtr. Jan. – Jun. 2017	Audited Dec. 31, 2017
Capital Stock	₱1,207,543,621	₱1,207,543,621	₱1,207,543,621
Treasury Shares	(36,056,750)	(36,056,750)	(36,056,750)
Unrealized Fair Value Gain (Loss) on Available-For-Sale Financial Assets	13,302,090	10,541,279	10,290,296
Deficit – Beginning	(848,627,406)	(825,855,680)	(825,855,680)
Net Loss for the period	(1,504,630)	(1,264,303)	(22,771,726)
Deficit – Ending	(850,132,036)	(827,119,983)	(848,627,406)
TOTAL STOCKHOLDER'S EQUITY	₱334,656,925	₱354,908,167	₱333,149,761

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

NOTES TO INTERIM FINANCIAL STATEMENTS

June 30, 2018

Note 1 – Organizational Information

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

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

Note 2 – Management Assessment of the Going Concern Assumption and Business Plans*Management’s Assessment of the Going Concern Assumption*

The nature of the Company’s operations requires it to spend significant amount of funds to support exploration programs and operating expenses for it to operate profitably in the future. The Company incurred losses amounting to ₱1,504,630 and ₱1,264,303 on June 30, 2018 and 2017, respectively. The Company had accumulated a deficit of ₱850,132,036 and ₱827,119,983 as at June 30, 2018 and 2017 respectively. To continue as going concern, the officers and major stockholders of the Company has committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

Business Plans

With the volatile situation of metal and oil prices in the global market, the management’s previous plan on banking on new petroleum and gas and other mining contracts is temporarily reserved. For 2018 the Company plans to undertake the following:

- Aside from the new investment in Taguig Lake City Development Corporation, the Company will further outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mineral exploration.
- Continue research for areas and land mine with potential mineral deposits using affiliated Group’s geologists and engineers.
- Evaluate acquisition of equipment should the mine sites proved to be favorable
- Evaluate advances to affiliates and design collection program to improve the Company’s financial status. As at June 30, 2018 and 2017, the Company has existing contracts with TWGI to collect outstanding advances (see Note 10).
- Evaluate calling for the remaining stock subscription as source of fund for future projects. The Company has outstanding ₱667,456,379 subscription receivable (see Note 9).

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

BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENT

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments, in accordance with applicable Philippine Accounting Standards and in accordance with reporting practices applicable to the subsidiary bank.

The financial statements are presented in Philippine pesos, which is the Company’s functional currency.

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS), which are accounting principles generally accepted in the Philippines. These are the Company's first PFRS financial statements where PRFS 1, "First Time Adoption of the Philippine Financial Reporting Standards", has been applied.

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Note 3 – Summary of Significant Accounting Policies

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

Statement of Compliance

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

Basis of Preparation

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

Functional and Presentation Currency

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

Changes in Accounting Policies and Disclosures

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

PAS 7 (Amendment), Statement of Cash Flows – Disclosure Initiative. The amendment require to provide disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

PAS 12 (Amendments), Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses. These amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments also clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.

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

Annual Improvements to PFRSs 2014-2016 Cycle

The Annual Improvements to PFRSs 2014-2016 Cycle sets out the amendments to PFRS 1, PFRS 12 and PAS 28. The amendments to PFRS 12 are adopted by the Company for the current year. The other amendments are not yet mandatorily effective and have not been early adopted by the Company.

The annual improvements addressed the following issues:

PFRS 12 (Amendments), Disclosure of Interests in Other Entities – Clarification of the Scope of the Standard. The amendments clarify the scope of PFRS 12 by specifying that its disclosure requirements, except for those in paragraphs B10–B16, apply to an entity's interests that are classified (or included in a disposal group that is classified) as held for sale or discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The application of the above improvements has no material impact on the disclosures and amounts recognized on the Company's financial statements.

New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2017

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

Annual Improvements to PFRS 2014-2016 Cycle

The Annual Improvements to PFRS 2014-2016 Cycle sets out the amendments to PFRS 1, PFRS 12 and PAS 28. The amendments to PFRS 1 and PAS 28 are effective for annual periods beginning on or after January 1, 2018. The amendments to PAS 28 shall be applied retrospectively with earlier application permitted.

The annual improvements addressed the following issues:

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

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

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

PAS 40 (Amendments), Investment Property – Transfers of Investment Property. The amendments clarify that to transfer to, or from, investment properties there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The application of the amendments provides two options for transition: (a) An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments; or (b) retrospective application if, and only if, that is possible without the use of hindsight. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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

PFRS 2 (Amendment), Share-based Payment – Classification and Measurement of Share-based Payment Transactions. The amendment address the: (a) accounting for modifications to the terms and conditions of share-based payments that change the classification of the transaction from cash-settled to equity-settled; (b) accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; and (c) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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

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

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

PFRS 9, Financial Instruments (2014). The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2018, with earlier application permitted.

The management does not anticipate that the application of PFRS 9 will have a significant impact on the financial statements as the Company's AFS financial assets will continue to be measured at fair value with fair value recognize in the other comprehensive income, and financial liabilities pertains only to debt securities that will continue to be measured at amortized cost.

PFRS 15, Revenue from Contracts with Customers. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in that framework is that an entity should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps: (a) identify the contracts with customers; (b) identify the performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the performance obligations in the contract; and (e) recognize revenue when the entity satisfies a performance obligation. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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

PFRS 15 (Amendments), Revenue from Contracts with Customers – Clarifications to PFRS 15 Revenue from Contracts with Customers. This addresses clarifying amendments to PFRS 15 and introduced a transitional relief for entities applying the standard for the first time. The focus of these amendments is on clarifying the application of PFRS 15 when (a) identifying performance obligations by clarifying how to apply the concept of 'distinct', (b) determining whether an entity is acting as principal or an agent in a transaction by clarifying how to apply the control principle, and (c) assessing whether a license transfers to a customer over time or at a point in time by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights. The amendments also add two practical expedients to the transition requirements of PFRS 15 for completed contracts under the full retrospective transition approach and contract modifications at transition. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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

Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration. This interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. This interpretation is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The interpretation will have no significant impact on the Company's financial statements.

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

The interpretation will have no significant impact on the Company's financial statements.

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

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

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

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

PFRS 16, Leases. This new standard introduces a single lessee accounting model to be applied to all leases, whilst substantially carries forward the lessor accounting requirements in PAS 17 Leases. Lessees recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value. Whereas, lessors continue to classify leases as operating leases or finance leases, and to account for those two types of leases differently. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

The adoption of the standard will have an impact on recognition of lease expenses, noncurrent assets and liabilities.

Financial Instruments

Initial recognition, measurement and classification of financial instruments

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

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

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at fair value through profit and loss (FVPL), loans and receivables, available-for-sale (AFS) financial assets and held-to-maturity (HTM) investment. The Company also classifies its financial liabilities into FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at June 30, 2018 and 2017, the Company did not hold any financial assets at FVPL and HTM investment, and financial liabilities at FVPL.

Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

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

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

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

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

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

The Company determines the policies and procedures for both recurring fair value measurement, such as financial assets at FVPL, and for non-recurring measurement, such as investment properties.

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

Fair value measurement disclosures of financial and non-financial assets are presented in Note 15 to the financial statements.

“Day 1” Difference

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated, taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company's loans and receivables comprise of cash and advances to related parties (see Notes 5 and 10).

Cash

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

Available-for-sale (AFS) Financial Assets

AFS financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the three other categories. The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the statement of comprehensive income under other comprehensive income as “Net fair value gain (loss) on AFS financial assets”, net of deferred income tax effect. When fair value cannot be reliably measured, AFS financial assets are measured at cost less any impairment in value.

When the investment is disposed or determined to be impaired, the cumulative gains or losses recognized in other comprehensive income is reclassified from equity to the income statement as reclassification adjustment. The amount of the cumulative loss that is reclassified from equity to the income statement is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on the financial assets previously recognized in the statement of comprehensive income.

Impairment loss recognized in the statement of comprehensive income for an investment in an equity instrument classified as AFS is not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as AFS 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 shall be reversed, with the amount of the reversal recognized in the statement of comprehensive income.

Interest earned on the investments is reported as interest income using the effective interest method. Dividends earned on investments are recognized in the statement of comprehensive income when the right of payment has been established. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve (12) months from the end of reporting period.

The Company's AFS financial assets include equity securities as at June 30, 2018 and 2017 (see Note 7).

Other Financial Liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Other financial liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) while nontrade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at June 30, 2018 and 2017, included in other financial liabilities are the Company's accounts payable and other liabilities (excluding government liabilities), and advances from related parties (see Notes 8 and 10).

Accounts payable and other liabilities

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other current liabilities include non-trade payables, accrued expenses and due to government agencies.

Offsetting of Financial Instruments

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Impairment of Financial Assets

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

Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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 discounted at the current market rate of return of a similar financial asset.

Loans and receivables

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets 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.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a 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 (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the statement of comprehensive income.

If in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, and the increase or decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the statement of

comprehensive income. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company.

AFS financial assets

For AFS financial assets, the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in fair value of the investments below its cost. The determination of what is “significant” or “prolonged” requires judgment. The Company treats “significant” generally as 20% or more and “prolonged” as greater than twelve (12) months for quoted equity securities. Where there is evidence of impairment, 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 other comprehensive income is removed from other comprehensive income and recognized in the statement of comprehensive income.

Impairment losses on equity investments are not reversed through the statement of comprehensive income. Increases in fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost.

Input Tax

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

Impairment of Non-Financial Assets

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

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

Retirement Benefits

The Company does not provide any retirement benefits because it does not have any employee as at June 30, 2018 and 2017. The Company's administrative functions are performed by its related party, The Wellex Group, Inc. (TWGI).

Current and Deferred Income Tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates and laws, in the period the temporary difference are expected to be recovered or settled, that have been enacted or substantively enacted as at reporting period.

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

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

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

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

Leases

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

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

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

Related Parties and Related Party Transactions

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

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

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

Equity

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

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

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

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

Treasury shares represent own equity instruments reacquired, the amount of the consideration paid, including directly attributable cost, net of any tax effects, is recognized as a reduction from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as

Additional paid-in capital. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively.

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

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

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

Revenue Recognition

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

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

Cost and Expense Recognition

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

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

Foreign Currency Denominated Transactions and Translations

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

Basic Earnings (Loss) Per Share

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

Provisions and Contingencies

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

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

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

Events After the Reporting Date

Post year-end events that provide additional information about the Company's position at the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

Note 4 – Significant Accounting Judgments, and Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgments and estimates that affect amounts reported in the Company financial statements. These judgments and estimates are continually evaluated and are based on historical experience and other factors,

including expectations of future events that are believed to be reasonable under the circumstances. The Company believes the following represent a summary of these significant judgments and estimate and related impact and associated risks in the Company financial statements.

Significant Accounting Judgments in Applying the Company's Accounting Policies

Impairment of available-for-sale financial assets

The Company follows the guidance of PAS 39 to determine when an AFS financial asset is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of investment is less than its cost and the financial condition 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 flow.

As at June 30, 2018 and 2017, the Company did not recognize any impairment in its available-for-sale financial assets.

Impairment of input tax

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

The Company's input tax amounted to ₱1,764,559 and ₱1,519,157 as at June 30, 2018 and 2017, respectively (see Note 6).

Operating lease commitments

The Company has entered into contract of lease for the office space it occupies. The Company has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Company considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset. The Company accordingly accounted for these as operating leases.

Provisions and contingencies

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

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

On resolution issued by Sandiganbayan Fourth Division dated November 17, 2017 hereby dismissed the case in relation to above-mentioned case.

As at June 30, 2018 and 2017, the Company has no outstanding liabilities in relation to the above-mentioned case.

Significant Accounting Estimates and Assumptions

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

Deferred tax assets

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

utilized in the near future. The Company's deferred tax assets with full valuation allowance are fully disclosed in Note 13.

The Company's deferred tax assets amounted to ₱64,066,097 and ₱63,848,905 as at June 30, 2018 and 2017, respectively.

Allowance for impairment of advances to related parties

Allowance for impairment of advances to related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the status of the advances to related parties, past collection experience and other factors that may affect collectibility. Advances to related parties amounted to ₱252,371,283 and ₱276,748,587, net of allowance for impairment loss of ₱222,253,710 and ₱213,009,332, as at June 30, 2018 and 2017, respectively (see Note 10).

Allowance for impairment on AFS carried at cost

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

Note 5 – CASH

Cash represents cash in bank with outstanding balance of ₱179,508 and ₱202,453 as at June 30, 2018 and 2017, respectively. Interest income earned from bank deposits was ₱142 and ₱128 for the quarter ended June 30, 2018 and 2017.

Note 6 – PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at June 30 consist of:

	2018	2017
Input tax	₱1,764,559	₱ 1,519,157
Other current assets	41,027	41,009
	1,805,586	1,560,166
Less: Valuation allowance on input tax – note 12	(1,764,559)	(1,448,630)
	₱41,027	₱ 111,536

Movements in the allowance on input tax are as follows:

	2018	2017
Balance at beginning of year	₱1,606,434	₱ 1,363,458
Provision – note 12	158,125	85,172
Balance at end of year	₱1,764,559	₱ 1,448,630

Note 7 – AVAILABLE-FOR-SALE FINANCIAL ASSETS - (net)

Available-for-sale financial assets as at June 30 consist of:

	2018	2017
Unquoted shares		
Cost	₱85,711,574	₱ 73,211,573
Impairment loss	(20,000,000)	(9,320,935)
	65,711,574	63,890,638
Quoted shares		
Cost	7,529,480	7,529,480
Net unrealized fair value gain	13,302,090	10,541,279
	20,831,570	18,070,759
	₱86,543,144	₱81,961,397

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

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

The movements in the net unrealized fair value gain on available-for-sale financial assets are as follows:

	June 30, 2018	June 30, 2017
At beginning of year	₱10,290,297	₱6,525,555
Fair value changes during the period	3,011,793	4,015,724
	₱13,302,090	₱10,541,279

Note 8 – ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at June 30 consist of:

	2018	2017
Accounts payable	₱32,248	₱ 15,000
Taxes payable	7,625	7,625
	₱39,873	₱ 20,625

The Company believes that the carrying amount of accounts payable and other liabilities approximates fair value.

Note 9 – CAPITAL STOCK

Details of the Company's capital stock as at June 30, 2018 and 2017 are as follows:

Capital stock	Number of Shares	Par value	Total
Authorized	3,500,000,000	₱1	₱ 3,500,000,000
Issued and fully paid	819,355,920	1	₱ 819,355,920
Subscribed and fully paid			
Subscribed	1,055,644,080	1	₱ 1,055,644,080
Subscription receivable	(667,456,379)	1	(667,456,379)
	388,187,701	1	₱ 388,187,701
Subscribed and issued	1,207,543,621	1	₱ 1,207,543,621
Treasury shares	(36,056,750)	1	(36,056,750)
Issued and outstanding	1,171,486,871	₱1	₱ 1,171,486,871

Track record of registration of securities

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

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

On August 22, 1997, the Board of Directors and the stockholders approved a further increase in the Company's authorized capital stock from ₱2 billion to ₱3.5 billion divided into 3.5 billion shares with a

par value of ₱1 per share. On March 11, 1998, SEC approved the Company's increased in authorized capital stock.

The Company has 1.5 billion shares listed and traded in the PSE as at June 30, 2018 and 2017.

Note 10 – RELATED PARTY TRANSACTIONS

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayments period.

Relationship, Transactions and Account Balances

Category	Relationship	Amount/volume of transactions		Outstanding receivable (payable)	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
The Wellex Group, Inc.(TWGI)	Common key management	(15,132,926)		₱302,993,917	₱ 318,164,268 (b)
Forum Exploration, Inc. (FEI)	Common key management	-		171,631,076	171,631,076 (a)
		(15,132,926)		474,624,993	489,795,344
Allowance for impairment loss		(9,244,378)		(222,253,710)	(213,009,332)
		(9,244,378)		252,371,283	276,786,012
Forum Exploration, Ltd.(FEL)	Common key management	307,558		(4,438,164)	(4,130,606) (c)

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

Advances to FEI pertain to the carrying value of exploration assets transferred by the Company. No transaction in the account balance was recognized for the quarters ended June 30, 2018 and 2017.

	June 30, 2018	June 30, 2017
Advances	₱ 171,631,076	₱ 171,631,076
Allowance for impairment loss	(60,000,000)	(50,755,622)
Net carrying amount	₱ 111,631,076	₱ 120,875,454

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

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

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

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

TWGI obtained advances from the Company to finance its working capital requirement.

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

The Company subleases an office space from TWGI on May 2014. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. The contract was renewed on May 2016 for another two (2) years.

Total rental and utilities expense charged to operations for the quarters ended June 30, 2018 and 2017 as follows (see Note 11):

	June 30, 2018	June 30, 2017
Rent	₱ 37,500	₱ 37,500
Utilities	18,000	18,000
	₱ 55,500	₱ 55,500

As at June 30, the Company has outstanding lease commitment for future minimum lease payments as follows:

	2018	2017
Not later than one year	₱ 180,000	₱ 180,000
Later than one year but not later than five years	300,000	300,000
	₱ 480,000	₱ 480,000

On April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱120,000 for the quarters ended June 30, 2018 and 2017 (see Note 11).

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

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

The Company received cash advances from FEI, Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI). The advances have no definite terms of payment.

	June 30, 2018	June 30, 2017
At beginning of year	₱4,139,727	₱4,139,727
Unrealized foreign exchange loss (gain) – note 13	298,438	189,394
At end of year	₱4,438,164	₱4,329,121

(d) Remuneration to key management personnel

The Company did not provide remuneration to key management personnel for the quarter ended June 30, 2018 and 2017. The administrative function of the Company is performed by its related party, TWGI.

Note 11 – COSTS AND EXPENSES

Cost and expenses for the quarters ended **June 30** consists of:

	2018	2017	2016
Professional fees	₱195,000	₱ 465,300	₱ 195,000
Membership fees and dues	11,399	11,049	11,049
Office supplies	-	3,050	2,936
Rent and utilities – note 11	55,500	55,500	55,500
Representation	360	-	-
Taxes and licenses	-	825	-
Miscellaneous	10,082	8,800	3,250
Provision for impairment		-	24,395
	₱272,341	₱ 544,524	₱ 292,130

Note 12 – OTHER INCOME (EXPENSES) - net

Other income (expenses) as of the quarters ended **June 30** consists of:

	2018	2017	2016
Unrealized foreign exchange gain (loss)	₱ 109,043	₱ –	₱ –
Impairment loss:	43,171		
Interest income from bank deposits	142	128	168
	₱ 152,072	₱ 128	₱ 168

Note 13 – INCOME TAXES

Current and deferred tax

On May 24, 2005, Republic Act (RA) No. 9337 changed the normal corporate income tax rate from 32% to 35% effective November 1, 2005 and from 35% to 30% effective January 1, 2009.

On December 20, 2008, Revenue Regulations No.16-2008 on the Optional Standard Deduction (OSD) was published. The regulation prescribed the rules for the OSD application by corporations in the computation of their final taxable income. For corporations, OSD shall be 40% based on gross income; “cost of goods sold” will be allowed to be deducted from gross sales.

For taxable period 2008, maximum 40% deduction shall only cover the period beginning July 6, 2008. However, July 1, 2008 shall be considered as the start of the period when the 40% OSD may be allowed.

On February 26, 2010, RR 2-2010 on the amendment of Section 6 and 7 of RR 16-2008 was published. The regulation amended the other implications of the OSD particularly on the election to claim either the OSD or the itemized deduction which must be signified in the first quarter and must be consistently applied for all the succeeding quarterly returns and in the final income tax return for the taxable year.

The Company did not avail of the OSD for purpose of income tax calculation in 2018 and 2017.

The composition of deferred tax assets is as follows:

	June 30, 2018	June 30, 2017
NOLCO	₱ 2,266,938	₱ 2,125,374
Impairment loss on AFS Securities	6,000,000	2,796,280
Unrealized foreign exchange loss	582,438	579,702
Provision for input tax	481,930	409,038
	9,331,306	5,910,394
Valuation allowance	(9,331,306)	(5,910,394)
	₱ –	₱ –

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

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

As at June 30, 2018 and 2017, the composition of deferred tax liability on the unrealized foreign exchange gain on advances from related parties amounted to nil.

As at June 30, 2018, the Company has NOLCO that can be claimed as deduction from future income tax payable and taxable income, respectively, as follows:

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
NOLCO						
2018	2020	₱–	₱1,504,630	₱–	₱–	₱1,504,630
2017	2019	2,596,954	–	–	–	2,596,954
2016	2018	2,805,053	–	–	–	2,805,053
2015	2017	2,154,452	–	(2,154,452)	–	–
		₱7,556,459	₱1,504,630	(₱2,154,452)	₱–	₱6,906,637

Note 14 – LOSS PER SHARE

The following table presents information necessary to calculate the loss per share for the quarter ended, **June 30**:

	2018	2017	2016
Net loss for the quarter	(₱424,413)	(₱ 544,396)	(₱ 291,962)
Weighted average number of common shares outstanding during the quarter	1,171,486,871	1,171,486,871	1,171,486,871
	(₱0.0004)	(₱ 0.00046)	(₱ 0.00025)

Note 15 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Credit risk

Credit risk 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 of statement of financial position, as summarized below:

	June 30, 2018	June 30, 2017
Cash in bank	₱179,508	₱ 202,453
Advances to related parties, gross of allowance	474,624,993	489,795,344
	₱474,804,501	₱ 489,997,797

The credit quality of financial assets is discussed below:

Cash in bank

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

Advances to related parties

As at June 30, 2018 and 2017, the Company classifies the credit quality of advances to related parties based on the following:

	2018	2017
Group 1	₱252,371,283	₱276,748,587
Group 2	222,253,710	213,009,332
Group 3	-	-
	₱474,624,993	₱489,757,919

- 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 Company's aging analysis of financial assets as at June 30, 2018 and 2017 are as follows:

Past due but not impaired								
June 30, 2018	Total	Neither past due nor impaired	< 30 days	31-90 days	91-180 days	181-360 days	1-3 years	Impaired
Cash in bank	₱ 179,508	₱ 179,508	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -
Advances to related parties - note 10	489,368,785	-	-	-	-	-	252,371,283	222,253,710
	₱ 489,548,293	₱ 179,508	₱ -	₱ -	₱ -	₱ -	₱ 252,371,283	₱ 222,253,710

June 30, 2017								
Cash in bank	₱ 202,453	₱202,453	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -
Advances to related parties - note 10	489,795,344	-	-	-	-	-	318,164,268	171,631,076
	₱489,795,344	₱202,324	₱ -	₱ -	₱ -	₱ -	₱318,164,268	₱171,631,076

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.

As at June 30, 2018 and 2017, the Company has entered into an agreement with its related party to settle the advances (See Note 10).

Liquidity risk

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

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

The Company manages liquidity risk by obtaining funds from related parties and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of liabilities.

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

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

June 30, 2017	Total	On demand	Less than three months	3-12 months	1-5 years
Account payable and other liabilities	₱ 22,625	₱ 22,625	₱ –	₱ –	₱ –
Advances from related parties	4,130,616	–	–	–	4,130,616
	₱ 4,153,231	₱ 22,625	₱ –	₱ –	₱ 4,130,616

Foreign currency risk

The Company 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 Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company 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.

Capital Risk Objective and Management

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

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

The Company monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Debt-to-equity ratios as of June 30, 2018 and 2017 are 1.34% and 1.18%, respectively. Total debt is equivalent to debt shown in the Company statements of financial position. Total equity comprises all components of equity as shown in the Company statements of financial position. Total equity amounts to ₱334,656,925 and ₱354,908,167, as at June 30, 2018 and 2017, respectively.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including accrued and other payables and advances from related parties as shown in the Company statement of financial position) less cash. Total capital is calculated as Equity as shown in the Company statement of financial position plus Net Debt.

During 2018, the Company's strategy, which was unchanged from 2017, was to keep the gearing ratio below 50% as proportion to net debt to capital. The gearing ratios as at June 30, 2018 and 2017 were as follows:

	June 30, 2018	June 30, 2017
Accounts payable and other liabilities	₱22,625	₱ 22,625
Advances from related parties	4,130,606	4,130,606
Less: Cash	(179,508)	(202,453)
Net debt	3,973,723	3,950,778
Total equity	334,656,925	354,908,167

Total capital	₱338,630,648	₱ 358,858,945
	1.17%	1.10%

Comparison of Carrying Amounts and Fair Values

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

	June 30, 2018		June 30, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	₱179,508	₱179,508	₱ 202,453	₱ 202,453
Advances to related parties – net			276,786,012	276,786,012
AFS financial assets	252,371,283	252,371,283	81,961,398	81,961,398
	₱86,543,144	₱86,543,144	₱358,949,863	₱358,949,863
Financial liabilities				
Accounts payable and other liabilities	₱ 39,873	₱39,873	₱ 22,625	₱ 22,625
Advances from related parties	4,438,164	4,438,164	4,130,606	4,130,606
	₱ 4,478,037	₱ 4,478,037	₱ 4,153,231	₱ 4,153,231

Fair value estimation

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

Financial assets

Cash - The carrying amounts of cash approximate fair values due to relatively short-term maturities.

Advances to affiliates - The fair value of advances to affiliates is not reasonably determined due to the unpredictable timing of future cash flows.

The carrying value of AFS financial assets approximates their fair value as they are valued at market to market based on published quoted price.

The investment in FEI is stated at cost since there is no quoted price in an active market.

Financial liabilities

Accounts payable and other liabilities - The carrying amounts of accounts payable and other liabilities approximate fair values due to relatively short-term maturities.

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

Fair value hierarchy

The Company analyses financial assets carried at fair value, by valuation method.

The fair values of financial assets based on fair value hierarchy are as follows:

	June 30, 2018			
	Total	Level 1	Level 2	Level 3
AFS financial assets	₱ 86,543,144	₱ 86,543,144	₱ –	₱ –

June 30, 2017				
	Total	Level 1	Level 2	Level 3
AFS financial assets	₱ 81,961,398	₱ 18,070,759	₱ –	₱ –

Note 16 – SUPPLEMENTARY INFORMATION REQUIRED BY RR-15-2010 AND RR19-2011

Supplementary information required by Revenue Regulations 15-2010

On December 28, 2010, Revenue Regulation (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by Philippine Financial Reporting Standards.

a) Output value-added tax

The Company has no output VAT since it does not have any income subject to VAT for the quarter ended June 30, 2018 and 2017.

b) Input value-added tax

	June 30, 2018	June 30, 2017
At beginning of year	₱1,606,434	₱1,363,458
Current purchases and payments for:		
Goods for resale/ manufacture	–	–
Goods other than for resale or manufacture	–	–
Capital goods subject to amortization	–	–
Capital goods not subject to amortization	–	–
Services lodged under cost of goods sold	–	–
Services lodged under other accounts	158,125	155,698
	₱1,764,559	₱1,448,630

c) Taxes on importation

The Company has no import transactions for the quarters ended June 30, 2018 and 2017.

d) Excise Tax

The Company does not have excise tax in any of the taxable years presented since it does not have any transactions which are subject to excise tax.

e) Documentary stamp tax

There are no documentary stamp tax paid by the Company for the quarter ended June 30, 2018 and 2017.

f) Taxes and licenses

Details of taxes and licenses account are broken down as follows:

	2018	2017
Business permits	₱18,087	₱ 16,030
Corporate Community tax	680	660
BIR Annual registration	500	500
Others		825
	₱19,267	₱ 18,015

g) Withholding taxes

The details of total withholding taxes for the quarter ended **June 30** are shown below:

	2018	2017
Withholding tax on compensation	₱ –	₱ –
Expanded withholding tax	22,875	22,875
Final withholding tax	–	–
	₱ 22,875	₱ 22,875

h) Deficiency tax assessment and tax cases

The Company does not have any deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the taxable years.

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FORUM PACIFIC, INC. AND SUBSIDIARY
APPENDIX A – FINANCIAL SOUNDNESS
JUNE 30, 2018

	June 30 2018	June 30 2017	December 31 2017
Profitability ratios:			
Return on assets	Nil	Nil	Nil
Return on equity	Nil	Nil	Nil
Net profit margin	Nil	Nil	Nil
Solvency and liquidity ratios:			
Current ratio	5.53:1	13.88:1	0.35:1
Debt to equity ratio	0.01:1	0.01:1	0.01:1
Quick ratio	4.01:1	8.95:1	0.27:1
Cash-flow liquidity ratio	N/A	N/A	N/A
Financial leverage ratio:			
Asset to equity ratio	1.01:1	1.01:1	1.01:1
Debt to asset ratio	0.01:1	0.01:1	0.01:1
Interest rate coverage ratio	Nil	Nil	Nil