

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.																													
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Contact Person

(632) 706-7888																													
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Fiscal Year

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FORM TYPE

3 rd Monday of April																													
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Month Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

911																													
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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Cashier

STAMPS																													
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Remarks = pls. use black ink for scanning purposes

20-IS Preliminary: FPI



October 7, 2014

Dear Stockholder:

Please be advised that the annual meeting of the stockholders of the Corporation, as fixed by the Board of Directors of FORUM PACIFIC, INC. will be held on Tuesday, November 11, 2014 at 10:30 a.m. at One Café and Events Place, 6th Floor One Corporate Center, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City for the purpose of transacting the following business:

1. Call to Order
2. Report on Attendance and Quorum
3. Approval of Minutes of Previous Stockholders' Meeting
4. Report to Stockholders for the year 2013
5. Ratification of All Acts and Resolutions of the Board of Directors and Management Adopted During the Preceding Year
6. Election of Board of Directors for the Ensuing Term
7. Appointment of External Auditors
8. Appointment of External Counsels
9. Other Business as may properly come before the Meeting
10. Adjournment

As fixed by the Board of Directors, stockholders of record date as of **October 17, 2014** shall be entitled to notice of, and vote at, said stockholders' meeting and for this purpose, the Board of Directors authorized the closing of the stock and transfer book of the Corporation from **October 20 to November 11, 2014**.

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

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


Atty. Arsenio A. Alfiler Jr
Corporate Secretary

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

PROXY

The undersigned stockholder of **FORUM PACIFIC, INC.** (the "Company") hereby appoints _____ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on November 11, 2014 and at any of the adjournments thereof for the purpose of acting on the following matters:

- | | |
|---|---|
| <p>1. Approval of minutes of previous meeting held on June 24, 2013.
☐ Yes ☐ No ☐ Abstain</p> <p>2. Approval of annual report.
☐ Yes ☐ No ☐ Abstain</p> <p>3. Ratification of all acts and resolutions of the Board of Directors and Management adopted during the preceding year.
☐ Yes ☐ No ☐ Abstain</p> <p>4. Election of Directors
☐ Vote for all nominees listed below
Peter S. Salud
Elvira A. Ting
Kenneth T. Gatchalian
Byoung Hyun Suh (Independent)
Lamberto B. Mercado, Jr.
Rogelio D. Garcia
Arthur R. Ponsaran
Joaquin P. Obieta
Sergio R. Ortiz-Luis, Jr. (Independent)
Richard L. Ricardo
Omar M. Guinomla</p> <p>☐ Withhold authority for all nominees Listed above</p> <p>☐ Withhold authority to vote for the nominees listed below:

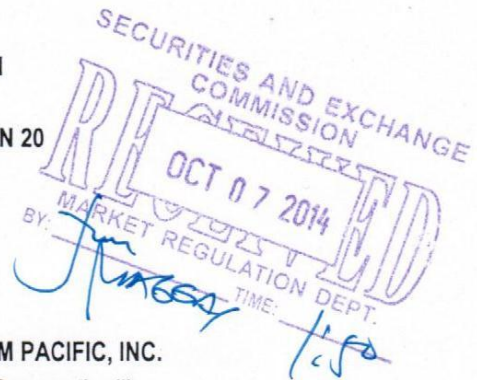
_____</p> | <p>5. Election of Diaz Murillo Dalupan and Co., CPAs, as independent auditors.
☐ Yes ☐ No ☐ Abstain</p> <p>6. Election of Corporate Counsels, Phils. as external legal counsels.
☐ Yes ☐ No ☐ Abstain</p> <p>7. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.
☐ Yes ☐ No ☐ Abstain</p> <p style="text-align: center;">_____
PRINTED NAME OF STOCKHOLDER</p> <p style="text-align: center;">_____
SIGNATURE OF STOCKHOLDER/
AUTHORIZED SIGNATORY</p> <p style="text-align: center;">_____
DATE</p> |
|---|---|

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE NOVEMBER 3, 2014, 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.

**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 Center, Doña Julia Vargas Ave. cor. Meralco Ave.,
Ortigas Center, Pasig City**
7. Registrant's telephone number, including area code : **(632) 706-7888**
8. Date, time and place of stockholders meeting : **November 11, 2014 at 10:30 A.M.,
One Café and Events Place
6th Floor One Corporate Center
Doña Julia Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City**
9. Approximate date on which the Information Statement are first to be sent or given to security holders : **October 21, 2014**
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 : **November 11, 2014
10:30 A.M.,
One Café and Events Place
6th Floor One Corporate Center
Doña Julia Vargas Ave. cor. Meralco Ave.
Ortigas Center, Pasig City**

Complete Registrant's Mailing Address : **35th Floor, One Corporate Center
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 21, 2014**

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 September 30, 2014;

	Shares Outstanding	No. of Vote Each Share is Entitled
Common Shares:		
Filipino	1,785,048,684	One (1) vote per share
Foreign	53,894,562	One (1) vote per share
Total	1,838,943,246	

The Corporation has 1,838,943,426 outstanding common shares, the only shares traded by the Corporation as of September 30, 2014. 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 October 17, 2014 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 September 30, 2014, the Corporation knows of no one who beneficially owns in excess of 5% of the Corporation's common stock except as set forth in the table below.

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

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of total o/s shares
Common	International Polymer Corporation, T. Santiago St., Canumay, Valenzuela City (Stockholder)	same as record owner (see note 1)	Filipino	496,887,494	26.501
Common	PCD Nominee Corporation, 37/F Tower 1, The Enterprise Center, 6766 Ayala Ave. Cor. Paseo De Roxas, Makati City (Stockholder)	PCD Participants and their clients (see note 2)	Filipino	409,824,154	21.857
Common	The Wellex Group Inc., 35th Flr., One Corporate Center, Doña Julia Vargas ave., cor. Meralco ave., Ortigas Center, Pasig City (Stockholder)	same as record owner (see note 3)	Filipino	376,950,000	20.104

¹ International Polymer Corporation ("IPC") is a significant shareholder of the Company. As per By-laws and the Corporation Code, the Board of Directors of IPC has the power to decide how the IPC shares in Forum Pacific Inc. are to be voted.

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

³The Wellex Group, Inc. ("TWGI") is a significant shareholder of the Company. As per By-laws and the Corporation Code, the Board of Directors of TWGI has the power to decide how the TWGI shares in Forum Pacific Inc. are to be voted.

Schedule A

PCD Nominee	No. of Shares Held	% to Total O/S Shares
Westlink Global Equities, Inc.	73,965,800	3.945
Abacus Securities Corporation	36,946,458	1.971
Ansaldo. Godinez & Co., Inc.	31,013,000	1.654
Tri-State Securities Inc.	13,690,000	0.730
Globalinks Securities & Stocks, Inc.	10,630,754	0.567
Quality Investments & Securities Corporation	10,366,250	0.553
Tower Securities, Inc.	10,317,000	0.550
Yao & Zialcita, Inc.	9,460,000	0.505
Angping & Associates Securities Inc.	8,681,000	0.463
Wealth Securities, Inc.	8,136,000	0.434
Eastern Securities Development Corporation	7,905,000	0.422
Yu & Company, Inc.	7,900,000	0.421
Belson Securities, Inc.	7,829,996	0.418
Evergreen Stock Brokerage & Sec., Inc.	7,387,000	0.394
David Go Securities Corp.	7,235,000	0.386
Others	158,360,896	8.445
TOTAL	409,824,154	21.857

(2.) Security Ownership of Directors and Management (As of September 30, 2014)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Peter S. Salud	29,990 (direct)	Filipino	0.001
Common	Elvira A. Ting	400,001 (direct)	Filipino	0.021
Common	Joaquin P. Obieta	1 (direct)	Filipino	0.000
Common	Lamberto A. Mercado	100 (direct)	Filipino	0.000
Common	Rogelio D. Garcia	10 (direct)	Filipino	0.000
Common	Arthur R. Ponsaran	1 (direct)	Filipino	0.000
Common	Kenneth T. Gatchalian	100 (direct)	Filipino	0.000
Common	Byoung Hyun Suh	1,000 (direct)	Korean	0.000
Common	Sergio R. Ortiz-Luis, Jr.	100 (direct)	Filipino	0.000
	Atty. Arsenio A. Alfiler, Jr.	-	Filipino	0.000
All directors and Officers as a group		431,303		0.022

(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 37 to 41 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.	Rogelio D. Garcia	7.	Lamberto B. Mercado, Jr.
2.	Peter S. Salud	8.	Omar M. Guinomla
3.	Elvira A. Ting	9.	Richard L. Ricardo
4.	Kenneth T. Gatchalian	10.	Sergio R. Ortiz-Luis, Jr. – Independent Director
5.	Joaquin P. Obieta	11.	Byoung Hyun Suh – Independent Director
6.	Arthur R. Ponsaran		

The aforementioned nominees are all incumbent directors except for Mr. Omar M. Guinomla and Mr. Richard L. Ricardo. Their qualifications are presented on pages 37 to 41 of Management Report. The two independent directors, Mr. Byoung Hyun Suh and Mr. Sergio R. Otiz-Luis, Jr., will be serving their 3rd term as independent directors when elected during the annual meeting. The nomination committee will recommend them to undergo a cooling off period for two years after their last term on 2017 pursuant to SEC Memorandum Circular No. 9 Series of 2011 (Term Limits for Independent Directors).

The Certifications of Independent Directors executed by the aforementioned independent directors of the Corporation are attached hereto. (Pls. refer to pages 18 to 19)

Ms. Elvira A. Ting recommended the nomination of the foregoing candidates for independent directors and the two regular 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. Rogelio D. Garcia – Chairman
2. Peter S. Salud – Member
3. Kenneth T. Gatchalian – Member

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

A. Definition

1. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the corporation and includes, among others, any person who:
 - 1.1 Is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
 - 1.2 Does not own more than two percent (2%) of the shares of the corporation and/or its related companies or any of its substantial shareholders;
 - 1.3 Is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
 - 1.4 Is not acting as a nominee or representative of any director or substantial shareholder of the corporation, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

- 1.5 Has not been employed in any executive capacity by the corporation, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;
 - 1.6 Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the corporation, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or
 - 1.7 Has not engaged and does not engage in any transaction with the corporation and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.
2. No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice to other disqualifications which the corporation's Manual on Corporate Governance provides.
 3. Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the Commission by appointing independent directors from the list of nominees submitted by the stockholders.
 4. When used in relation to a company subject to the requirements above:
 - 4.1 Related company means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and
 - 4.2 Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

B. Qualifications and Disqualifications of Independent Directors

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

C. Number of Independent Directors

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

D. Nomination and Election of Independent Directors

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

E. Termination/Cessation of Independent Directorship

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

The procedures for the "Nomination and Election of Independent Directors pursuant to SRC Rule 38" are to be incorporated in the By-Laws of the Corporation. The Board of Directors approved the amendments to the

Corporation's By-Laws to adopt SRC Rule 38 on December 14, 2004.

The By-Laws of the corporation 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 its authority under Section 72, in relation to Section 38, of the Securities Regulation Code (Republic Act No. 8799), the Commission, in its meeting on December 2, 2011, and in order to enhance the effectiveness of independent directors, resolved to promulgate the following rules on the election of Independent Directors in listed, public and mutual fund companies:

1. There shall be no limit in the number of covered companies that a person may be elected as Independent Director (ID), except in business conglomerates where an ID can be elected to only five (5) companies of the conglomerate, i.e., parent company, subsidiary or affiliate;
2. IDs can serve as such for five (5) consecutive years, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the IP position was relinquished or terminated;
3. After completion of the five-year service period, an ID shall be ineligible for election as such in the same company unless the ID has undergone a "cooling off" period of two (2) years, provided, that during such period, the ID concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as ID in the same company;
4. An ID re-elected as such in the same company after the "cooling off" period can serve for another five (5) consecutive years under the conditions mentioned in paragraph 2 above;
5. After serving as ID for ten (10) years, the ID shall be perpetually barred from being elected as such in the same company, without prejudice to being elected as ID in other companies outside of the business conglomerate, where applicable, under the same conditions provided for in this Circular;

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 Vice Chairman/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 October 6, 2014, 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 October 6, 2014, 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 October 6, 2014, 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 October 6, 2014, 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 11 of the Audited Financial Statements as of and for the year ended December 31, 2013).

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. Mr. Geronimo F. Velasco, Jr. resigned as Chairman and independent director of the Corporation last June 10, 2014 due to pursuit of business. Mr. Federico E. Puno resigned as independent director last June 9, 2010 for health reasons.

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 2014. 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 President/CEO/Director	2014	-	100,000
	2013	-	100,000
	2012	-	100,000
Geronimo F. Velasco Chairman/Independent Director	2014	-	100,000
	2013	-	100,000
	2012	-	100,000

Elvira A. Ting Vice Chairman/Director	2014	-	50,000
	2013	-	50,000
	2012	-	50,000
Kenneth T. Gatchalian Treasurer/Director	2014	-	50,000
	2013	-	50,000
	2012	-	50,000
All other officers & directors as a Group Unnamed	2014	-	40,000
	2013	-	40,000
	2012	-	40,000

The Chairman, Vice-Chairman, President and Treasurer are the only key officers who will be compensated for 2014.

The members of the Compensation Committee are the following:

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

Standard Arrangement

Except for a nominal amount of per diem amounting to P10,000 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 Rogelio D. Garcia 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 2013 and 2012, and is again being recommended to the stockholders for re-election as the Company's principal external auditors for the year 2014. 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 and Ms. Rosemary D. De Mesa in 2009 to 2013. Mr. Jozel Francisco C. Santos will be recommended as engagement partner for the year 2014.

- 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. Rogelio D. Garcia - 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, 2013 and 2012 amounted to Php 340,000 and Php 323,400, respectively exclusive 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 2013 and 2012.

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 participated in the Corporate Governance Disclosure Survey conducted by the Philippine Stock Exchange per PSE Memorandum Circular No. 2073-0013 and submitted the Survey on 10 March 2014 for the year 2013. Likewise, pursuant to SEC Memorandum Circular Nos. 5 & 9, series of 2013, the Company also submitted its Annual Corporate Governance Report on 27 June 2013 covering the year 2012. An amendment was made to the Manual on Corporate Governance of the Company on July 31, 2014.

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 2013, 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**

- (a) Approval of the Annual Report of Management and the Audited Financial Statements for the year ending December 31, 2013.
- (b) Approval of the Minutes of the Annual Meeting of the Stockholders held on June 24, 2013, covering the following matters:
 - (i) Annual Report of Officers;
 - (ii) Approval of Annual Report and Audited Financial Statements for the Year Ended December 31, 2012;
 - (iii) Election of the Members of the Board of Directors, including the Independent Directors;
 - (iv) Ratification and approval of all acts and resolution of the Board of Directors for the fiscal year 2012;
 - (v) Appointment of External Auditors;
 - (vi) Appointment of External Counsels;

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 June 24, 2013;
 - 2) 2013 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 Flr. Citibank Tower, 8741 Paseo De Roxas, Makati City to 35th Flr. One Corporate Center, Doña Julia Vargas cor. Meralco Ave., 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 Center Doña Julia Vargas Ave., cor Meralco Ave. Ortigas Center, Pasig City. Philippines.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on October 7, 2014.

Forum Pacific, Inc. By:


Atty. Arsenio A. Alfiler Jr
Corporate Secretary

CERTIFICATE OF INDEPENDENT DIRECTOR

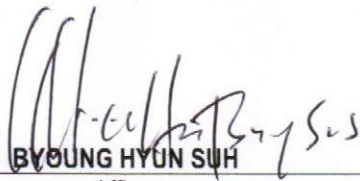
I, **Byoung Hyun Suh**, Korean, of legal age and resident of Unit 2006B The Salcedo Place, Tordesillas St., Salcedo Village, Makati City after having been duly sworn in accordance with law do hereby declare that:

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

Company	Position	Period of Service
Pan Islands, Inc.	President	Feb. 1995 - present
National Unification Advisory Council Southeast Asia Chapter – R.O.K	President	July 2009 - present

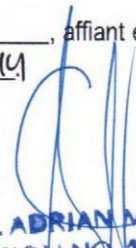
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **FORUM PACIFIC, INC.**, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of **FORUM PACIFIC, INC.** of any changes in the above mentioned information within five days from its occurrence.

Done this SEP 29 2014 of SEP 29 2014, 2014 at _____.


BYOUNG HYUN SUH
Affiant

SUBSCRIBED AND SWORN TO before me this SEP 29 2014 at _____, affiant exhibiting his Community
Tax No. 108197 93 at Makati City, Metro Manila on Jan 7, 2014

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Book No. I
Series of 2014


ATTY. ADRIAN M. ABAIGAR
COMMISSION NO. 117 (2014-2015)
NOTARY PUBLIC FOR PASIG CITY
UNTIL DECEMBER 31, 2015
35TH FLR, ONE CORPORATE CENTER
JULIA VARGAS CORNER MERALCO AVENUE
ORTIGAS CENTER, PASIG CITY
ROLL NO. 49554
PTR NO. 9837140-1-1-1-1 PASIG CITY
IBP NO. 5561291 1/13/14 PASIG CITY

CERTIFICATE OF INDEPENDENT DIRECTOR

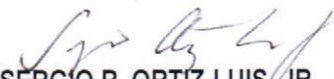
I, **SERGIO R. ORTIZ-LUIS, JR.**, Filipino, of legal age and resident of **151 cor. 3rd St., & 10th Ave., Riverside Village, Pasig City**, after having been duly sworn in accordance with law do hereby declare that:

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

Company	Position	Period of Service
Alliance Global, Inc.	Vice Chair	Since 2007
Waterfront Phils., Inc.	Independent Director	Since 2005
B.A. Securities	Independent Director	Since 2012

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **FORUM PACIFIC, INC.**, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of **FORUM PACIFIC, INC.** of any changes in the above mentioned information within five days from its occurrence.

Done this SEP 29 2014, 2014 at PASIG CITY


SERGIO R. ORTIZ-LUIS, JR.

Affiant

SUBSCRIBED AND SWORN TO before me this SEP 29 2014, affiant exhibiting his Community Tax Certificate No. 30288604 issued at Manila on Jan. 08, 2014.

Doc. No. 343
Page No. 74
Book No. I
Series of 2614

ATTY. ADRIAN M. ABAIGAR
COMMISSION NO. 117 (2014-2015)
NOTARY PUBLIC FOR PASIG CITY
UNTIL DECEMBER 31, 2015
35TH FLR, ONE CORPORATE CENTER
JULIA VARGAS CORNER MERALCO AVENUE
ORTIGAS CENTER, PASIG CITY
ROLL NO. 12531
PTR NO. 2847149: 1/13/14 PASIG CITY
ISP NO. 956159: 1/13/14 PASIG CITY

Republic of the Philippines
_____) S.S.

MANILA

CERTIFICATION

I, **ARSENIO A. ALFILER, JR.**, Filipino, of legal age, with office address at 31st Floor Antel Global Corporate Center, Dona Julia Vargas Ave., Ortigas Center, Pasig City, after having been duly sworn in accordance with law do hereby declare that:

1. I am the Corporate Secretary of **FORUM PACIFIC, INC.** (the 'Company'), a corporation organized and existing under Philippine law, with principal office address at 35th Floor One Corporate Centre, Dona Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City;
2. All incumbent directors and officers of the Company are not connected with any government agency or its instrumentalities.

Arsenio A. Alfiler, Jr.
ARSENIO A. ALFILER, JR.
Corporate Secretary

SUBSCRIBED AND SWORN to before me this **OCT 07 2014** of **MANILA** 2014, in _____, affiant exhibiting to me her Tax Identification No. 108-760-143 issued by the Bureau of Internal Revenue.

Doc. No. 303 _____;
Page No. 21 _____;
Book No. 42 _____;
Series of 2014. _____

[Signature]
ATY. DELA R. AGCAOILI JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR NO. 2412105 / 2014 MLA
IBP NO. 943989 / 2014 MLA
ROLL NO. 24655 / TIN NO. 144-519-068
MCLE III - 0013521
COMMISSION NO. 2013-023

PART 2

MANAGEMENT REPORT AS REQUIRED BY SRC RULE 20 INCLUDING FINANCIAL INFORMATION FOR 3RD QUARTER OF 2014

BUSINESS AND GENERAL INFORMATION

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

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.**

Business Plans

To address the foregoing matters that may raise doubt on the Company's ability 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. The Company's management 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.

The Company had submitted three applications to the Department of Energy (DOE) last April 2012. The proposals did not meet the minimum financial and technical qualifications set under DOE Department Circular No. DC2011-12-0010.

To date, the Company's main source of revenue came from its 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 (SC) 40. With around 72.5 million cubic feet of gas representing net revenue of \$88,000 as at December 31, 2012 after FEI commercial production commenced last February 6, 2012, the management of FPI is hoping for future realization of its return on investment.

Projected Plan for the next twelve (12) months

Due to the negative result of the bid, the Board of Directors set a meeting to address finding new opportunities. For the next twelve months, the Company will do the following:

- a) Evaluate outstanding receivables and advances to affiliates and design collection program to improve Company's financial status. The Company has net advances to affiliate of P298M, subscription receivable of P600M and unsubscribed stocks of P1.6B as of May 31, 2014, a possible source of fund to finance the Company's project.
- b) As the Company is now banking on new petroleum and gas service contracts, the Management will plan to build a team of experts for the research of oil and coal-rich areas and will hire professionals that will help in the execution and implementation of the project. As of this report, the administrative and management functions of the Company are being provided by its affiliated Company, The Wellex Group, Inc. (TWGI).
- c) Evaluate existing mining companies on which the Company may acquire or invest. The Company is currently eyeing for one mining company with existing Mineral Product Sharing Agreement (MPSA) with the Department of Energy and Natural Resources (DENR) – Mines and Geosciences Bureau. The Executive Committee will set series of meeting for preliminary assessment of potential investment.
- d) 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), where the Company owns 33.33% of its capital stock.

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)		Total
As of December 31, 2013					
Net carrying amount, December 31, 2012	P	63,890,638	P 32,627,759	P	96,518,397
□ Write-Off		–	–		–
Impairment loss		–	–		–
Unrealized fair value gain (loss)		–	(14,306,017)		(14,306,017)
Net Carrying Amount, December 31, 2013		63,890,638	18,321,742		82,212,380
Acquisition cost	P	73,211,573	P 7,529,480	P	80,741,053
Unrealized fair value gain (loss)		–	10,792,262		10,792,262
Accumulated impairment loss		(9,320,935)	–		(9,320,935)
Net carrying amount, as of December 31, 2013	P	63,890,638	P 18,321,742	P	82,212,380

		FEI	PHES		Total
December 31, 2012					
Net carrying amount, December 31, 2011	P	63,890,638	P 11,695,797	P	75,586,435
Write-Off		–	–		–
Impairment loss		–	–		–
Unrealized fair value loss		–	20,931,962		20,931,962
Net carrying amount, December 31, 2012	P	63,890,638	P 32,627,759	P	96,518,397
Acquisition cost	P	73,211,573	P 7,529,480	P	80,741,053
Unrealized fair value loss		–	25,098,279		25,098,279
Accumulated impairment loss	(	9,320,935)	–		(9,320,935)
Net carrying amount, December 31, 2012	P	63,890,638	P 32,627,759	P	96,518,397

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, 2013, 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, 2013 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value loss was recognized amounting to P14,306,017 and charged to "other comprehensive gain" account in the 2013 statement of comprehensive income and shown separately as "Unrealized fair value gain on available-for-sale financial assets" in equity.

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 Group, in close cooperation with the Board of Directors, and focuses on actively securing the short-term cash flows by minimizing the exposure to financial markets.

The 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:

	2013	2012
Cash in bank	P 114,471	P 291,793
Advances to related parties	302,476,084	305,430,631
	P 302,590,555	P 305,722,424

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, 2013 and 2012, the Company classifies the credit quality of advances to related parties based on the following:

	2013	2012
Group 1	P 165,287,126	P 168,241,675
Group 2	137,188,958	137,188,958
Group 3	—	—
	P 302,476,084	P 305,430,631

- 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, 2013 and 2012 are as follows:

		Past due but not impaired									
December 31, 2013	Total	Neither past due nor impaired	< 30 days	31-90 days	91-180 days	181-360 days	1-3 years	> 3 years but not impaired	Impaired		
Cash in bank	P 114,471	P 114,471	P-	P-	P-	P-	P-	P	-	P	-
Advances to related parties - note 10	499,171,912	-	-	-	-	-	-	302,476,084	196,695,828		
	P 499,286,393	P 114,471	P-	P-	P-	P-	-	P 302,476,084	P 196,695,828		
December 31, 2012											
Cash in bank	P 291,793	P 291,793	P-	P-	P-	P-	P-	P	-	P	-
Advances to related parties - note 10	502,126,460	-	-	-	-	-	-	305,430,632	196,695,828		
	P 502,418,253	P 291,793	P-	P-	P-	P-	-	P 305,430,632	P 196,695,828		

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.

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 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:

December 31, 2013	Total	On demand	Less than three months	3-12 months	1-5 years
Account payable and other liabilities	P 271,128	P -	P -	P 271,128	P -
Advances from related parties	3,682,909	-	-	-	3,682,909
	P 3,954,037	P -	P -	P 271,128	P 3,682,909
December 31, 2012					
Accounts payable and other liabilities	P 406,784	P -	P -	P 406,784	P -
Advances from related parties	3,416,399	-	-	-	3,416,399
	P 3,823,183	P -	P -	P 406,784	P 3,416,399

Interest rate risk and fair value interest rate risk

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

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

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 which amounted to P3,682,909 and P3,416,399 as at December 31, 2013 and 2012, 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 P341,573 and P364,261 in 2013 and 2012, 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 and that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

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.

During 2013, the Company's strategy, which was unchanged from 2012, was to keep the gearing ratio below 50% as proportion to net debt to capital. The gearing ratios as at December 31, 2013 and 2012 were as follows:

	2013		2012	
Debt	P	3,954,037	P	3,823,183
Cash	(	114,471)	(	291,793)
Net debt		3,839,566		3,513,390
Equity		381,631,424		398,837,689
Gearing ratio		1.00%		0.88%

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:

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	P 114,471	P 114,471	P 291,793	P 291,793
Advances to related parties – net	302,476,084	302,476,084	305,430,632	305,430,632
AFS financial assets	82,212,380	82,212,380	96,518,397	96,518,397
	P 384,802,935	P 384,802,935	P402,240,822	P402,240,822

Financial liabilities

Accounts payable and other liabilities

	P	271,128	P	271,128	P	406,784	P	406,784
Advances from related parties		3,682,908		3,682,908		3,416,399		3,416,399
	P	3,954,036	P	3,954,036	P	3,823,183	P	3,823,183

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 and trade and other receivables - The carrying amounts of cash and trade and other receivables 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.

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:

2013				
	Total	Level 1	Level 2	Level 3
AFS financial assets	P 82,212,380	P 18,321,742	P –	P –
2012				
	Total	Level 1	Level 2	Level 3
AFS financial assets	P 96,518,397	P 32,627,759	P –	P –

4.) Legal Proceedings

- The Company has a legal case involvement in the “Field Investigation Officer 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 Local Water Utilities (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 (310,06 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 P700,000,000. The Company did not recognize any provisions since the outcome of the event cannot be determined as of May 31, 2013.

- 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 is still coordinating with legal department of Forum Exploration, Inc. to handle the case since James Dale Hood was their former Assistant Drilling Manager. Having said that, the management believes that it is not liable for the claims.

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

There was no matter submitted to a vote of security holders during 2013.

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

A. Full Calendar Year

The following discussion and analysis should be read in conjunction with the accompanying financial statements and related notes as of December 31, 2013, 2012 and 2011, 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. Also, for five years or so, PSE suspended the trading of the Company's shares due to non-compliance of regulatory requirements. However, the Company is optimistic that 2014 will be a better year than the past years. The Company is also aware that the road to recovery is a long process due to various risks such as exchange rates, crude oil prices, and natural disasters that pose challenges in the year ahead. Despite these, the Company will continue looking for opportunities for new businesses to recover from its losses and be active in the market.

The management had submitted three applications to the Department of Energy (DOE) last April 2012 for the bid in three (3) areas in Philippine Energy Contracting Round (PECR 4). The proposals did not meet the minimum financial and technical qualifications set under DOE Department Circular No. DC2011-12-0010.

Due to the negative result of the bid, the Board of Directors set a meeting to address finding new opportunities. For the next twelve months, the Company will do the following:

- Evaluate outstanding receivables and advances to affiliates and design collection program to improve Company's financial status. The Company has net advances to affiliate of P298M, subscription receivable of P600M and unsubscribed stocks of P1.6B as of May 31, 2014, a possible source of fund to finance the Company's project.
- As the Company is now banking on new petroleum and gas service contracts, the Management will plan to build a team of experts for the research of oil and coal-rich areas and will hire professionals that will help in the execution and implementation of the project. As of this report, the administrative and management functions of the Company are being provided by its affiliated Company, The Wellex Group, Inc. (TWGI).
- Evaluate existing mining companies on which the Company may acquire or invest. The Company is currently eyeing for one mining company with existing Mineral Product Sharing Agreement (MPSA) with the Department of Energy and Natural Resources (DENR) – Mines and Geosciences Bureau. The Executive Committee will set series of meeting for preliminary assessment of potential investment.
- 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), where the Company owns 33.33% of its capital stock.

Key Performance Indicators

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

1. Advances to Related Parties - all payments made by the company were come from the account of the 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 Y2013 is 318.50% and 171.04% for Y2012.
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 equivalent there are in the current assets to cover current liabilities. The cash ratio of the company for the Y2013 is 42.22% and 69.63% for Y2012.
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 Y2013 is 1.03% and 0.96% for Y2012.
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 Y2013 is 1.04% and Y2012 is 0.97%.

Financial Highlights

The following table shows the comparative operating data and financial statements of the Company for the years ended December 31, 2013, 2012 and 2011.

	Years Ended December 31		
	2013	2012	2011
REVENUES (net)	P –	P –	P –
COSTS AND EXPENSES – note 11	2,663,872	2,393,976	1,746,713
GROSS LOSS	(2,663,872)	(2,393,976)	(1,746,713)
OTHER INCOME (EXPENSES) - net – note 12	(266,808)	1,147,468	(38,804,478)
LOSS BEFORE INCOME TAX	(2,930,680)	(1,246,808)	(40,551,191)
BENEFIT FROM (PROVISION FOR):			
INCOME TAX – note 13	(30,432)	18,406	–
NET LOSS FOR THE YEAR	(2,900,248)	(1,265,214)	(40,551,191)
OTHER COMPREHENSIVE LOSS			
Unrealized gain (loss) on available-for-sale financial assets	(14,306,017)	20,931,962	7,880,859
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(P 17,206,265)	P 19,666,748	(P 32,670,332)
LOSS PER SHARE – notes 3 and 12	(P 0.002)	P 0.001	(P 0.035)

Changes in the Results of Operations

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 2011, 2012 and 2013.
- The company incurred loss of P2.9M in year 2013, P1.2M in year 2012 and P40.5M in 2011. Loss per share for 2013, 2012 and 2011 were (P0.002), P0.001 and (P0.035), respectively.

Cost and Expenses

- Cost and expenses consisted primarily of fines and penalties, professional fees, PSE annual maintenance fee, management fee and office rental. For the Y2013 and Y2012 amounts recorded were P2.6M and P2.4M, respectively. Increase of P0.2M is attributable to the legal expenses in connection with the current legal case (see Item 3).
- See notes to the financial statements for the breakdown

Changes in Financial Condition

ASSETS

Current Assets

Cash and Cash Equivalent

Cash in bank carries interest at respective bank deposit rate. For the year 2013 and 2012, the total cash and cash equivalents were P114,471 and P291,793, 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.

Input Tax

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 the account for the year ended December 31, 2013 and 2012 are P666,906 and P204,152, respectively.

Noncurrent Assets

Advances to Affiliates

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with definite terms of repayment period. This account consists of advances mainly to The Wellex Group, Inc. (TWGI) and Forum Exploration, Inc. (FEI). Total amount recorded for the year 2013 and 2012, net of allowance for impairment loss, were P302.5M and P305.4M, respectively.

Advances to 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 P330,495,385 without interest.

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. Total rental and utilities expense charged to operations amounted to P222,000 and P166,500 for the year ended December 31, 2013 and 2012, 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 P480,000 and P360,000 for the year ended December 31, 2013 and 2012. Likewise, payments for management fee are being offset against advances to TWGI outstanding balance.

Total collections of advances to TWGI amounted to P2,954,547 and P4,241,640 in 2013 and 2012, respectively.

Advances to FEI

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Parent Company. No transaction in the account balance was recognized for the years ended December 31, 2012 and 2011. The Company did not recognize impairment loss for the year 2012 for it anticipates progress in its operations on succeeding years that eventually will generate income and will prove its capacity to pay its liabilities.

Available-For-Sale Financial Assets

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

	2013	2012
Unquoted shares		
Cost	P 73,211,573	P 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	10,792,262	25,098,279
	18,321,742	32,627,759
	P 82,212,380	P 96,518,397

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, 2013. 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% 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) in prior year. FCCHI is company's former subsidiary which was formally dissolved last July 6, 2012. Outstanding balance of account as of December 31, 2013 and 2012 were P3,682,909 and P3,415,733, respectively.

Accounts Payable and other liabilities

These accounts consist of Accounts Payable, Withholding tax Payable, Income Tax Payable and Accrued Expense accounts. Total amounted recorded for 2013 and 2012 were to P271,128 and P425,190, respectively. See notes to the Notes to the Financial Statements.

Other Matters

- a. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash

flows except those stated in Management's Discussion and Analysis of Financial Position and Performance.

- b. There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial year.
- c. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

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

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

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

December 31, 2013		Total	On demand	Less than three months	3-12 months	1-5 years
Advances from related parties	P	3,416,399	P –	P –	P –	P 3,416,399
Trade and other payables		455,622	–	–	455,622	–
	P	3,872,021	P –	P –	P 455,622	P 3,416,399

December 31, 2012		Total	On demand	Less than three months	3-12 months	1-5 years
Advances from related parties	P	3,643,770	P –	P –	P –	P 3,643,770
Trade and other payables		2,719,805	–	–	2,719,805	–
	P	6,363,575	P –	P –	P 2,719,805	P 3,643,770

- d. Any known trends, demands, commitments, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

PFRS 9, Financial Instruments (effective January 1, 2015). This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. PFRS 9 was issued in November 2009 and October 2010. It replaces the parts of PAS 39 that relate to the classification and measurement of financial instruments. PFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

The adoption of PRFS 9 is expected to have no significant impact on the Company's financial statements as the most of the Company's financial instrument are not complex. The Company will quantify the effect in conjunction with other phases, when issued, to present a comprehensive picture.

- e. There were no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation, other than those disclosed in the Management's Discussion and Analysis and the Audited Consolidated Financial Statements.
- f. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or

other persons created during the reporting period.

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 Center Doña Julia Vargas Ave., cor Meralco Ave. Ortigas Center, Pasig City. Philippines.

B. Interim Period for the 3rd Qtr. Ended September 30, 2014

The following are the discussions for the interim report covering the period for the 3rd quarter ended September 30, 2014.

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 3rd Quarter of 2014 is 4920% as compared to 2431% for the 3rd Quarter of 2013.
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 3rd Quarter of Y2014 is 744% as compared to 528% for the 3rd Quarter of 2013.
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 3rd Quarter of 2014 is 0.96% as compared to 0.87% for the 3rd Quarter of 2013.
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 3rd Quarter of 2014 is 0.97 as compared to 0.87% for the 3rd Quarter of 2013.

Financial Highlights

☐ Unaudited Statement of Comprehensive Income

	Jul. – Sept. 2014	Jul. – Sept. 2013	As of December 31, 2013	Jan. – Sept. 2014	Jan. – Sept. 2013
Revenues	–	–	–	–	–
Less: Cost and Expenses	254,207	275,052	2,930,680	1,097,759	1,459,115
Loss from Operation	(254,207)	(275,052)	(2,930,680)	(1,097,759)	(1,459,115)
Add: Other Income	–	–	–	–	–
Loss before Income Tax	(254,207)	(275,052)	(2,930,680)	(1,097,759)	(1,459,115)
Income Tax Expense - Deferred	–	–	30,432		–
Net Income(Loss) – After Tax	(254,207)	(275,052)	(2,900,248)	(1,097,759)	(1,459,115)
Other Comprehensive Income (Loss)	–	–	(14,306,017)	–	–
Total Comprehensive Income (Loss)	(254,207)	(275,052)	(17,206,265)	(1,097,759)	(1,459,115)
Earnings (Loss) Per Share	(P0.00014)	(P0.00015)	(P0.00935)	(P0.00060)	(P0.00079)

☐ Unaudited Balance Sheet

	As of September 30 2014	As of September 30 2013
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Assets	384,237,199	400,854,364
Liabilities	3,703,534	3,475,790
Stockholders' Equity	380,533,665	397,378,574
Total Liabilities & Stockholders' Equity	384,237,199	400,854,364

RESULTS OF OPERATION

Revenue and Earnings per share

- Since the company ceased to have control over Express Savings Bank, Inc. and still banking on new petroleum and gas service contracts, no revenues were recorded for the third quarter of 2014 and 2013.
- Earnings (loss) per share comparison for the 3rd quarter of 2014 and 2013 are as follows: (P0.00014) and (P0.00015), respectively.

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 3rd quarter of 2014 and 2013 were P254,207 and P275,092 respectively. Decrease of P20,729 or 8% is due to lesser cost incurred for office supplies, transportation printing and reproduction expenses for the third quarter of 2014.

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 September 30, 2014 and 2013 were P153,480 and P156,473, respectively. Input tax as of September 30, 2014 and 2013, net of allowance for impairment, amounted to P803,948 and P561,192, respectively.

Available-For-Sale Financial Assets

Available-for-sale financial assets consist of:

	September 30, 2014		September 30, 2013	
Unquoted shares				
Cost	P	73,211,573	P	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		10,792,262		25,098,279
		18,321,742		32,627,759
	P	82,212,380	P	96,518,397

Forum Exploration, Inc. (FEI)

Investment in unquoted shares of stock represents 33.33% ownership of the Company in Forum Exploration, Inc. (FEI) as at September 30, 2014 and 2013. 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. This investment is stated at cost since there is no quoted price in an active market.

Philippine Estates Corporation (PHES)

Investment in quoted shares of stock represents investment in Philippines Estates Corporation (PHES), a publicly listed Company. The Company owns 50,196,553 common shares and constitutes 3% ownership in PHES.

The fair value of PHES investment as of September 30, 2014 and 2013 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value gain was recognized amounting to P10,792,262 and P25,098,279 for the period ended September 30, 2014 and 2013, respectively. "Unrealized fair value gain on AFS" account is presented under Statement of Comprehensive Income and shown separately in Equity.

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 a 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 available-for-sale financial assets as at September 30, 2014 and 2013 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 P3,888,000 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 balance are to be settled through cash or offsetting.

Relationships, Transactions and Account Balances

Outstanding Balance

Related Parties	Relationship	September 30, 2014	September 30, 2013
The Wellex Group, Inc.	Common key management	P 163,787,659	P 166,393,400
Forum Exploration, Inc.	Common key management	137,188,958	137,188,958
Forum Exploration, Ltd.	Common key management	(3,682,908)	(3,415,733)

Advances to 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 one-year promissory note to the Company amounting to P330,495,385 without interest.

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 P55,500 for both periods ended September 30, 2014 and 2013. Sublease agreement was renewed for another two years until May 1, 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 P120,000 for both periods ended September 30, 2014 and 2013. Consultancy agreement was renewed for another two years until May 1, 2016.

Total collections of advances from TWGI amounted to P1,499,468, P2,954,547 and P4,241,640 in the 3rd quarter of 2014, Y2013 and Y2012, respectively.

Advances to 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 period ended September 30, 2014 and 2013.

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 September 30, 2014 and 2013 amounted to P3,415,733 and P3,642,609, respectively.

Remuneration to key management personnel

The Company did not provide remuneration to key management personnel for the period ended September 30, 2014 and 2013. 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 September 30, 2014 and 2013 amounted to P20,625 and P29,625, respectively. This includes payable for retainer fees of legal counsel and stock transfer agent of the Company and withholding taxes payable.

Non - Current liability

- This is primarily consists of Deferred Tax Liability with outstanding balance of P30,432 for the quarter ended September 30, 2014 and 2013.

Undertaking

A copy of 3rd Quarter Report for the period ended September 30, 2014 or SEC Form 17-Q will be made available during the Annual Stockholders' Meeting.

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:
“CLASS A”

2014		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	High	0.180	0.163	0.215	
	Low	0.180	0.154	0.189	
2013	High	0.235	0.219	0.209	0.217
	Low	0.215	0.151	0.165	0.214
2012	High	0.280	0.200	0.230	0.230
	Low	0.270	0.200	0.216	0.200
2011	High	–	0.980	0.240	0.280
	Low	–	0.140	0.200	0.150

The high, low and close market prices as of October 7, 2014 (latest practicable trading date) are P0.214, P0.188 and P0.203, respectively.

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

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

HOLDERS

There are approximately 911 holders of common shares of the Company as of September 30, 2014. Total shares outstanding as of September 30, 2014 were 1,838,943,246 shares with a par value of P 1.00.

Top 20 Stockholders Forum Pacific, Inc. As of September 30, 2014

	STOCKHOLDER'S NAME	NATIONALITY	OUTSTANDING SHARES	PERCENTAGE
1	International Polymer Corporation	Filipino	496,887,494	26.501%
2	PCD Nominee Corporation	Filipino	409,824,154	21.857%
3	The Wellex Group, Inc.	Filipino	376,950,000	20.104%
4	E.F. Durkee & Associates, Inc.	Filipino	77,838,563	4.151%
5	Intra-Invest Sec., Inc.	Filipino	48,159,000	2.568%
6	Forum Pacific, Inc.	Filipino	36,056,750	1.923%
7	Metropolitan Management Corporation	Filipino	30,000,000	1.600%
8	PCD Nominee Corp.	Others	23,869,670	1.273%
9	Juanito C. Uy	Filipino	22,625,001	1.207%
10	Pacrim Energy N.L.	Australian	21,000,000	1.120%
11	Sapphire Securities, Inc.	Filipino	19,433,500	1.036%
12	Benito Ong and/or Zita Y. Ong	Filipino	18,000,000	0.960%
13	Nestor S. Mangio	Filipino	12,500,000	0.667%
14	Li Chih-Hui	Filipino	12,100,000	0.645%
15	A & A Securities, Inc.	Filipino	11,911,320	0.635%
16	Mark Securities Corporation	Filipino	10,772,800	0.575%
17	Globalinks Sec & Stocks, Inc.	Filipino	9,400,000	0.501%
18	Belson Securities, Inc.	Filipino	9,200,000	0.491%
19	Wealth Securities, Inc.	Filipino	8,240,000	0.439%
20	Ruben M. Gan	Filipino	7,610,000	0.406%

Cash and Stock Dividend Declared

The Company haven't declared and paid dividends due to substantial losses suffered by the Company for the year 2013, 2012 and 2011.

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 and office of all directors and executive officers:

Name	Age	Citizenship	Position and Office
Rogelio D. Garcia	73	Filipino	Chairman of the Board
Elvira A. Ting	54	Filipino	Vice Chairman/Director
Peter S. Salud	58	Filipino	President / Director
Kenneth T. Gatchalian	37	Filipino	Treasurer/Director
Atty. Arthur R. Ponsaran	71	Filipino	Director
Atty. Lamberto B. Mercado, Jr.	49	Filipino	Director
Byoung Hyun Suh	57	Filipino	Independent Director
Joaquin Obieta	78	Filipino	Director
Sergio R. Ortiz-Luis, Jr.	70	Filipino	Independent Director
Omar M. Guinomla	42	Filipino	Nominee/Regular Director
Richard L. Ricardo	52	Filipino	Nominee/Regular Director
Atty. Arsenio A. Alfiler Jr.	68	Filipino	Corporate Secretary

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

Name	Corporation	Position
Rogelio D. Garcia Director Filipino 74 years old Bachelor of Laws (LLB) University of the Philippines	Present: Forum Pacific, Inc. Wellex Industries, Inc. Metro Alliance Holdings & Equities Corp. Previous: ConyBio Philippines, Inc. NIR Placement Center, Inc.	Director since 2004 Director since 2004 Chairman since 2005 Director since 2003 CEO 1997-2000 Executive Consultant 1998-2000

Name	Corporation	Position
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Elvira A. Ting Director/Vice Chairman Filipino 54 years old BSBA major in Management Phil. School of Business Administration	Present: 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. Previous: PCI Bank Express Savings Bank, Inc. Air Philippines International Corp.	Director since 1996 President/CEO 1997-2010 President/CEO Sept. 2011 - present Treasurer/Director since 2001 Vice President/Director since 1999 Vice Chairman/Director since 2000 Chairman/President/Director since 2010 Chairman/President/Director since 2011 Vice President/Director since 2011 Treasurer/Director since 2011 Director since 1991 Director 1989-1991 Director 1996-2009; Chairman 1999-2009 Treasurer/Director 1997-1999
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Name	Corporation	Position
Peter S. Salud President/ Director Filipino 58 years old	Present: Forum Pacific Inc. Previous: Air Philippines New Phil. China Corp. Metrobank	President/ Director since 1996 President 1995-1996 President 1990 -1997 Senior Manager 1978-89

Name	Corporation	Position
Kenneth T. Gatchalian Director/Treasurer Filipino 37 years old B.S. in Architecture University of Texas, USA	Present: Forum Pacific, Inc. The Wellex Group, Inc. Wellex Industries, Inc. Waterfront Philippines Incorporated Previous: Philippine Estates Corporation Metro Alliance Holdings and Equities Corporation Express Savings Bank Incorporated Mabuhay Vinyl Corporation	Director since 2002 Treasurer since 2010 Director since 2002 VP for Special Projects 2011 Director since 2002 Treasurer since 2010 Vice Chairman since 2001 President/CEO 2010-2011 EVP & COO 2000-2010 Director 2000-2011 Director/Treasurer 2002-2009 Director 2002-2009 Director 2003-2004

Name	Corporation	Position
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Atty. Arthur Ponsaran Director Filipino 68 years old CPA Lawyer University of the East Business Administration Major in Accounting University of the Philippines Bachelor of Laws	Present: Forum Pacific, Inc. Wellex Industries, Inc. Wellex Industries, Inc. Philippine Estate Corporation Corporate Counsels, Phil. Law Offices Previous: Forum Pacific, Inc.	Director since 2000 Corp. Sec. up to 2003 Director since 2000 Director Managing Partner Corporate Secretary up to 2007
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Name	Corporation	Position
Atty. Lamberto A. Mercado Jr. Director Filipino 50 years old Bachelor of Laws (L.L.B.) Ateneo de Manila University School of Laws Lawyer - 1991	Present: Forum Pacific, Inc. MAHEC and CPDSI AHI, FEZ and ZDI Wellex Industries, Inc. Waterfront Phil., Inc. Previous: Subic Bay Metropolitan Authority	Director since 1998 Director since 2003 Director since 2004 Director since 2005 Director since 1999 Deputy Administrator for Administration 1997-98

Name	Corporation	Position
Byoung Hyun Suh Independent Director Korean 56 years old B.S. in Business Administration Korea University, Seoul Korea	Present: Forum Pacific, Inc. Pan Islands, Inc. Three Seven Foods & Products, Inc. Golden Jin Shan Farm Overseas Korean Traders Previous: KIA Inter-trade Asia Regional Office Samsung Corporation Philippines Samsung Corporation Seoul Korea	Independent Director since June 2011 President since 1995 President since 1995 President since 1995 President since 2004 President 1995-1997 Resident Manager 1988-1995 Manager – Chemical Division

Name	Corporation	Position
Joaquin P. Obieta Director Filipino 77 years old Bachelor of Laws Ateneo de Manila University Chemical Engineering De La Salle University Bachelor of Theology University of Sto. Tomas	Present: Forum Pacific, Inc. Corporate Counsels, Philippines Law Office Ateneo de Manila University	Director since 2001 Managing Partner Law Professor

Name	Corporation	Position
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Sergio R. Ortiz-Luis, Jr. Independent Director Filipino 68 years old De La Salle University Bachelor of Arts Bachelor of Science in Business Administration Masters of Business Administration Central Luzon University PhD Humanities EARIST PhD Business Technology	Present: Forum Pacific, Inc. Philippine Exporters Confederation Inc. (PHILEXPORT) Alliance Global, Inc. Waterfront Philippines, Inc. BA Securities	nominee – June 2013 President Vice Chairman since 2007 Independent Director since 2005 Independent Director since 2012
Name	Corporation	Position
Richard L. Ricardo Nominee – Regular Director Filipino 52 years old Bachelor of Science Management Economics Ateneo De Manila University	Present: Forum Pacific, Inc. Wellex Industries, Inc. Waterfront Phils., Inc. Acasite (Phils.) Hotel Corp.	On Nov. 2011, 2014 ASM Treasurer since Sept. 13, 2012 Director since 2002 Corporate Affairs Officers since 2007 Compliance Officer Vice President for Corporate Affairs Compliance Officer

Name	Corporation	Position
Omar Guinomla Nominee – Regular Director Filipino 42 years old A.B. Management De La Salle University Masters in Business Administration Ateneo De Manila University	Present: Forum Pacific, Inc. Wellex Industries, Inc. Recovery Real Estate Corp. Pacific Rehouse Corp. Orient Pacific Corp. Recovery Development Corp.	On Nov. 11, 2014 ASM Director since 2010 Chairman and President Vice President Assistant Corporate Secretary Assistant Corporate Secretary

Name	Corporation	Position
Atty. Arsenio A. Alfiler, Jr. Corporate Secretary Filipino 67 years old Bachelor of Laws University of the Philippines B.A. in Public Administration University of the Philippines	Present: Forum Pacific, Inc. Acesite (Phils.) Hotel Corporation Waterfront Philippines, Inc. Iloilo City Development Bank	Since 2007 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 systems'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 participated in the Corporate Governance Disclosure Survey conducted by the Philippine Stock Exchange per PSE Memorandum Circular No. 2073-0013 and submitted the Survey on 25 January 2013. Likewise, pursuant to SEC Memorandum Circular Nos. 5 & 9, series of 2013, the Company also submitted its Annual Corporate Governance Report on 27 June 2013.

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

Financial Statements for the Years
Ended December 31, 2013 and 2012
And Independent Auditors' Report

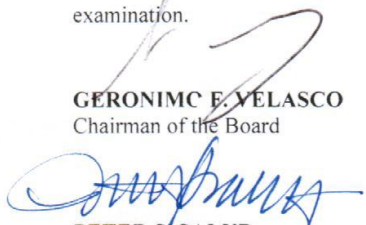


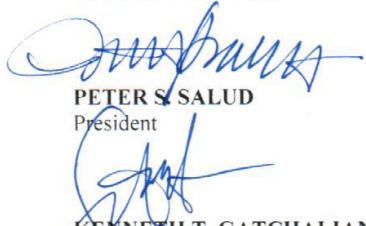
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **FORUM PACIFIC, INC.** is responsible for the preparation and fair presentation of the financial statements for the years ended **December 31, 2013 and 2012**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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


GERONIMO F. VELASCO
Chairman of the Board


PETER S. SALUD
President


KENNETH T. GATCHALIAN
Corporate Treasurer

SUBSCRIBED AND SWORN to before me in MANILA CITY City/Province, Philippines on APR 07 2014
affiants personally appeared before me and exhibited to me their

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

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

DOC NO: 806
PAGE NO: 179
BOOK NO: XIV
SERIES OF: 2014

NOTARY PUBLIC FOR

Notarial Commission No. 100-100-100 City/Province Manila

Commission expires on December 31, 2014

Roll of Attorney Number

PTR No. 100-100-100

IBP No. 100-100-100

Office Address: 1435 E. Quintos St., Sampaloc, Ma.

Atty. ELMER DISTOR

Notary Public

IBP NO. 650315 / 10-Jan-2013 / Ma.3
PTR NO. 2530033 / 03-Jan-2014 / Ma.
MCLE No. IV-0010700 / 05-03-2013
CTC No. 3424000 / 03-Jan-2014 / Ma.
1435 E. Quintos St., Sampaloc, Ma.

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Forum Pacific, Inc.**, which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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7th & 8th Floor, Don Jacinto Building, Dela Rosa corner Salcedo Sts., Legaspi Village, Makati City 1200 Philippines / Telephone: +63(2) 894 5892 to 95 / Fax: +63(2) 818 1872 / Website: www.dmdcpa.com.ph
Cebu Branch Office: Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Phone: +63(32) 415 8108 to 10 Fax: +63(32) 232 8029
Davao Branch Office: 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Ave., Davao City 8000 Phone/Fax: +63(82) 222 6636

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Forum Pacific, Inc.**, as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2 to the financial statements which indicate that the Company had been incurring losses in current and prior years and had accumulated a deficit of about ₱801 million and ₱798 million as at December 31, 2013 and 2012, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, therefore, it may be unable to realize its assets and settle its liabilities in the normal course of the business. The officers and major stockholders of the Company have committed to provide full financial support to sustain its operations, meet the working capital requirements and settle obligations as they fall due for the Company to continue as a going concern. Additionally, as discussed in Note 2 to the financial statements, the Company's management 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. The Company will also evaluate existing mining companies on which the Company may acquire or invest. We have performed audit procedures to evaluate management's plan for future action as to their likelihood to improve the situation under circumstances. Our opinion is not qualified with respect to the matter emphasized.

Report on Supplementary Information required under Revenue Regulations 15-2010 and 19-2011

Our audits were conducted for the purpose of forming an opinion on the basic financial statements 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

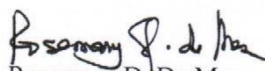
Tax Identification No. 003-294-822

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

SEC Accreditation No. 0192-FR-1, Group A, effective until March 24, 2016

BIR Accreditation No. 08-001911-0-2013, effective until April 1, 2016

By:



Rosemary D. De Mesa

Partner

CPA Certificate No. 29084

SEC Accreditation No. 1089-AR-1, Group A, effective until March 25, 2017

Tax Identification No. 104-576-953

PTR No. 4244796, January 17, 2014, Makati City

BIR Accreditation No. 08-001911-7-2013, effective until April 1, 2016

March 26, 2014

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

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

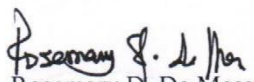
To the Board of Directors and Stockholders of
FORUM PACIFIC, INC.
35th Floor, One Corporate Center
Doña Julia Vargas Avenue
corner Meralco Avenue, Ortigas Center
Pasig City, Philippines

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Appendices A "*Financial Soundness*" and B "*List of Effective Standards and Interpretations*" and Schedules A to J, to the financial statements are presented for purposes of additional analyses and filing with the Securities and Exchange Commissions, respectively, and are not a required part of basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit 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 December 31, 2014
SEC Accreditation No. 0192-FR-1, Group A, effective until March 24, 2016
BIR Accreditation No. 08-001911-0-2013, effective until April 1, 2016

By:


Rosemary D. De Mesa

Partner
CPA Certificate No. 29084
SEC Accreditation No. 1089-AR-1, Group A, effective until March 25, 2017
Tax Identification No. 104-576-953
PTR No. 4244796, January 17, 2014, Makati City
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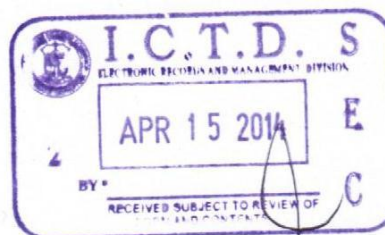
March 26, 2014

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

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

FORUM PACIFIC, INC.
Statements of Financial Position



As at December 31

	2013	2012
ASSETS		
Current Assets		
Cash - note 5	P 114,471	P 291,793
Prepayments and other current assets - note 6	749,082	435,444
	863,553	727,237
Noncurrent Assets		
Available-for-sale financial assets (net) - note 7	82,212,380	96,518,397
Advances to related parties (net) - note 11	302,476,084	305,430,632
Other noncurrent assets	33,444	33,444
	384,721,908	401,982,473
TOTAL ASSETS	P 385,585,461	P 402,709,710
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities - note 9	P 271,128	P 406,784
Income tax payable	-	18,406
	271,128	425,190
Noncurrent Liabilities		
Advances from related parties - note 11	3,682,909	3,416,399
Deferred tax liability - note 14	-	30,432
	3,682,909	3,446,831
Equity		
Capital stock - note 10	1,207,543,621	1,207,543,621
Unrealized fair value gain on AFS financial assets - note 7	10,792,262	25,098,279
Deficit - note 2	(800,647,709)	(797,747,461)
	417,688,174	434,894,439
Treasury shares - note 10	(36,056,750)	(36,056,750)
	381,631,424	398,837,689
TOTAL LIABILITIES AND EQUITY	P 385,585,461	P 402,709,710

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



FORUM PACIFIC, INC.
Statements of Comprehensive Income

	For the Years Ended December 31		
	2013	2012	2011
COSTS AND EXPENSES - note 12	₱ 2,663,872	₱ 2,393,976	₱ 1,746,713
LOSS FROM OPERATIONS	(2,663,872)	(2,393,976)	(1,746,713)
OTHER INCOME (EXPENSES) - net - note 13	(266,808)	1,147,168	(38,804,478)
LOSS BEFORE INCOME TAX	(2,930,680)	(1,246,808)	(40,551,191)
PROVISION FOR (BENEFIT FROM) INCOME TAX - note 14			
Current	-	18,406	-
Deferred	(30,432)	-	-
	(30,432)	18,406	-
NET LOSS FOR THE YEAR	(2,900,248)	(1,265,214)	(40,551,191)
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized fair value gain (loss) on AFS financial assets - note 7	(14,306,017)	20,931,962	7,880,859
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱ 17,206,265)	₱ 19,666,748	(₱ 32,670,332)
LOSS PER SHARE - note 15	(₱ 0.002)	(₱ 0.001)	(₱ 0.035)

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

FORUM PACIFIC, INC.
Statements of Changes in Equity

	Capital Stock (Note 10)	Treasury shares (Note 10)	Deficit (Note 2)	Unrealized Fair Value Gain (Loss) on AFS Financial Assets (Note 7)	Total
Balance as at January 1, 2011	₱ 1,207,543,621	(₱ 36,056,750)	(₱ 755,931,056)	(₱ 7,425,459)	₱ 408,130,356
Reclassification adjustment - note 7	-	-	-	3,710,917	3,710,917
Comprehensive income					
Net loss for the year	-	-	(40,551,191)	-	(40,551,191)
Other comprehensive income	-	-	-	7,880,859	7,880,859
Total comprehensive income (loss) for the year	-	-	(40,551,191)	11,591,776	(28,959,415)
Balance as at December 31, 2011	1,207,543,621	(36,056,750)	(796,482,247)	4,166,317	379,170,941
Comprehensive income					
Net loss for the year	-	-	(1,265,214)	-	(1,265,214)
Other comprehensive income	-	-	-	20,931,962	20,931,962
Total comprehensive income (loss) for the year	-	-	(1,265,214)	20,931,962	19,666,748
Balance as at December 31, 2012	1,207,543,621	(36,056,750)	(797,747,461)	25,098,279	398,837,689
Comprehensive income					
Net loss for the year	-	-	(2,900,248)	-	(2,900,248)
Other comprehensive loss	-	-	-	(14,306,017)	(14,306,017)
Total comprehensive loss for the year	-	-	(2,900,248)	(14,306,017)	(17,206,265)
Balance as at December 31, 2013	₱1,207,543,621	(₱ 36,056,750)	(₱ 800,647,709)	₱ 10,792,262	₱ 381,631,424

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

FORUM PACIFIC, INC.
Statements of Cash Flows

	For the Years Ended December 31		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(P 2,930,680)	(P 1,246,808)	(P 40,551,191)
Adjustments for:			
Impairment loss on:			
Advances to related parties - notes 11 and 13	-	-	17,221,059
AFS financial assets - notes 7 and 13	-	-	17,692,052
Investment in a subsidiary - notes 8 and 13	-	-	3,888,000
Unrealized foreign exchange loss (gain) - notes 11 and 13	267,176	(226,875)	3,565
Operating loss before working capital changes	(2,663,504)	(1,473,683)	(1,746,515)
Increase in prepayments and other current assets	(313,638)	(231,292)	(204,152)
Decrease in accounts payable and other liabilities	(135,656)	(2,282,589)	(3,877,310)
Net cash used in operations	(3,112,798)	(3,987,564)	(5,827,977)
Income tax paid	(18,406)	-	-
Net cash used in operating activities	(3,131,204)	(3,987,564)	(5,827,977)
CASH FLOW FROM AN INVESTING ACTIVITY			
Payments from advances to related parties	2,954,548	4,241,641	5,762,946
CASH FLOW FROM A FINANCING ACTIVITY			
Proceeds (payments) of advances from related parties	(666)	(497)	1,162
NET INCREASE (DECREASE) IN CASH	(177,322)	253,580	(63,869)
CASH			
At beginning of year	291,793	38,213	102,082
At end of year	P 114,471	P 291,793	P 38,213

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

FORUM PACIFIC, INC.

Notes to Company Financial Statements

As at and for the years ended December 31, 2013, 2012 and 2011

1. CORPORATE INFORMATION

Forum Pacific, Inc. (the “Company”) was incorporated in the Philippines 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 and was formerly known as Cophil Exploration, Inc.

On September 2, 1996, the Company changed its name from Cophil Exploration, Inc. to Forum Pacific, Inc. and again on September 8, 1997, the Company changed its name from Forum Pacific, Inc. to Air Philippines International Corporation (APIC). In 2000, the Company changed back its name to Forum Pacific, Inc.

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 for the year ended December 31, 2013 (including the comparative for the year ended December 31, 2012) were approved and authorized for issue by its Board of Directors (BOD) on March 24, 2014.

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

Management’s Assessment of the Going Concern Assumption

Management believes that the going concern assumption is appropriate despite the existence of material uncertainty caused by recurring substantial losses of the Company. The Company incurred losses amounting to ₱2,900,248, ₱1,265,214 and ₱40,551,191 in 2013, 2012 and 2011, respectively. The Company had sustained a deficit of ₱800,647,709 and ₱797,747,461 as at December 31, 2013 and 2012 respectively.

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 had submitted three applications to the Department of Energy (DOE) last April 2012. The proposals did not meet the minimum financial and technical qualifications set under DOE Department Circular No. DC2011-12-0010.

Due to the negative result of the bid, the Company will do the following for the next twelve months:

- 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.

- Evaluate existing mining companies on which the Company may acquire or invest. The Board is currently eyeing for one mining company with existing Mining Product sharing Agreement (MPSA) with the Department of Energy and National Resources (DENR) – Mines and Geosciences Bureau.

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.

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.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except otherwise stated.

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.

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of previous financial year except for the following new and amended PFRS and Philippine Interpretations which were adopted as at January 1, 2013.

PAS 1(Amendment), Financial statement presentation regarding other comprehensive income, effective July 1, 2012. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The adoption has no significant impact on the Company's financial statement except on the presentation of other comprehensive income in the Statement of Comprehensive income.

PAS 19 (Revised), Employee benefits, effective January 1, 2013. The main changes resulting from the amendment of the standards includes the elimination of the options defer remeasurement gains and losses (formerly known as "actuarial gains and losses) and requires that remeasurement be recognised immediately in OCI. The amendment also requires additional disclosures to assist users in understanding the financial statement disclosures relating to employee benefits. This revision has no impact on the Company's financial statements.

PAS 27 (Revised), Separate Financial Statements, effective January 1, 2013. The revised standard includes the provisions on separate financial statements that are left after the control provisions of PAS 27 have been included in the new PFRS 10. This revision has no significant impact on the Company's financial statements.

PAS 28 (Revised), Investments in Associates and Joint Ventures, effective January 1, 2013. This revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of PFRS 11. This revision has no significant impact on the Company's financial statements.

PFRS 1 (Amendment), Government Loans, effective January 1, 2013. These amendments add an exception to the retrospective application of PFRSs. First-time adopters are required to apply for the requirements in PFRS 9, Financial Instruments (If PFRS 9 is not yet adopted, references to PFRS 9 in the amendments shall be read as references to PAS 39, Financial Instruments: Recognition and Measurement) and PAS 20, Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to PFRSs. The adoption of the amendment has no significant impact on the Company's financial statements.

PFRS 7 (Amendment), Disclosures-Offsetting Financial Assets and Financial Liabilities, effective January 1, 2013. These amendments involve the revision of the required disclosures to include information that will enable users to evaluate the effect or potentially effect of netting arrangements on an entity's financial position. The amended standard shall be applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment has no significant impact on the Company's financial statements.

PFRS 10 Consolidated financial statements, effective January 1, 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of the new standards has no significant impact on the Company's financial statements.

PFRS 11 Joint Arrangements, effective January 1, 2013, focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation. PFRS 11 supersedes PAS 31 and Philippine Interpretation SIC-13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The adoption of the new standards has no significant impact on the Company's financial statements.

PFRS 12 Disclosures of interest in other entities, effective January 1, 2013, includes the disclosures requirement for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption of the new standards has no significant impact on the Company's financial statements.

PFRS 13 Fair value measurement, effective January 1, 2013, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRSs. The requirements, which are largely aligned between PFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required

or permitted by other standards within PFRSs or US GAAP. The adoption of the new standards has no significant impact on the Company's financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, effective January 1, 2013. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping cost') and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. The adoption of the new interpretation has no significant impact on the Company's financial statements.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2013

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.

PAS 32 (Amendment), Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities, effective January 1, 2014. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearinghouse systems) which apply gross settlement mechanisms that are not simultaneous. The Company has yet to assess the full impact of the amendments and intends to adopt the amendment beginning January 1, 2014.

PAS 36 (Amendment), Impairment of Assets - Recoverable Amount Disclosures for Non-financial Assets, effective January 1, 2014. The amendment removed certain disclosures of the recoverable amount of cash-generating units (CGUs) which had been included in PAS 36 by the issue of PFRS 13. The amendment is not expected to have a significant impact on the Company's financial statements.

PFRS 9 Financial instruments, effective January 1, 2015, addresses the classification, measurement and recognition of financial assets and financial liabilities. PFRS 9 was issued in November 2009 and October 2010. It replaces the parts of PAS 39 that relate to the classification and measurement of financial instruments. PFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch. The adoption of PFRS 9 is expected to have no significant impact on the Company's financial statements as most of the Company's financial instruments are not complex. The Company will also consider the impact of the remaining phases of PFRS 9 when completed by the IASB and adopted by the FRSC.

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: loans and receivables, and available-for-sale (AFS) financial assets. 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, 2013 and 2012, the Company did not hold any financial assets at FVPL and HTMI, and financial liabilities at FVPL.

Determination of Fair Value and Fair Value Hierarchy

The fair value of financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and asking price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For financial instruments where there is no active market, except for investment in unquoted equity securities, fair value is determined by using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to current market value of another instrument, which is substantially the same; discounted cash flow analysis; and options pricing models. In the absence of a reliable basis for determining fair value, investments in unquoted equity securities are carried at cost, net of impairment.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value measurement disclosures of AFS financial assets are presented in Note 16.

“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 Company 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 Company 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.

Amortized Cost of Financial Instruments

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

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 rate 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 the 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 Company’s loans and receivables comprise of cash and advances to related parties (see Notes 5 and 11).

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

Interest earned on the investments is reported as interest income using the effective interest rate method. Dividends earned on investments are recognized in the Company 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 date.

Other Financial Liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the Company statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2013 and 2012, included in other financial liabilities are the Company's accounts payable and other liabilities (excluding government liabilities), and advances from related parties (see Notes 9 and 11).

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Company 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 Financial Liabilities

(a) 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.

(b) 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 Company statement of comprehensive income.

Impairment of Financial Assets

The Company assesses at each reporting date 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 is reduced through the use of an allowance account. The amount of loss is recognized in the Company 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 Company statement of comprehensive income under Other income account. Any subsequent reversal of an impairment loss is recognized in the Company statement of comprehensive 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. 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 equity and recognized in the Company statement of comprehensive income.

Impairment losses on equity investments are not reversed through the Company statement of comprehensive income. Increases in fair value after impairment are recognized directly as other comprehensive income. In the case of debt instruments classified as AFS financial assets, increase in fair value after impairment is reversed in Company statement of comprehensive income.

Cash

The Company’s cash represents cash in bank which carries interest at respective bank deposit rate.

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 losses.

Other Non-Current Assets

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

Investment in a Subsidiary

The Company’s investment in a subsidiary is accounted for in these separate Company financial statements at cost, less any impairment loss. Impairment loss is provided when there is objective evidence that the investments in a subsidiary and associates will not be recovered. The impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market

rate of return for similar financial asset. Such amount of the impairment loss is recognized in the statement of comprehensive income.

Subsidiaries are entities over which the Company has the power to govern the financial reporting policies generally accompanying a shareholding of more than one half of the voting rights. The Company obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable and convertible are considered when assessing whether the Company controls another entity.

Impairment of Non-financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets 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 the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income.

Accounts Payable and Other Liabilities

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables 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 non-trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Accounts payable and other liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Retirement Benefits

The Company does not provide any retirement benefits because it does not have any employees as at December 31, 2013 and 2012. 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 the Company statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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 that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax assets are recognized for all deductible temporary differences, carryforward 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, carryforward 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets 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 Company 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 statement of comprehensive income.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Capital stock represents the par value of the shares that are issued and outstanding as at reporting date.

Treasury shares are own equity instruments which are reacquired, are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of comprehensive income 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 in 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 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 results as disclosed in the statements of comprehensive income.

Revenue Recognition

Revenue is recognized to the extent that the economic benefits will flow to the Company and the 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.

The following specific recognition criteria must also be met before revenue is recognized:

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

Other comprehensive income comprises items of unrealized fair value loss on available-for-sale financial assets that are not recognized in the statement of comprehensive income for the year in accordance with PFRS.

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

(a) Functional and Presentation Currency

The Company considers the Philippine peso as the currency that most fairly represents the economic effect of the underlying transactions, events and conditions. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency in which the Company measures its performance and reports its operating results.

(b) Transactions and Balances

Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are retranslated using the applicable rate of exchange at the reporting date. Foreign exchange gains or losses are recognized in the statement of comprehensive income.

Related Party Relationships and Transactions

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

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

Basic Earnings (Loss) Per Share

Basic earnings 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 of 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, the increase in the provision due to the passage of time is recognized as 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 Company statement of comprehensive income, net of any reimbursements.

Contingent liabilities are not recognized in the financial statements. They 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 Company financial statements.

Events After the Reporting Date

The Company identifies post-year events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Post year-end events that provide additional information about the Company's position at the reporting date (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

a) Functional currency

The Company considers the Philippine peso as the currency that most fairly represents the economic effect of the underlying transactions, events and conditions. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency in which the Company measures its performance and reports its operating results.

b) Determination of fair value of AFS financial assets

The Company carries AFS financial assets at fair value, which requires extensive use of accounting judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any changes in fair value of these AFS financial assets would affect the statements of changes in equity through other comprehensive income.

c) Write-off of available-for-sale financial assets

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

d) Impairment of investment in a subsidiary and loss of control

The determination whether or not the Company can recover its investment in a subsidiary requires significant judgment. The Company believes that it cannot recover its investment in

Forum Coal Cebu Holdings, Inc. (subsidiary) since the subsidiary is deemed dissolved on July 6, 2012 upon approval by the SEC to shorten its corporate life. Moreover, the Company would not recover anything from the subsidiary since it is in the state of capital deficiency. Consequently, loss of control occurred at the time of approval by the SEC to shorten its corporate life since the subsidiary will become inexistent at that time.

e) 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.

f) Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 3, subheadings *Provisions and Contingencies*.

The Company has a legal case involvement in the “Field Investigation Office v. Prospero Pichay, et al. For: Malversation.” This 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 Wellex Group, Inc. (“WGI”), among others, are charged with conspiring to (a) effect LWUA’s supposed anomalous purchase in June 2009 from FPI (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.

As of December 31, 2013, the Company has no outstanding liabilities.

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.

a) Valuation of AFS financial assets

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

Unrealized fair value gain on available-for-sale financial assets of ₱10,792,262 and ₱25,098,279 in 2013 and 2012, respectively were reported in the equity section of the statements of financial position (see Note 7).

b) 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 discussed in Note 14.

The Company considers that it is impracticable to disclose with significant reliability the possible effects of sensitivities surrounding the deferred tax assets.

c) 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. Allowance for impairment loss on advances to related parties amounted to ₱196,695,828 in 2013 and 2012 (see Note 11).

d) 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. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of comprehensive income - is removed from equity and recognized in the statement of comprehensive income. Impairment losses recognized in profit or loss on equity instruments are not reversed in profit or loss. Subsequent increase in the fair value after impairment is recognized as other comprehensive income.

5. CASH

Cash represents cash in bank with outstanding balance of ₱114,471 and ₱291,793 as at December 31, 2013 and 2012, respectively. Interest income earned from bank deposits were ₱368 and ₱238, respectively (see Note 13).

6. PREPAYMENTS AND OTHER CURRENT ASSETS

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

		2013	2012
Input tax	₱	666,907	₱ 394,607
Other current assets		82,175	40,837
	₱	749,082	₱ 435,444

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

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

	2013	2012
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	10,792,262	25,098,279
	18,321,742	32,627,759
	₱ 82,212,380	₱ 96,518,397

Investment in unquoted shares of stock represents 33.33% ownership of the Company in Forum Exploration, Inc. (FEI) in 2013 and 2012. This investment is 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 investment in Philippine Estates Corporation (PHES), a publicly listed Company. The fair value of these shares has been determined directly by reference to published prices in the active market.

On 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.

Management believes that the foregoing carrying amount of the Company's FEI and PHES investments approximate their fair value.

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

	2013	2012	2011
At beginning of year	₱ 25,098,279	₱ 4,166,317	(₱ 7,425,459)
Fair value changes during the year	(14,306,017)	20,931,962	7,880,859
Reclassification adjustment due to impairment	—	—	3,710,917
	₱ 10,792,262	₱ 25,098,279	₱ 4,166,317

8. **INVESTMENTS IN A SUBSIDIARY**

The Company owns 60% of the stockholdings amounted to ₱4,320,000 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 Centre, 146 Valero Street, Salcedo Village, Makati City.

On November 30, 2009, FCCHI was formally dissolved. Consequently, the BOD of the Company has decided to provide full valuation allowance on the Company's investment in subsidiary. The related impairment loss was included as part of the other income (expenses) in 2011 and 2010.

On July 6, 2012 the dissolution was approved by the SEC. On July 19, 2012, the BOD 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.

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	2013	2012
Accrued expenses	₱ 240,000	₱ 233,471
Accounts payable	25,503	167,688
Withholding tax payable	5,625	5,625
	₱ 271,128	₱ 406,784

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

10. CAPITAL STOCK

Details of the Company's capital stock as at December 31, 2013 and 2012 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 an initial registered 50 billion shares at ₱.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's capital stock fair values as at December 31, 2013 and 2012 amounted to ₱0.168 and ₱0.2 per share, respectively.

11. 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)	
		2013	2012	2013	2012
<u>The Wellex Group, Inc.(TWGI)</u>	Common key management			₱ 327,540,836	₱ 330,495,384
Management fee		₱ 480,000	₱ 360,000		
Rent expense		150,000	112,500		
Cash advance		2,324,546	3,769,140		
<u>Forum Exploration, Inc. (FEI)</u>	Common key management	-	-	171,631,076	171,631,076
		2,954,546	4,241,640	499,171,912	502,126,460
Allowance for impairment loss		-	-	(196,695,828)	(196,695,828)
		2,954,546	4,241,640	302,476,084	305,430,632
<u>Forum Exploration, Ltd.(FEL)</u>	Common key management	-	-	(3,682,909)	(3,415,733)
<u>Wellex Industries, Inc. (WIN)</u>	Common key management	-	-	-	(666)
				(3,682,909)	(3,416,399)

(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 years ended December 31, 2013 and 2012.

	2013	2012
Advances	₱ 171,631,076	₱ 171,631,076
Allowance for impairment loss	(34,442,118)	(34,442,118)
Net carrying amount	₱ 137,188,958	₱ 137,188,958

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

TWGI obtained advances from the Company to finance its working capital requirement.

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 ₱330,495,385 without interest.

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 ₱222,000 and ₱166,500, for the years ended December 31, 2013 and 2012, respectively (see Note 12).

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

	2013	2012
Not later than one year	₱ 40,000	₱ 150,000
Later than one year but not later than five years	-	40,000
	₱ 40,000	₱ 190,000

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 and ₱360,000 for the years ended December 31, 2013 and 2012, respectively (see Note 12).

The lease and consultancy agreement were settled through offsetting with the advances to TWGI.

	2013	2012
Advances	₱ 327,540,837	₱ 330,495,384
Allowance for impairment loss	(162,253,710)	(162,253,710)
Net carrying amount	₱ 165,287,127	₱ 168,241,674

(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 has no definite terms of payment.

	2013	2012
At beginning of year	₱ 3,415,733	₱ 3,642,608
Unrealized foreign exchange loss (gain) – note 13	267,176	(226,875)
At end of year	₱ 3,682,909	₱ 3,415,733

(d) Remuneration to key management personnel

The Company did not provide remuneration to key management personnel for the years ended December 31, 2013 and 2012. The administrative function of the Company is performed by its related party, TWGI.

12. COSTS AND EXPENSES

Cost and expenses for the years ended December consists of :

	2013	2012	2011
	₱	₱	
Professional fees	1,772,684	1,341,122	₱ 539,219
Membership fees and dues	250,000	250,000	250,000
Office supplies	244,559	250,313	64,185
Rent and utilities – note 11	222,000	166,500	–
Communication	42,925	34,423	67,002
Representation	23,703	16,437	8,656
Taxes and licenses	21,548	320,404	31,715
Miscellaneous	86,453	14,777	785,936
	₱ 2,663,872	₱ 2,393,976	₱ 1,746,713

13. OTHER INCOME (EXPENSES) - net

Other income (expenses) for the years ended December 31 consists of:

	2013	2012	2011
Unrealized foreign exchange gain (loss)	(₱ 267,176)	₱ 226,875	(₱ 3,565)
Impairment loss:			
Advances from a related party	–	–	(17,221,059)
AFS financial assets	–	–	(17,692,052)
Investments in a subsidiary – note 8	–	–	(3,888,000)
Others	–	920,055	–
Interest income from bank deposits	368	238	198
	(₱ 266,808)	₱ 1,147,168	(₱38,804,478)

Other income in 2012 mainly represents the reversal of long outstanding accruals and payables including interest income from bank deposits.

14. 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 2013 and 2012.

The composition of deferred tax assets is as follows:

	2013	2012
NOLCO	₱ 1,537,019	₱ 4,351,577
Impairment loss on AFS Securities	2,796,281	2,796,281
Unrealized foreign exchange loss	445,393	365,240
MCIT	61,353	229,823
	4,840,046	7,742,921
Valuation allowance	(4,840,046)	(7,742,921)
	₱ —	₱ —

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 December 31, 2013 and 2012, the composition of deferred tax liability on the unrealized foreign exchange gain on advances from related parties amounted to nil and ₱30,432, respectively.

As at December 31, 2013, the Company has NOLCO and MCIT 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						
2013	2016	₱ —	₱ 2,663,503	₱ —	₱ —	₱ 2,663,503
2012	2015	1,473,683	—	—	—	1,473,683
2011	2014	986,213	—	—	—	986,213
2010	2013	12,045,362	—	(12,045,362)	—	—
		₱14,505,258	₱ 2,663,503	(₱12,045,362)	₱ —	₱ 5,123,399
MCIT						
2012	2015	₱ 61,353	₱ —	₱ —	₱ —	₱ 61,353
2010	2013	168,470	—	(168,470)	—	—
		₱ 229,823	₱ —	(₱ 168,470)	₱ —	₱ 61,353

Reconciliation of tax expense

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

	2013	2012	2011
Loss before income tax	(P 2,930,680)	(P 1,246,808)	(P 40,551,191)
Income tax benefit at statutory rate :	(P 879,204)	(P 374,042)	(P 12,165,357)
Income tax effect on:			
Non taxable income	—	68,135	—
Nondeductible expenses	—	—	228,090
Expired NOLCO	3,613,609	—	150,135
Expired MCIT	168,470	—	—
Change in valuation allowance	(2,902,875)	305,907	11,787,132
	P —	P —	P —

15. LOSS PER SHARE

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

	2013	2012	2011
Net loss for the year	(P 2,900,248)	(P 1,265,214)	(P 40,551,191)
Weighted average number of common shares outstanding during the year	1,171,486,871	1,171,486,871	1,171,486,871
	(P 0.002)	(P 0.001)	(P 0.035)

16. 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:

	2013	2012
Cash in bank	P 114,471	P 291,793
Advances to related parties, gross of allowance	499,171,913	502,126,460
	P 499,286,384	P 502,418,253

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, 2013 and 2012, the Company classifies the credit quality of advances to related parties based on the following:

	2013	2012
Group 1	₱ 165,287,127	₱ 168,241,674
Group 2	137,188,957	137,188,957
Group 3	—	—
	₱ 302,476,084	₱ 305,430,631

- 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, 2013 and 2012 are as follows:

December 31, 2013	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	₱ 114,471	₱ 114,471	₱-	₱-	₱-	₱-	₱ -	₱ -
Advances to related parties - note 11	499,171,912	-	-	-	-	-	327,540,837	171,631,075
	₱ 499,286,383	₱ 114,471	₱-	₱-	₱-	₱-	₱ 327,540,837	₱ 171,631,075
December 31, 2012								
Cash in bank	₱ 291,793	₱ 291,793	₱-	₱-	₱-	₱-	₱ -	₱ -
Advances to related parties - note 11	502,126,460	-	-	-	-	-	330,495,385	171,631,075
	₱ 502,418,253	₱ 291,793	₱-	₱-	₱-	₱-	₱ 330,495,385	₱ 171,631,075

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, 2013 and 2012, the Company has entered into an agreement with its related party to settle the advances (See Note 11).

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:

December 31, 2013	Total	On demand	Less than three months	3-12 months	1-5 years
Account payable and other liabilities	₱ 271,128	₱ –	₱ –	₱ 271,128	₱ –
Advances from related parties	3,682,909	–	–	–	3,682,908
	₱ 3,954,037	₱ –	₱ –	₱ 271,128	₱ 3,682,908

December 31, 2012	Total	On demand	Less than three months	3-12 months	1-5 years
Accounts payable and other liabilities	₱ 406,784	₱ –	₱ –	₱ 406,784	₱ –
Advances from related parties	3,416,399	–	–	–	3,416,399
	₱ 3,823,183	₱ –	₱ –	₱ 406,784	₱ 3,416,399

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. If foreign exchange rates had been 10% higher/lower, the net loss before tax would decrease /increase by ₱341,573 and ₱364,261 in 2013 and 2012, 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 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 December 31, 2013 and 2012 are 1.04% and 0.97%, 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 ₱381,631,424 and ₱398,837,689, as at December 31, 2013 and 2012, 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 2013, the Company's strategy, which was unchanged from 2012, was to keep the gearing ratio below 50% as proportion to net debt to capital. The gearing ratios as at December 31, 2013 and 2012 were as follows:

	2013	2012
Accounts payable and other liabilities	₱ 271,128	₱ 406,784
Advances from related parties	3,682,908	3,416,399
Less: Cash	(114,471)	(291,793)
Net debt	3,839,565	3,513,390
Total equity	381,631,424	398,837,689
Total capital	₱ 385,470,989	₱ 402,369,079
	1.00%	0.88%

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:

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	₱ 114,471	₱ 114,471	₱ 291,793	₱ 291,793
Advances to related parties – net	302,476,084	302,476,084	305,430,632	305,430,632
AFS financial assets	82,212,380	82,212,380	96,518,397	96,518,397
	₱384,802,935	₱384,802,935	₱402,240,822	₱402,240,822

Financial liabilities

Accounts payable and other liabilities	₱ 271,128	₱ 271,128	₱ 406,784	₱ 406,784
Advances from related parties	3,682,908	3,682,908	3,416,399	3,416,399
	₱ 3,954,036	₱ 3,954,036	₱ 3,823,183	₱ 3,823,183

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:

2013				
	Total	Level 1	Level 2	Level 3
AFS financial assets	₱ 82,212,380	₱ 18,321,742	₱ –	₱ –
2012				
	Total	Level 1	Level 2	Level 3
AFS financial assets	₱ 96,518,397	₱ 32,627,759	₱ –	₱ –

17. SUPPLEMENTARY INFORMATION REQUIRED BY RR-15-2010 AND RR19-2011

Supplementary information required by Revenue Regulations 15-2010

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

a) Output value-added tax

The Company has no output VAT since it does not have any income subject to VAT for the years ended December 31, 2013 and 2012.

b) Input value-added tax

	2013	2012
At beginning of year	₱ 394,608	₱ 204,151
Current purchases and payments for:		
Goods for resale/ manufacture	—	—
Goods other than for resale or manufacture	3,239	1,769
Capital goods subject to amortization	—	—
Capital goods not subject to amortization	—	—
Services lodged under cost of goods sold	269,060	188,687
Services lodged under other accounts	—	—
	₱ 666,907	₱ 394,607

c) Taxes on importation

The Company has no import transactions for the years ended December 31, 2013 and 2012.

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 ₱17 and ₱804 in 2013 and 2012, respectively.

f) Taxes and licenses

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

	2013	2012
Business permits	₱ 15,401	₱ 13,540
SEC filing fee	5,050	5,050
Corporate Community tax	580	510
BIR Annual registration	500	500
BOE permits and licenses	—	300,000
	₱ 21,531	₱ 319,600

g) Withholding taxes

The details of total withholding taxes for the years ended December 31, 2013 and 2012, are shown below:

	2013	2012
Withholding tax on compensation	₱ —	₱ —
Expanded withholding tax	76,201	57,625
Final withholding tax	—	—
	₱ 76,201	₱ 57,625

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.

Supplementary information required by Revenue Regulation 19-2011

RR No. 19-2011 prescribes the new BIR forms that should be used for income tax filing covering and starting with the calendar year 2011 and modifies Revenue Memorandum Circular No. 57-2011. In the Guidelines and Instructions Section of the new BIR Form 1702 (version November 2011), a required attachment to the income tax returns is an Account Information Form and/or Financial Statements that include in the Notes to Financial Statements schedules of sales/receipts/fees, cost of sales/services, non-operating and taxable other income, itemized deductions (if the taxpayer did not avail of the Optional Standard Deduction or OSD), taxes and licenses and other information prescribed to be disclosed in the Notes to the Financial statements.

The schedule and information of taxable income and deductions taken for the years ended December 31, 2013 and 2012 are as follows:

a) Sales/Taxable Income

	2013		2012	
	Special rate	Regular rate	Special rate	Regular rate
Sale of goods	₱ —	₱ —	₱ —	₱ —
Sale of services	—	—	—	—
Sale of properties	—	—	—	—
	₱ —	₱ —	₱ —	₱ —

b) Other non-operating and taxable income

The Company has non-operating and taxable income of ₱920,293 for the year ended December 31, 2012 representing reversal of long outstanding accounts payable and other liabilities.

c) *Itemized deductions*

	2013		2012	
	Special rate	Regular rate	Special rate	Regular rate
Professional fees	₱ —	₱ 1,772,684	₱ —	₱ 1,341,122
Office supplies	—	244,559	—	250,313
Rent and utilities	—	222,000	—	166,500
Communication	—	42,925	—	34,423
Fines and penalties	—	29,900	—	—
Representation	—	23,703		16,437
Taxes and licenses	—	21,548		320,404
Training and development	—	7,500		10,357
Travel and transportation	—	4,814	—	985
Miscellaneous	—	294,239	—	253,435
Sub-total	—	2,663,872	—	2,393,976
Allowance of NOLCO	—	—	—	—
Total expenses	₱ —	₱ 2,663,872	₱ —	₱ 2,393,976

d) *Taxes and licenses*

The details of the Company's taxes and licenses are presented below:

	2013	2012
Business permits	₱ 15,401	₱ 13,540
SEC filing fee	5,050	5,050
Corporate Community tax	580	510
BIR Annual registration	500	500
BOE permits and licenses	—	300,000
	₱ 21,531	₱ 319,600

e) *Other information*

All other information prescribed to be disclosed by the BIR has been included in this note.

* * *

FORUM PACIFIC, INC.
APPENDIX A – FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

	2013	2012
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	3.19:1	1.71:1
Debt to equity ratio	0.01:1	0.01:1
Quick ratio	0.42:1	0.69:1
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

FORUM PACIFIC, INC.
APPENDIX B – STANDARDS AND INTERPRETATIONS EFFECTIVE
AS OF DECEMBER 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	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 PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures (effective January 1, 2015)		✓	
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments (effective January 1, 2015)		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures (effective January 1, 2015)		✓	
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	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	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits			✓
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and 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 (effective January 1, 2014)		✓	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
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 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
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			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
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			✓
SIC-32	Intangible Assets - Web Site Costs			✓

FORUM PACIFIC, INC.
SCHEDULE A – MARKETABLE SECURITIES – (Current Marketable Equity Securities
and Other Short –term Cash Investments
DECEMBER 31, 2013

Name of Issuing entity and description of Investment	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of reporting period	Income received and accrued
None				

FORUM PACIFIC, INC.
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES,
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2013

Name and designation of debtor	Balance at beginning of period	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
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None

FORUM PACIFIC, INC.
Schedule C. Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments
December 31, 2013

Name of Issuing entity and description of Investment (1)	Number of shares or principal amount of bonds and notes	Amount in Pesos	Equity in earnings (losses) of investees for the period	Other	Distribution of earnings by investees	Amount in Pesos	Dividends received from investments not accounted for by the equity method
Philippine Estates Corporation	50,196,553	₱18,321,742	Not applicable	—	—	₱18,321,742	—
Forum Exploration, Inc.	62,500,000	73,211,573	Not applicable	—	—	73,211,573	—

FORUM PACIFIC, INC.
Schedule D. Indebtedness of Unconsolidated Subsidiaries and Affiliates
December 31, 2013

Name of Affiliates	Balance at beginning of period	Balance at end of period
<i>a. Other affiliates</i>		
Forum Exploration, Inc.	₱171,631,076	₱171,631,076
The Wellex Group, Inc.	330,495,384	327,540,836
	502,126,460	499,171,912
Allowance for impairment loss	(196,695,828)	(196,695,828)
	₱305,430,632	₱302,476,084

FORUM PACIFIC, INC.
Schedule E. Intangible Assets - Other Assets
December 31, 2013

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 F. Long Term Debt
December 31, 2013

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
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None

FORUM PACIFIC, INC.
Schedule G. Indebtedness to Affiliates and Related Parties (Long-Term Loans
from Related Companies)
December 31, 2013

Name of Affiliates	Balance at beginning of period	Balance at end of period
<i>a. Other affiliates</i>		
Forum Exploration, Inc., Ltd.	₱ 3,415,733	₱ 3,682,909
Wellex Industries, Incorporated	666	—
	₱ 3,416,399	₱ 3,682,909

FORUM PACIFIC, INC.
Schedule H. Guarantees of Securities of Other Issuers
December 31, 2013

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
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None

FORUM PACIFIC, INC.
Schedule I. Capital Stock
December 31, 2013

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at 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	—	200,000	2,941,303	1,168,345,568

FORUM PACIFIC, INC.
Schedule J. List of Top 20 Stockholders of Record
December 31, 2013

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	407,239,154	21.719
The Wellex Group, Inc.	Filipino	004-740-001-000	376,950,000	20.104
E.F. Durkee & Associates, Inc.	Filipino	321-002-155-628V	77,838,563	4.151
Intra-Invest Sec., Inc.	Filipino	000-162-545-000	48,159,000	2.568
Forum Pacific, Inc.	Filipino	002-155-598-000	36,056,750	1.923
Metropolitan Management Corporation	Filipino	470-002-151-280	30,000,000	1.600
PCD Nominee Corporation (Non-Filipino)	Others	004-774-849-000	23,869,670	1.273
Juanito C. Uy	Filipino	127-179-750-000	22,625,001	1.207
Pacrim Energy N.L.	Filipino	324-668-750-000	21,000,000	1.120
Sapphire Securities, Inc.	Filipino	000-511-869-000	19,433,500	1.036
Neito Ong and/or Zita Y. Ong	Filipino	268-192-032-000	18,000,000	0.960
Nestor S. Mangio	Filipino	003-754-123-000	12,500,000	0.667
Li Chih-Hui	Filipino	249-099-801-000	12,100,000	0.645
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
			1,659,793,252	

Interim Financial Statements for the Period Ended
September 30, 2014 and 2013
(Unaudited)



110072014000935

**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 110072014000935

Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)

Document Code 17-Q

Period Covered September 30, 2014

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 **September 30, 2014**

2. SEC Identification Number **AS 093000120** 3. BIR Tax Identification No. **312-002-155-598**

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. **None**
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 – P1.00 par value

Issued - P 1,838,943,250
(Partially paid Subscription – P 1,171,486,871)

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

Yes ☒ No. ☐

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 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 ☒ No ☐

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

Yes ☒ No ☐

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

14. Not Applicable

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

☐ Unaudited Income Statement

	Jul. – Sept. 2014	Jul. – Sept. 2013	Jan. – Sept. 2014	Jan. – Sept. 2013
Revenues	–	–	–	–
Less: Cost and Expenses	254,207	275,052	1,097,759	1,459,115
Loss from Operation	(254,207)	(275,052)	(1,097,759)	(1,459,115)
Add: Other Income	–	–	–	–
Loss before Income Tax	(254,207)	(275,052)	(1,097,759)	(1,459,115)
Net Income(Loss)	(254,207)	(275,052)	(1,097,759)	(1,459,115)
Earnings (Loss) Per Share	(P0.00014)	(P0.00015)	(P0.00060)	(P0.00079)

☐ Unaudited Balance Sheet

	As of September 30 2014	As of September 30 2013
Assets	384,237,199	400,854,364
Liabilities	3,703,534	3,475,790
Stockholders' Equity	380,533,665	397,378,574
Total Liabilities & Stockholders' Equity	384,237,199	400,854,364

Interim Quarter ended September 30, 2014 Compared with quarter ended September 30, 2013

RESULTS OF OPERATION

Revenue and Earnings per share

- Since the company ceased to have control over Express Savings Bank, Inc. and still banking on new petroleum and gas service contracts, no revenues were recorded for the third quarter of 2014 and 2013.
- Earnings (loss) per share comparison for the 3rd quarter of 2014 and 2013 are as follows: (P0.00014) and (P0.00015), respectively.

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 3rd quarter of 2014 and 2013 were P254,207 and P275,092 respectively. Decrease of P20,729 or 8% is due to lesser cost incurred for office supplies, transportation printing and reproduction expenses for the third quarter of 2014.

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 September 30, 2014 and 2013 were P153,480 and P156,473, respectively. Input tax as of September 30, 2014 and 2013, net of allowance for impairment, amounted to P803,948 and P561,192, respectively.

Available-For-Sale Financial Assets

Available-for-sale financial assets consist of:

	September 30, 2014		September 30, 2013	
Unquoted shares				
Cost	P	73,211,573	P	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		10,792,262		25,098,279
		18,321,742		32,627,759
	P	82,212,380	P	96,518,397

Forum Exploration, Inc. (FEI)

Investment in unquoted shares of stock represents 33.33% ownership of the Company in Forum Exploration, Inc. (FEI) as at September 30, 2014 and 2013. 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. This investment is stated at cost since there is no quoted price in an active market.

Philippine Estates Corporation (PHES)

Investment in quoted shares of stock represents investment in Philippines Estates Corporation (PHES), a publicly listed Company. The Company owns 50,196,553 common shares and constitutes 3% ownership in PHES.

The fair value of PHES investment as of September 30, 2014 and 2013 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value gain was recognized amounting to P10,792,262 and P25,098,279 for the period ended September 30, 2014 and

2013, respectively. "Unrealized fair value gain on AFS" account is presented under Statement of Comprehensive Income and shown separately in Equity.

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 a 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 available-for-sale financial assets as at September 30, 2014 and 2013 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 P3,888,000 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 balance are to be settled through cash or offsetting.

Relationships, Transactions and Account Balances

Related Parties	Relationship	Outstanding Balance	
		September 30, 2014	September 30, 2013
The Wellex Group, Inc.	Common key management	P 163,787,659	P 166,393,400
Forum Exploration, Inc.	Common key management	137,188,958	137,188,958
Forum Exploration, Ltd.	Common key management	(3,682,908)	(3,415,733)

Advances to 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 one-year promissory note to the Company amounting to P330,495,385 without interest.

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 P55,500 for both periods ended September 30, 2014 and 2013. Sublease agreement was renewed for another two years until May 1, 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 P120,000 for both periods ended September 30, 2014 and 2013. Consultancy agreement was renewed for another two years until May 1, 2016.

Total collections of advances from TWGI amounted to P1,499,468, P2,954,547 and P4,241,640 in the 3rd quarter of 2014, Y2013 and Y2012, respectively.

Advances to 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 period ended September 30, 2014 and 2013.

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 September 30, 2014 and 2013 amounted to P3,415,733 and P3,642,609, respectively.

Remuneration to key management personnel

The Company did not provide remuneration to key management personnel for the period ended September 30, 2014 and 2013. 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 September 30, 2014 and 2013 amounted to P20,625 and P29,625, respectively. This includes payable for retainer fees of legal counsel and stock transfer agent of the Company and withholding taxes payable.

Non - Current liability

- This is primarily consists of Deferred Tax Liability with outstanding balance of P30,432 for the quarter ended September 30, 2014 and 2013.

The Top five (5) Key Performance Indicators are:

6. Advances to Related Parties – currently, TWGI is funding all operational expenses of the Company.
7. Current Ratios – Current Assets against the Current Liabilities of the Company. It measures the company's ability to pay short-term obligations. Current ratio for the 3rd Quarter of 2014 is 4920% as compared to 2431% for the 3rd Quarter of 2013.
8. Cash Ratio – the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the

current assets to cover current liabilities. The cash ratio of the company for the 3rd Quarter of Y2014 is 744% as compared to 528% for the 3rd Quarter of 2013.

9. Debt ratio - It is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the 3rd Quarter of 2014 is 0.96% as compared to 0.87% for the 3rd Quarter of 2013.
10. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the 3rd Quarter of 2014 is 0.97 as compared to 0.87% for the 3rd Quarter of 2013.

(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 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 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 had submitted three applications to the Department of Energy (DOE) last April 2012. The proposals did not meet the minimum financial and technical qualifications set under DOE Department Circular No. DC2011-12-0010.

Due to negative result of the bid, the Company will do the following for the next twelve months:

- 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.
- Evaluate existing mining companies on which the Company may acquire or invest. The Board is currently eyeing for one mining company with existing Mining Product Sharing Agreement (MPSA) with the Department of Energy and Natural Resources (DENR) – Mines and Geosciences Bureau.

The Company's management believes that the above management 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.

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 P22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to P1,22,592,758 or P423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of December 31, 2008 was recognized as impairment loss in 2008.

The investment had been recorded for P22,887,556 in the 2008 audited financial statements but the said amount represent only 127,415 shares out of 289,806 shares or 44%. An impairment loss of P99,705,202 was recorded which resulted to understatement of available-for-sale financial assets and overstatement of impairment loss in 2008 amounting to P29,170,296.

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

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

On July 8, 2011, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas placed Express Savings Bank, Inc. under receivership of the Philippine Deposit Insurance Corporation (PDIC) by virtue of MB resolution No. 987.B. As receiver, PDIC took over the bank on July 8, 2011. 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 P3,710,917 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 P3,888,000 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.

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

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

(iii) Commitment For Capital Expenditures

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

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

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:

September 30, 2014		Total	On demand	Less than three months	3-12 months	1-5 years
Advances from related parties	P	3,682,909	P —	P —	P —	P 3,682,909
Trade and other payables		20,625	—	—	20,625	—
	P	3,703,534	P —	P —	P 20,625	P 3,682,909

September 30, 2013		Total	On demand	Less than three months	3-12 months	1-5 years
Advances from related parties	P	3,415,732	P —	P —	P —	P 3,415,732
Trade and other payables		29,625	—	—	29,625	29,625
	P	3,445,357	P —	P —	P 29,625	P 3,445,357

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

PFRS 9, Financial Instruments, effective January 1, 2015, addresses the classification, measurement and recognition of financial assets and financial liabilities. PFRS 9 was issued in November 2009 and October 2010. It replaces the parts of PAS 39 that relate to the classification and measurement of financial instruments. PFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

The adoption of PFRS 9 is expected to have no impact on the Company's financial statements as most of the Company's financial instruments are not complex. The Company will also consider the impact of the remaining phase of PFRS 9 when completed by the IASB and adopted by the FRSC.

(vi) Material Changes on Line Items in Financial Statements

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

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

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

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>	
		<u>High</u>	<u>Low</u>
2014	First Quarter	0.180	0.180
	Second Quarter	0.163	0.154
	Third Quarter	0.214	0.189
2013			
	First Quarter	0.235	0.215
	Second Quarter	0.219	0.151
	Third Quarter	0.209	0.165
	Fourth Quarter	0.217	0.214
2012			
	First Quarter	0.280	0.270
	Second Quarter	0.200	0.200
	Third Quarter	0.230	0.216
	Fourth Quarter	0.230	0.200
2011			
	First Quarter	-	-
	Second Quarter	0.980	0.140
	Third Quarter	0.240	0.200
	Fourth Quarter	0.280	0.150

The high, low and closing market prices are P0.214, P0.189 and P0.205 per share, respectively, as of September 30, 2014 (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”.

Forum Pacific Inc.
List of Top 20 Stockholders
As of September 30, 2014

	STOCKHOLDER'S NAME	NATIONALITY	OUTSTANDING SHARES	PERCENTAGE
1	International Polymer Corporation	Filipino	496,887,494	26.501%
2	PCD Nominee Corporation	Filipino	409,824,154	21.857%
3	The Wellex Group, Inc.	Filipino	376,950,000	20.104%
4	E.F. Durkee & Associates, Inc.	Filipino	77,838,563	4.151%
5	Intra-Invest Sec., Inc.	Filipino	48,159,000	2.568%
6	Forum Pacific, Inc.	Filipino	36,056,750	1.923%
7	Metropolitan Management Corporation	Filipino	30,000,000	1.600%
8	PCD Nominee Corp.	Others	23,869,670	1.273%
9	Juanito C. Uy	Filipino	22,625,001	1.207%
10	Pacrim Energy N.L.	Australian	21,000,000	1.120%
11	Sapphire Securities, Inc.	Filipino	19,433,500	1.036%
12	Benito Ong and/or Zita Y. Ong	Filipino	18,000,000	0.960%
13	Nestor S. Mangio	Filipino	12,500,000	0.667%
14	Li Chih-Hui	Filipino	12,100,000	0.645%
15	A & A Securities, Inc.	Filipino	11,911,320	0.635%
16	Mark Securities Corporation	Filipino	10,772,800	0.575%
17	Globalinks Sec & Stocks, Inc.	Filipino	9,400,000	0.501%
18	Belson Securities, Inc.	Filipino	9,200,000	0.491%
19	Wealth Securities, Inc.	Filipino	8,240,000	0.439%
20	Ruben M. Gan	Filipino	7,610,000	0.406%

SIGNATURE

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

OCT 07 2014

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig.

Registrant: PETER S. SALUD

Title: President

Signature:

Registrant: ATTY. ARSENIO A. ALFILER, JR.

Title: Corporate Secretary

Signature:

Registrant: KENNETH T. GATCHALIAN

Title: Treasurer

Signature:

Dated

OCT 07 2014

OCT 07 2014

MANILA

SUBSCRIBED AND SWORN to before me this _____ day of _____, 2014 in _____ affiant
(s) exhibiting to me his/their Tax Identification No. as follows:

AFFIANTS

1. Peter S. Salud
2. Atty. Arsenio A. Alfiler, Jr.
3. Kenneth T. Gatchalian

Tax Identification No.

107-777-803-000
108-760-143-000
167-406-526-000

Doc. No.:

Page No.:

Book No.:

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MCLE III - 0013521
COMMISSION NO 2013-023

FORUM PACIFIC, INC.

Annex A.1

STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2014

ACCOUNT TITLES	Note	Unaudited Sept. 30, 2014	Unaudited Sept. 30, 2013	Audited Dec. 31, 2013
Current Assets				
Cash	5	153,480	156,473	114,471
Prepayments and other current assets	6	861,279	563,692	749,082
		1,014,759	720,165	863,553
Non-current Assets				
Advances to related parties	11	300,976,616	303,582,357	302,476,084
Available-for-sale financial assets –net	7	82,212,380	96,518,398	82,212,380
Other non-current assets		33,444	33,444	33,444
		383,222,440	400,134,199	384,721,908
TOTAL ASSETS		384,237,199	400,854,364	385,585,461
Current liabilities				
Accounts payable and other current liabilities	9	20,625	29,625	271,128
		20,625	29,625	271,128
Non-current Liabilities				
Advances from related parties	11	3,682,909	3,415,733	3,682,909
Deferred tax liability		–	30,432	–
		3,682,909	3,446,165	3,682,909
TOTAL LIABILITIES		3,703,534	3,475,790	3,954,037
EQUITY				
Capital Stock	10			
Common stock, P1 par value Authorized 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 P667,456,379)		388,187,701	388,187,701	388,187,701
Total Equity		1,207,543,621	1,207,543,621	1,207,543,621
Treasury Shares, 36,056,750 shares, at cost		(36,056,750)	(36,056,750)	(36,056,750)
Unrealized fair value loss on Available for sale financial assets		10,792,262	25,098,279	10,792,262
Deficits		(801,745,468)	(799,206,576)	(800,647,709)
TOTAL EQUITY		380,533,665	397,378,574	381,631,424
TOTAL LIABILITIES AND EQUITY		384,237,199	400,854,364	385,585,461

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED SEPTEMBER 30, 2014 AND 2013

	July – Sept. 2014	July – Sept. 2013	Jan. – Sept. 2014	Jan. – Sept. 2013
Revenue	–	–	–	–
Costs and Expenses (Note 11)	(P 254,207)	(P 275,052)	(P 1,097,915)	(P 1,459,342)
Gross Income (Loss)	(254,207)	(275,052)	(1,097,915)	(1,459,342)
Other Income	–	–	156	227
Income (Loss) for the period	(P 254,207)	(P 275,052)	(P 1,097,759)	(P 1,459,115)
Loss per share (Note 14)	(P 0.00014)	(P 0.00015)	(P 0.00060)	(P 0.00079)

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

FORUM PACIFIC, INC. AND SUBSIDIARY
STATEMENTS OF CASH FLOW
For the period ended September 30, 2014

Annex A.3

	Unaudited 3rd Qtr. Jan.-Sept. 2014	Unaudited 3rd Qtr. Jan.-Sept. 2013	Audited Dec. 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	(P 1,097,759)	(P 1,459,115)	(P 2,930,680)
Adjustments for:			
Unrealized foreign exchange loss (gain)	—	—	267,176
Operating income (loss) before working capital changes	(1,097,759)	(1,459,115)	(2,663,504)
Decrease (increase) in prepayments and other current assets	(112,197)	(166,460)	(313,638)
Increase (decrease) in accounts payable and other liabilities	(250,503)	(377,160)	(135,656)
Income tax paid	—	(18,406)	(18,406)
Net cash used in operating activities	(1,460,459)	(2,021,141)	(3,131,204)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collections from (payments of):			
Advances to related parties	1,499,468	1,848,274	2,954,548
Advances from related parties	—	(666)	(666)
Sale of AFS financial assets	—	—	—
Net cash provided by investing activities	1,499,468	1,847,608	2,953,882
NET INCREASE (DECREASE) IN CASH	39,009	(173,533)	(177,322)
CASH			
At beginning of year	114,471	330,006	291,793
At end of year	P 153,480	P 156,473	P 114,471

(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 September 30, 2014 and 2013

Annex A.4

	3rd Qtr. Jan. – Sept. 2014	3rd Qtr. Jan. – Sept. 2013	Audited Dec. 31, 2013
Capital Stock	P1,207,543,621	P1,207,543,621	P1,207,543,621
Treasury Shares	(36,056,750)	(36,056,750)	(36,056,750)
Unrealized Fair Value Gain (Loss) on Available-For-Sale Financial Assets	10,792,262	25,098,279	10,792,262
Deficit - Beginning	(800,647,709)	(797,747,461)	(797,747,461)
Net Loss for the period	(1,097,759)	(1,459,115)	(2,900,248)
Deficit - Ending	(801,745,468)	(799,206,576)	(800,647,709)
TOTAL STOCKHOLDER'S EQUITY	P 380,533,665	P 397,378,574	P 381,631,424

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

FORUM PACIFIC, INC.

Annex A.5

NOTES TO INTERIM FINANCIAL STATEMENTS

September 30, 2014

Note 1 – Organizational Information

Forum Pacific, Inc., (the “Company”), was incorporated in the Philippines 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 substances and was formerly known as Cophil Exploration, Inc.

On September 2, 1996, the Company changed its name from Cophil Exploration, Inc. to Forum Pacific, Inc. and again on September 8, 1997, the Company changed its name from Forum Pacific, Inc. to Air Philippines International Corporation (APIC). In 2000, the Company, changes back its name to Forum Pacific, Inc.

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

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

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 FCCHI. On July 19, 2012, the 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 did not present consolidated financial statements.**

Note 2 – Management Assessment of the Going Concern Assumption and Business Plans

Management’s Assessment of the Going Concern Assumption

Management believes that the going concern assumption is appropriate despite the existence of material uncertainty caused by recurring substantial losses of the Group. The Company incurred losses from its operations amounting to P1,097,759 and P1,459,115 for period as of September 30, 2014 and 2013, respectively. Due to prior period losses, the Company has sustained a deficit of P801,745,468, P800,647,709 and P799,206,576 as of September 30, 2014, December 31, 2013 and September 30, 2013, respectively.

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 had submitted three applications to the Department of Energy (DOE) last April 2012. The proposals did not meet the minimum financial and technical qualifications set under DOE Department Circular No. DC2011-12-0010.

Due to negative result of the bid, the Company will do the following for the next twelve months:

- 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.
- Evaluate existing mining companies on which the Company may acquire or invest. The Board is currently eyeing for one mining company with existing Mining Product Sharing Agreement (MPSA) with the Department of Energy and Natural Resources (DENR) – Mines and Geosciences Bureau.

The Company's management believes that the above management 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 Company financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all years presented, unless otherwise stated.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except otherwise stated.

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.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards

(PAS), interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of previous financial year except for the following new and amended PFRS and Philippine Interpretations which were adopted as at January 1, 2014.

PAS 1 (Amendment), Financial statement presentation regarding other comprehensive income, effective July 1, 2012. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The adoption has no significant impact on the Company's financial statement except on the presentation of other comprehensive income in the Statement of Comprehensive income.

PAS 19 (Revised), Employee benefits, effective January 1, 2013. The main changes resulting from the amendment of the standards includes the elimination of the options defer remeasurement gains and losses (formerly known as "actuarial gains and losses) and requires that remeasurement be recognised immediately in OCI. The amendment also requires additional disclosures to assist users in understanding the financial statement disclosures relating to employee benefits. This revision has no impact on the Company's financial statements.

PAS 27 (Revised), Separate Financial Statements, effective January 1, 2013. The revised standard includes the provisions on separate financial statements that are left after the control provisions of PAS 27 have been included in the new PFRS 10. This revision has no significant impact on the Company's financial statements.

PAS 28 (Revised), Investments in Associates and Joint Ventures, effective January 1, 2013. This revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of PFRS 11. This revision has no significant impact on the Company's financial statements.

PFRS 1 (Amendment), Government Loans, effective January 1, 2013. These amendments add an exception to the retrospective application of PFRSs. First-time adopters are required to apply for the requirements in PFRS 9, Financial Instruments (If PFRS 9 is not yet adopted, references to PFRS 9 in the amendments shall be read as references to PAS 39, Financial Instruments: Recognition and Measurement) and PAS 20, Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to PFRSs. The adoption of the amendment has no significant impact on the Company's financial statements.

PFRS 7 (Amendment), Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities. These amendments involve the revision of the required disclosures to include information that will enable users to evaluate the effect or potentially effect of netting arrangements on an entity's financial position. The amended standard shall be applied for annual periods beginning on or after January 1, 2013 and interim periods with those annual periods. The amendment has no significant impact on the Company's financial statements.

PFRS 10 Consolidated financial statements, effective January 1, 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of the new standards has no significant impact on the Company's financial statements.

PFRS 11 Joint Arrangements, effective January 1, 2013, focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate

consolidation. PFRS 11 supersedes PAS 31 and Philippine Interpretation SIC-13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The adoption of the new standards has no significant impact on the Company's financial statements.

PFRS 12 Disclosures of interest in other entities, effective January 1, 2013, includes the disclosures requirement for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption is currently not applicable to Company's financial statement.

PFRS 13 Fair value measurement, effective January 1, 2013, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRSs. The requirements, which are largely aligned between PFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within PFRSs or US GAAP. The adoption of the new standards has no significant impact on the Company's financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, effective January 1, 2013. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping cost') and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. The adoption is currently not applicable to Company's financial statements.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2014

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.

PAS 32 (Amendment), Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities, effective January 1, 2014. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearinghouse systems) which apply gross settlement mechanisms that are not simultaneous. The Company has yet to assess the full impact of the amendments and intends to adopt the amendment beginning January 1, 2015.

PAS 36 (Amendment), Impairment of Assets - Recoverable Amount Disclosures for Non-financial Assets, effective January 1, 2014. The amendment removed certain disclosures of the recoverable amount of cash-generating units (CGUs) which had been included in PAS 36 by the issue of PFRS 13. The amendment is not expected to have a significant impact on the Company's financial statements.

Effective in 2015

PFRS 9 Financial instruments, effective January 1, 2015, addresses the classification, measurement and recognition of financial assets and financial liabilities. PFRS 9 was issued in November 2009 and October 2010. It replaces the parts of PAS 39 that relate to the classification and measurement of financial instruments. PFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch. The adoption of PFRS 9 is expected to have no significant impact on the Company's financial statements as most of the Company's financial instruments are not complex. The Company will also consider the impact of the remaining phases of PFRS 9 when completed by the IASB and adopted by the FRSC.

Financial Instruments

Initial recognition, measurement and classification of financial instruments

The Company recognizes financial assets and financial liabilities in the Company 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: loans and receivables, and available-for-sale (AFS) financial assets. 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 September 30, 2014, December 31, 2013 and September 30, 2013, the Company did not hold any financial assets at FVPL and HTMI, and financial liabilities at FVPL.

Determination of Fair Value and Fair Value Hierarchy

The fair value of financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and asking price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For financial instruments where there is no active market, except for investment in unquoted equity securities, fair value is determined by using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to current market value of another instrument, which is substantially the same; discounted cash flow analysis; and options pricing models. In the absence of a reliable basis for determining fair value, investments in unquoted equity securities are carried at cost, net of impairment.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value measurement disclosures of AFS financial assets are presented in Note 15.

“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 Company 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 Company 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.

Amortized Cost of Financial Instruments

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

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 rate 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 the 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 Company’s loans and receivables comprise of cash and advances to related parties (see Notes 5 and 10).

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

Interest earned on the investments is reported as interest income using the effective interest rate method. Dividends earned on investments are recognized in the Company 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 date.

Other Financial Liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the Company statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the Company statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at September 30, 2014, December 31, 2013 and September 30, 2013, included in other financial liabilities are the Company's accounts payable and other liabilities, and advances from related parties (see Notes 9 and 11).

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Company 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 Financial Liabilities

(c) 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.

(d) 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 Company statement of comprehensive income.

Impairment of Financial Assets

The Company assesses at each reporting date 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.

(d) 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.

(e) 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 is reduced through the use of an allowance account. The amount of loss is recognized in the Company 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 Company statement of comprehensive income under Other income account. Any subsequent reversal of an impairment loss is recognized in the Company 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.

(f) 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. 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 equity and recognized in the Company statement of comprehensive income.

Impairment losses on equity investments are not reversed through the Company statement of comprehensive income. Increases in fair value after impairment are recognized directly as other comprehensive income. In the case of debt instruments classified as AFS financial assets, increase in fair value after impairment is reversed in Company statement of comprehensive income.

Cash

The Company's cash represents cash in bank which carries interest at respective bank deposit rate.

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 losses.

Other Non-Current Assets

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

Investment in a Subsidiary

The Company's investment in a subsidiary is accounted for in these separate Company financial statements at cost, less any impairment loss. Impairment loss is provided when there is objective evidence that the investments in a subsidiary and associates will not be recovered. The impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market rate of return for similar financial asset. Such amount of the impairment loss is recognized in the statement of comprehensive income.

Subsidiaries are entities over which the Company has the power to govern the financial reporting policies generally accompanying a shareholding of more than one half of the voting rights. The Company obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable and convertible are considered when assessing whether the Company controls another entity.

Impairment of Non-financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets 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 the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying

amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income.

Accounts Payable and Other Liabilities

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables 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 non-trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Accounts payable and other liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Retirement Benefits

The Company does not provide any retirement benefits because it does not have any employees as at September 30, 2014, December 31, 2013 and September 30, 2013. 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 the Company statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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 that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax assets are recognized for all deductible temporary differences, carryforward 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, carryforward 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets 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 Company 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 Company statement of comprehensive income.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Capital stock represents the par value of the shares that are issued and outstanding as at reporting date.

Treasury shares are own equity instruments which are reacquired, are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of comprehensive income 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 in 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 when the shares were issued and to retained earnings for the remaining balance.

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

Revenue Recognition

Revenue is recognized to the extent that the economic benefits will flow to the Company and the 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.

The following specific recognition criteria must also be met before revenue is recognized:

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

Other comprehensive income comprises items of unrealized fair value loss on available-for-sale financial assets that are not recognized in the statement of comprehensive income for the year in accordance with PFRS.

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

(c) Functional and Presentation Currency

The Company considers the Philippine peso as the currency that most fairly represents the economic effect of the underlying transactions, events and conditions. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency in which the Company measures its performance and reports its operating results.

(d) Transactions and Balances

Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are retranslated using the applicable rate of exchange at the reporting date. Foreign exchange gains or losses are recognized in the statement of comprehensive income.

Related Party Relationships and Transactions

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

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

Basic Earnings (Loss) Per Share

Basic earnings 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 of 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, the increase in the provision due to the passage of time is recognized as 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 Company statement of comprehensive income, net of any reimbursements.

Contingent liabilities are not recognized in the Company financial statements. They 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 Company 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 Company financial statements.

Events After the Reporting Date

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

g) *Functional currency*

The Company considers the Philippine peso as the currency that most fairly represents the economic effect of the underlying transactions, events and conditions. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency in which the Company measures its performance and reports its operating results.

h) *Determination of fair value of AFS financial assets*

The Company carries AFS financial assets at fair value, which requires extensive use of accounting judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any changes in fair value of these AFS financial assets would affect the statements of changes in equity through other comprehensive income.

i) *Write-off of available-for-sale financial assets*

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

j) *Impairment of investment in a subsidiary and loss of control*

The determination whether or not the Company can recover its investment in a subsidiary requires significant judgment. The Company believes that it cannot recover its investment in Forum Coal Cebu Holdings, Inc. (subsidiary) since the subsidiary is deemed dissolved as of July 6, 2012, approval by the SEC to shorten its

corporate life. Moreover, the Company would not recover anything from the subsidiary since it is in the state of capital deficiency. Consequently, loss of control occurred at the time of approval by the SEC to shorten its corporate life since the subsidiary will become inexistent at that time.

k) 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.

l) Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 3, subheadings *Provisions and Contingencies*.

The Company has a legal case involvement in the "Field Investigation Office v. Prospero Pichay, et al. For: Malversation." This 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 Wellex Group, Inc. ("WGI"), among others, are charged with conspiring to (a) effect LWUA's supposed anomalous purchase in June 2009 from FPI (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.

As of September 30, 2014, the Company has no outstanding liabilities.

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.

c) Valuation of AFS financial assets

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

Unrealized fair value gain on available-for-sale financial assets of P10,792,262 and P25,098,276 in September 30, 2014 and 2013, respectively were reported in the equity section of the statements of financial position (see Note 6).

d) *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 discussed in Note 13.

The Company considers that it is impracticable to disclose with significant reliability the possible effects of sensitivities surrounding the deferred tax assets.

e) *Allowance for impairment of advances to related parties*

Allowance for impairment of advances to related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the status of the advances to related parties, past collection experience and other factors that may affect collectability. Allowance for impairment loss on advances to related parties amounted to P196,695,828 in September 30, 2014 and September 30, 2013 (see Note 10).

Note 5 – CASH

Cash represents cash in bank with outstanding balance of P153,480, P114,471 and P156,473 as at September 30, 2014, December 31, 2013 and September 30, 2013, respectively.

Note 6 – PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consist of:

	September 30, 2014	December 31, 2013	September 30, 2013
Input VAT	P 803,948	P 666,906	P 561,192
Other current assets	57,331	82,176	2,500
	P 861,279	P 749,082	P 563,692

Note 7 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets consist of:

	September 30, 2014	September 30, 2013
Unquoted shares		
Cost	P 73,211,573	P 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	10,792,262	25,098,279
	18,321,742	32,627,759
	P 82,212,380	P 96,518,397

Investment in unquoted shares of stock represents 33.33% ownership of the Company in Forum Exploration, Inc. (FEI) as at September 30, 2014 and 2013. 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. This investment is stated at cost less impairment loss since there is no quoted price in an active market.

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

On 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 P3,710,917 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

Management believes that the foregoing carrying amount of the Company's FEI and PHES investments approximate their fair value.

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

	September 30, 2014	September 30, 2013
At beginning of year	P 25,098,279	P 4,166,317
Fair value changes during the year	(14,306,017)	20,931,962
Reclassification adjustment due to impairment	—	—
	P 10,792,262	P 25,098,279

Note 8 – INVESTMENT 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 Centre, 146 Valero Street, Salcedo Village, Makati City.

On November 30, 2009, FCCHI was formally dissolved. Consequently, the BOD of the Company has decided to provide full valuation allowance on the Company's investment in subsidiary. The related impairment loss was included as part of the other income (expenses) in 2011 and 2010.

On July 6, 2012 the dissolution was approved by the SEC. On July 19, 2012, the BOD 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.

Note 9 – ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other liabilities consist of:

	September 30, 2014	December 31, 2013	September 30, 2013
Accrued expenses	P —	240,000	P —
Accounts payable	15,000	25,503	24,000
Withholding tax payable	5,625	5,625	5,625
	P 20,625	P 271,125	P 29,625

Accounts payable and other liabilities are carried at cost as these are short-term in nature.
The Company believes that the carrying amount of accounts payable and other liabilities approximates fair value.

Note 10 – CAPITAL STOCK

Details of the Company's capital stock are as follows:

Capital stock	Number of Shares	Par value	Total
Authorized	3,500,000,000	1	P 3,500,000,000
Issued and fully paid	819,355,920	1	P 819,355,920
Subscribed and fully paid			
Subscribed	1,055,644,080	1	P 1,055,644,080
Subscription receivable	(667,456,379)	1	(667,456,379)
	388,187,701	1	P 388,187,701
Subscribed and issued	1,207,543,621	1	P 1,207,543,621
Treasury shares	(36,056,750)	1	(36,056,750)
Issued and outstanding	1,171,486,871	1	P 1,171,486,871

The cost of the Company's treasury shares amounted to P36,056,750 as at sEPTEMBER 30, 2014 and 2013. Such treasury shares restrict the Company from declaring an equivalent amount from the unappropriated retained earnings as dividends.

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 an initial registered 50 billion shares at P.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 P0.01 to P1.00, removing the pre-emptive rights of shareholders and increasing authorized capital stock from P500 million divided by 50 billion shares to P2 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 P2 billion to P3.5 billion divided into 3.5 billion shares with a par value of P1 per share. On March 11, 1998, SEC approved the Company's increased in authorized capital stock.

Note 11 – 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

Related parties	Relationship	Transactions during the period		Outstanding balance	
		September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
The Wellex Group, Inc.	Common key management	(P1,499,468)	(P 2,954,547)	P 163,787,659	P165,287,127
Forum Exploration, Inc	Common key management	-	-	137,188,958	137,188,958
Forum Exploration, Ltd.	Common key management	-	-	(3,682,908)	(3,682,908)

(b) *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 period ended September 30, 2014, December 31, 2013 and September 30, 2013.

	September 30, 2014	December 31, 2013	September 30, 2013
At beginning and end of the period	P 171,631,076	P 171,631,076	P 171,631,076
Allowance for impairment loss	(34,442,118)	(34,442,118)	(34,442,118)
Net carrying amount	P 137,188,958	P 137,188,958	P 137,188,958

The movement of allowance for impairment loss is as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
At beginning of the period	P 34,442,118	P 34,442,118	P 34,442,118
Provisions during the period – note 11	–	–	–
	P 34,442,118	P 34,442,118	P 34,442,118

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

The Company's advances from TWGI consist of advances granted to finance their working capital requirements.

On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a one-year promissory note to the Company amounting to P330,495,385 without interest.

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 P55,500 as of the quarter ended September 30, 2014 and 2013, respectively (see Note 11). Sublease agreement was renewed for another two years until May1, 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 P120,000 as of the quarter ended September 30, 2014 and 2013, respectively (see Note 11). Consultancy was renewed for another two years until May 1, 2016.

	September 30, 2014	December 31, 2013	September 30, 2013
At beginning of the period	P 327,540,837	P 330,495,385	P 330,495,385
Collection	(1,499,468)	(2,954,548)	(1,848,275)
	326,041,369	327,540,837	328,647,110
Less allowance for impairment loss	(162,253,710)	(162,253,710)	(162,253,710)
	P 163,787,659	P 165,287,127	P166,393,400

(c) *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).

	September 30, 2014	December 31, 2013	September 30, 2013
At beginning of the period	P 3,682,908	P 3,415,732	P 3,415,732
Unrealized foreign exchange loss (gain) – note 11	–	267,176	–
	P 3,682,908	P 3,682,908	P 3,415,732

(d) *Remuneration to key management personnel*

The Company did not provide remuneration to key management personnel for the quarter ended September 30, 2014. The administrative function of the Company is performed by its related party, TWGL.

Note 12 – COST AND EXPENSES

Cost and expenses as of the period consists of:

	September 30, 2013	September 30, 2013	December 31, 2013
Professional fees	P 619,000	P 661,784	P 1,772,684
Taxes and licenses	17,275	21,548	21,548
Office supplies	–	3,656	3,656
Membership fees and dues	269,049	250,000	250,000
Rent and utilities – note 9	166,500	166,500	222,000
Communication, courier & postage	–	42,715	42,925
Representation	1,394	22,354	23,703
Printing & reproduction	9,207	225,214	244,559
Miscellaneous	15,490	65,344	82,797
	P 1,097,915	P 1,459,115	P 2,663,872

Note 13 – OTHER INCOME (EXPENSES) – NET

Other income (expenses) for the period consists of:

	September 30, 2014	September 30, 2013	December 31, 2013
Unrealized foreign exchange gain (loss)	P –	P –	P 267,176
Impairment loss:	–	–	–
Advances from a related party	–	–	–
AFS financial assets	–	–	–
Investments in a subsidiary	–	–	–
Others	–	–	–
	P –	P –	P 267,176

Other income mainly represents the reversal of long outstanding accruals and payables.

Note 14 – 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 2012 and 2011.

The composition of deferred tax assets is as follows:

	December 31, 2013	December 31, 2012
Impairment loss on advances to related parties	P 59,008,748	P 59,008,748
NOLCO	5,123,399	4,351,577
Impairment loss on AFS Securities	2,796,281	2,796,281
Unrealized foreign exchange loss	365,240	365,240
MCIT	68,950	68,950
Impairment loss on investment in subsidiary – note 6	—	—
	67,362,618	66,590,796
Valuation allowance	(67,362,618)	(66,590,796)
	P —	P —

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 September 30, 2014 and 2013, the composition of deferred tax liability on the unrealized foreign exchange gain on advances from/to related parties amounted to P30,432.

As at September 30, 2014, the Company has NOLCO and MCIT 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						
2013	2016	P —	P 2,663,503	P —	P —	P 2,663,503
2012	2015	1,473,683	—	—	—	1,473,683
2011	2014	986,213	—	—	—	986,213
		P 2,459,896	P 2,663,503	P —	P —	P 5,123,399

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
MCIT						
2012	2015	P 61,353	P –	P –	P –	P 61,353
		P 61,353	P –	P –	P –	P 61,353

Note 15 – LOSS PER SHARE

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

	As of September 30 2014	As of September 30 2013	December 31, 2013
Net loss for the period	(P 1,097,759)	(P 1,459,115)	(P 2,900,248)
Weighted average number of common shares outstanding during the year	1,840,394,404	1,840,394,404	1,840,394,404
	(P 0.00060)	(P 0.00079)	(P 0.00157)

Note 16 – 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 by minimizing the exposure to financial markets.

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:

	September 30, 2014	September 30, 2013
Cash in bank	P 153,480	P 156,473
Advances to related parties	300,976,616	303,582,357
	P 301,130,096	P 303,738,830

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 September 30, 2014 and 2013, the Company classifies the credit quality of advances to related parties based on the following:

	September 30, 2014	September 30, 2013
Group 1	P 163,787,659	P 166,393,400
Group 2	137,188,957	137,188,957
Group 3	—	—
	P 303,582,357	P 303,582,357

- 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 September 30, 2014 and 2013 are as follows:

Past due but not impaired											
September 30, 2014	Total	Neither past due nor impaired	< 30 days	31-90 days	91-180 days	181-360 days	1-3 years	> 3 years but not impaired	Impaired		
Cash in bank	P 153,480	P 153,480	P-	P-	P-	P-	P-	P	-	P	-
Advances to related parties - note 10	497,672,444	-	-	-	-	-	-	326,041,369	171,631,075		
	P 497,825,924	P 153,480	P-	P-	P-	P-	-	P 326,041,369	P 171,631,075		
September 30, 2012											
Cash in bank	P 156,473	P 156,473	P-	P-	P-	P-	P-	P	-	P	-
Advances to related parties - note 10	503,278,185	-	-	-	-	-	-	328,647,110	171,631,075		
	P 503,434,658	P 156,473	P-	P-	P-	P-	-	P 328,647,110	P 171,631,075		

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.

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 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:

September 30, 2014	Total	On demand	Less than three months	3-12 months	1-5 years
Account payable and other liabilities	P 20,625	P —	P —	P 20,625	P —
Advances from related parties	3,682,908	—	—	—	3,682,908
	P 3,703,533	P —	P —	P 20,625	P 3,682,908

September 30, 2013	Total	On demand	Less than three months	3-12 months	1-5 years
Accounts payable and other liabilities	P 29,625	P —	P —	P 29,625	P —
Advances from related parties	3,415,732	—	—	—	3,415,732
	P 3,445,357	P —	P —	P 29,625	P 3,415,732

Interest rate risk and fair value interest rate risk

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

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

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 President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the 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 September 30, 2014 and 2013 are 0.92% and 0.82%, 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 P380,533,665 and P397,378,574 as of September 30, 2014 and 2013, 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.

As of the third quarter of 2014, the Company's strategy, which was unchanged from 2013, was to keep the gearing ratio below 50% as proportion to net debt to capital. The gearing ratios as at September 30, 2014 and 2013 were as follows:

	September 30, 2014	September 30, 2013
Accounts payable and other liabilities	P 20,625	P 29,625
Advances from related parties	3,682,909	3,415,732
Less: Cash	(153,480)	(156,473)
Net debt	3,550,054	3,288,884
Total equity	380,533,665	397,378,574
Total capital	P 384,083,719	P 400,667,458
	0.92%	0.82%

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:

	September 30, 2014		September 30, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	P 153,480	P 153,480	P 156,473	P 156,473
Advances to related parties – net	300,976,616	300,976,616	303,582,357	303,582,357
AFS financial assets	82,212,380	82,212,380	96,518,397	96,518,397
	P 383,342,476	P 383,342,476	P 400,257,227	P 400,257,227
Financial liabilities				
Accounts payable and other liabilities	P 20,625	P 20,625	P 29,625	P 29,625
Advances from related parties	3,682,909	3,682,909	3,415,732	3,415,732
	P 3,703,534	P 3,703,534	P 3,445,357	P 3,445,357

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 and trade and other receivables - The carrying amounts of cash and trade and other receivables 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.

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:

September 30, 2014				
	Total	Level 1	Level 2	Level 3
AFS financial assets	P 82,212,380	P 32,627,759	P 63,890,638	P –
September 30, 2013				
	Total	Level 1	Level 2	Level 3
AFS financial assets	P 96,518,397	P 32,627,759	P 63,890,638	P –

Note 17 - SUPPLEMENTARY INFORMATION REQUIRED BY RR-15-2010 AND RR19-2011

Supplementary information required by Revenue Regulations 15-2010

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

c) Output value-added tax

The Company has no output VAT since it does not have any income subject to VAT for the quarter ended September 30, 2014 and 2013.

d) *Input value-added tax*

	September 30, 2014	September 30, 2013
At beginning of year	P 666,906	P 394,608
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	137,042	166,584
Services lodged under other accounts	—	—
	P 803,948	P 561,192

i) *Taxes on importation*

The Company has no import transactions for the quarter ended September 30, 2014 and 2013.

j) *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.

k) *Documentary stamp tax*

The Company does not have any documentary stamp tax paid for the quarters ended September 30, 2014 and 2013.

l) *Taxes and licenses*

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

	September 30, 2014	September 30, 2013
Business permits	P 17,275	P 16,495
SEC filing fee	—	5,050
Documentary stamp tax	—	2
BIR Annual registration	—	—
DOE bidding fee	—	—
	P 17,275	P 21,547

m) *Withholding taxes*

The details of total withholding taxes for the quarter ended September 30, 2014 and 2013, are shown below:

	September 30, 2014	September 30, 2013
Withholding tax on compensation	P —	P —
Expanded withholding tax	50,625	59,326
Final withholding tax	—	—
	P 50,625	P 59,326

n) *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.

Supplementary information required by Revenue Regulation 19-2011

RR No. 19-2011 prescribes the new BIR forms that should be used for income tax filing covering and starting with the calendar year 2011 and modifies Revenue Memorandum Circular No. 57-2011. In the Guidelines and Instructions Section of the new BIR Form 1702 (version November 2011), a required attachment to the income tax returns is an Account Information Form and/or Financial Statements that include in the Notes to Financial Statements schedules of sales/receipts/fees, cost of sales/services, non-operating and taxable other income, itemized deductions (if the taxpayer did not avail of the Optional Standard Deduction or OSD), taxes and licenses and other information prescribed to be disclosed in the Notes to the Financial statements.

The schedule and information of taxable income and deductions taken for the quarter ended September 30, 2014 and 2013 are as follows:

b) Sales/Taxable Income

	September 30, 2014				September 30, 2013			
	Special rate		Regular rate		Special rate		Regular rate	
Sale of goods	P	—	P	—	P	—	P	—
Sale of services		—		—		—		—
Sale of properties		—		—		—		—
	P	—	P	—	P	—	P	—

b) Other non-operating and taxable income

The Company has no other taxable income for the quarter ended September 30, 2014.

c) Itemized deductions

	September 30, 2014				September 30, 2013			
	Special rate		Regular rate		Special rate		Regular rate	
Professional fees	P	—	P	195,000	P	—	P	195,000
Office supplies		—		—		—		3,656
Rent and utilities		—		55,500		—		55,500
Communication, courier & postage		—		—		—		—
Printing & reproduction		—		3,613		—		5,607
Taxes and licenses		—		—		—		2
Representation		—		—		—		1,103
Training and development		—		—		—		—
Travel and transportation		—		250		—		2,034
Miscellaneous		—		—		—		12,190
Sub-total		—		254,363		—		275,092
Allowance of NOLCO		—		—		—		—
Total expenses	P	—	P	254,363	P	—	P	275,092

d) Taxes and licenses

The details of the Company's taxes and licenses are presented in section I.F of this note.

f) Other information

All other information prescribed to be disclosed by the BIR has been included in this note.

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FORUM PACIFIC, INC. AND SUBSIDIARY
APPENDIX A – FINANCIAL SOUNDNESS
SEPTEMBER 30, 2014

	September 30 2014	September 30 2013	December 31 2013
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	49.20:1	24.30:1	3.19:1
Debt to equity ratio	0.01:1	0.01:1	0.01:1
Quick ratio	7.59:1	5.28:1	0.42:1
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