

## Certification

I, Annabelle T. Abunda, Compliance Officer of Forum Pacific, Inc., with SEC registration number AS93000120 with principal office at 35<sup>th</sup> Flr. One Corporate Center, Dona Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

- 1) That on behalf of Forum Pacific, Inc., I have caused this Preliminary Information Statement (PIS) SEC Form IS-20 to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company, Forum Pacific, Inc., will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hands this AUG 24 2022 day of \_\_\_\_\_, 2022.

  
Affiant

TIN: 205-231-659

SUBSCRIBED AND SWORN to before me this AUG 24 2022 day of \_\_\_\_\_, 2022.

NOTARY PUBLIC

Doc No. 102  
Page No. 61  
Book No. 1211  
Series of 2022.

  
**ATTY. RYAN C. CORTEZ**  
Notary Public for Q.C./Until Dec. 31, 2023  
Roll No. 72112  
PTR No. 2564877, Jan. 27, 2022/Q.C.  
IBP No. 178355, Feb. 15, 2022  
MCLE COMP. No. VI-0030668  
Adm. Matter No. NP-071 (2021-2022)  
Unit 102-GF, One Exec. Bldg. Cond. West Ave. Q.C.  
TIN No. 448-218-131-000

# COVER SHEET

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SEC Registration No.

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(Company's Full Name)

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

**Atty. Arsenio A. Alfiler Jr.**

Contact Person

**(632) 706-7888**

Contact Tel No./Fax No.

Fiscal Year

|  |   |   |   |   |   |   |   |   |   |   |   |  |
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FORM TYPE

3<sup>rd</sup> Monday of April

Month          Day  
Annual Meeting

\_\_\_\_\_

Secondary License Type, If Applicable

|  |  |  |
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Dept. Requiring this Doc.

\_\_\_\_\_

Amended Articles Number/Section

860

Total No. of Stockholders

### Total Amount of Borrowings

\_\_\_\_\_

Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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# STAMPS

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## **NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

Dear Stockholder:

Please be advised that the annual meeting of the stockholders of **FORUM PACIFIC INC.** (the "Corporation"), in accordance to SEC Memorandum Circular No. 6, Series of 2020 will be held on Wednesday, **October 05, 2022 at 10:00 a.m** and in light of the COVID-19 pandemic, to ensure the safety and welfare of our stockholders, the meeting will be conducted virtually via secure online meeting (zoom application) platform to pass upon the matters:

1. Call to Order;
2. Certification of Notice and Quorum;
3. Approval of the Minutes of the Previous Stockholders' Meeting for the year 2021;
4. President's Report to the Stockholders for the Year 2021 and Approval of the Annual Report;
5. Ratifications of the Acts of the Board and Management;
6. Election of the Board of Directors to Serve for the Term 2022-2023;
7. Appointment of External Auditor;
8. Appointment of External Counsel;
9. Other matters; and
10. Adjournment.

The record date for the purpose of determining the stockholders who are entitled to vote in said stockholders' meeting is **September 09, 2022**. The stock and transfer book will be closed from **September 12, 2022 to October 05, 2022**.

**PARTICIPATION ONLY VIA REMOTECOMMUNICATION.** Stockholders can only participate in the meeting by remote communication on **October 05, 2022**. Stockholders as of **September 09, 2022**, the Record Date, who intend to participate or be represented in the virtual annual stockholders meeting may register by notifying the Corporation by email at **forumpacific.ASM@gmail.com** not later than October 3, 2022 and shall first submit a copy of proof of identity, ownership and other certification/information for validation purposes and/or duly accomplished proxy instrument for a representative to the virtual meeting, if applicable. After validation, the stockholder shall thereafter receive an email confirmation and details with link to log in and view the annual stockholders' meeting 2022 of the recorded schedule.

**VOTES MAY BE CAST ONLY THROUGH ONLINE CASTING OF VOTES/PROXIES ON OR BEFORE October 03, 2022** (at 10:00A.M.). Stockholders whose shareholdings are lodged with the Philippine Central Depository are reminded to secure a certification of your shareholdings from your respective stockbrokers.

**WE ARE NOT SOLICITING YOUR PROXY.**

Pasig City, Philippines, August 22, 2022

A handwritten signature in blue ink, appearing to read 'Arsenio A. Alfiler, Jr.', is written over the typed name.

ATTY. ARSENIO A. ALFILER, JR.  
Corporate Secretary  
Unit 3104, 31<sup>st</sup> Floor Antel Global Corporate Centre  
#3 Dona Julia Vargas Avenue, Ortigas Center, Pasig City

## BALLOT / PROXY FORM

Please mark as applicable:

☐ **Vote By Ballot:** The undersigned stockholder of **FORUM PACIFIC, INC.** (the "Company") casts his/her vote on the agenda items for the Annual Meeting of Stockholders on **October 5, 2022**.

☐ **Vote By Proxy:** The undersigned stockholder of **FORUM PACIFIC, INC.** (the "Company"), do hereby constitutes and appoints \_\_\_\_\_, or in his/her absence, the Chairman of the meeting, as attorney in-fact and proxy, with the power of substitution, to represent and vote upon \_\_\_\_\_ shares registered in the name of undersigned stockholder, at the Annual Meeting of Stockholders on **October 5, 2022** and any of its adjournment(s). If I fail to indicate my vote on the items specified below, my proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 9, and a "FOR" vote for proposals 1 through 8.\*

| ITEM NO. | SUBJECT MATTER                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | ACTION   |                   |           |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-------------------|-----------|
|          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Yes      | No                | Abstain   |
| 3        | • Approval of Minutes Previous Meeting held on October 27, 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |          |                   |           |
| 4        | • Approval of Annual Financial Statements as of December 31, 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |          |                   |           |
| 5        | • Ratification of all acts and resolutions of the Board of Directors and Management adopted during the preceding year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                |          |                   |           |
| 6        | • Election of Directors<br><br>*All nominees listed below<br><br>Ruben D. Torres<br>Kenneth T. Gatchalian<br>Elvira A. Ting<br>Lamberto B. Mercado, Jr.<br>Arthur R. Ponsaran<br>Richard L. Ricardo<br>Omar M. Guinomla<br>Sergio R. Ortiz-Luis, Jr.<br>Josaias T. Dela Cruz ( <i>Independent Director</i> )<br>Renato C. Francisco ( <i>Independent Director</i> )<br>Aristeo R. Cruz ( <i>Independent Director</i> )<br><br><i>Note:</i><br><i>To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.</i> | FOR ALL* | WITHHOLD FOR ALL* | EXCEPTION |
| 7        | • Appointment of Diaz Murillo Dalupan and Co. as external auditor for 2022                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |          |                   |           |
| 8        | • Appointment of Corporate Counsels, Phils. Law Offices as external legal counsel for 2022                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |          |                   |           |
| 9        | • At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the Meeting.                                                                                                                                                                                                                                                                                                                                                                                                                                                |          |                   |           |

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER/  
NAME AND SIGNATURE OR AUTHORIZED REPRESENTATIVE

\*THIS BALLOT/PROXY FORM SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE OCTOBER 3, 2022. KINDLY EMAIL TO **FORUMPACIFIC.ASM@GMAIL.COM**.

THIS BALLOT/PROXY FORM 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 : **AS93000120**
5. BIR Tax Identification Code : **002-155-598-000**
6. Address of Registrant's Principal Office : **35<sup>th</sup> Flr. One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City**
7. Registrant's telephone number, including area code : **(632) 8706-7888**
8. Date, time and place of Stockholder's Meeting : **October 5, 2022 at 10:00a.m.  
35<sup>th</sup> Flr. One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City (virtually or via remote communication in accordance with SEC Memorandum Circular No. 6 series of 2020)**
9. Approximate date on which the Information Statement will be published through alternative mode of distribution through the Corporation's website and PSE Edge : **September 13, 2022**
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 |
|----------------------------------------|-------------------------------------------------------------------------|
| <b>Common Shares – P1.00 par value</b> | <b>Issued and Outstanding – 1,838,943,246</b>                           |

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

Yes   x  

No       

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

## **PART 1**

### **A. GENERAL INFORMATION**

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

Date, Time, and Place of Meeting

: **October 5, 2022**

**10:00 A.M.**

**35<sup>th</sup> Flr. One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City (virtually or via remote communication in accordance with SEC Memorandum Circular No. 6 series of 2020)**

Complete Registrant's Mailing Address

: **35<sup>th</sup> Flr. One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City**

The approximate date on which the Information Statement will be published through alternative mode of distribution through the Corporation's website and PSE Edge

: **September 13, 2022**

#### **Item 2. Dissenters' Right of Appraisal**

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

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

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

#### **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted upon**

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

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

### **B. CONTROL AND OTHER INFORMATION**

#### **Item 4. Voting Securities and Principal Holders Thereof**

(a) Class of Voting Shares as of July 31, 2022;

| Common Shares: | Shares Outstanding | No. of Vote Each Share is Entitled |
|----------------|--------------------|------------------------------------|
| Filipino       | 1,798,528,304      | One (1) vote per share             |
| Foreign        | 40,414,942         | One (1) vote per share             |
| Total          | 1,838,943,246      |                                    |

The Corporation has 1,838,943,246 outstanding common shares, the only shares traded by the Corporation as of July 31, 2022. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

Record Date:

(b) All stockholders of record as of September 9, 2022 are entitled to notice and vote at the Corporation's Annual Meeting of the Stockholders.

(c) Manner of Voting:

The election of directors shall be taken up at the meeting and pursuant to Section 23 of the Revised Corporation Code. The holders of common stock 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 report attached to this SEC Form 20-IS is the management report to stockholders required under SRC Rule 20 to accompany the SEC Form 20-IS and is hereinafter referred to as the "Management Report".**

**Security Ownership of Certain Record and Beneficial Owners and Management**

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

As of July 31, 2022, 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.

| <b>Title of Class</b> | <b>Name, address of Record Owner and Relationship with Issuer</b>                                                                                   | <b>Name of Beneficial Owner and Relationship with Record Owner</b> | <b>Citizenship</b> | <b>No. of Shares Held</b> | <b>% of total o/s shares</b> |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|--------------------|---------------------------|------------------------------|
| Common                | International Polymer Corporation<br>T. Santiago St.,<br>Canumay, Valenzuela City (Stockholder)                                                     | same as record owner*                                              | Filipino           | 496,887,494               | 26.501                       |
| Common                | PCD Nominee Corporation<br>37/F Tower 1, The Enterprise Center,<br>6766 Ayala Ave. Cor. Paseo De Roxas,<br>Makati City (Stockholder)                | PCD Participants and their clients**                               | Filipino           | 428,185,374               | 22.837                       |
| Common                | The Wellex Group Inc.,<br>35th Flr., One Corporate Center,<br>Doña Julia Vargas Ave., cor Meralco Ave., Ortigas Center,<br>Pasig City (Stockholder) | same as record owner***                                            | Filipino           | 376,950,000               | 20.104                       |

*\*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. Either Ms. Elvira A. Ting, Corporate Treasurer, or its Chairman is assigned to vote as proxy on behalf of IPC.*

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

*\*\*\*The Wellex Group, Inc. ("TWGI") is a significant shareholder of the Company. As per By-laws and the Corporation Code, the Board of Directors of TWGI has the power to decide how the TWGI shares in Forum Pacific Inc. are to be voted. Either Ms. Elvira A. Ting, Corporate Treasurer, or its Chairman is assigned to vote as proxy on behalf of TWGI.*

(2.) Security Ownership of Directors and Management (As of July 31, 2022):

| Title of Class                               | Name of Beneficial Owner       | Amount and Nature of Beneficial Ownership | Citizenship | Percent of Class |
|----------------------------------------------|--------------------------------|-------------------------------------------|-------------|------------------|
| Common                                       | Atty. Ruben D. Torres          | 100 (direct)                              | Filipino    | 0.000            |
| Common                                       | Elvira A. Ting                 | 400,001 (direct)                          | Filipino    | 0.021            |
| Common                                       | Kenneth T. Gatchalian          | 100 (direct)                              | Filipino    | 0.000            |
| Common                                       | Atty. Lamberto B. Mercado, Jr. | 100 (direct)                              | Filipino    | 0.000            |
| Common                                       | Richard L. Ricardo             | 100 (direct)                              | Filipino    | 0.000            |
| Common                                       | Atty. Arthur R. Ponsaran       | 1 (direct)                                | Filipino    | 0.000            |
| Common                                       | Omar M. Guinomla               | 100 (direct)                              | Filipino    | 0.000            |
| Common                                       | Sergio R. Ortiz-Luis, Jr.      | 100 (direct)                              | Filipino    | 0.000            |
| Common                                       | Renato C. Francisco            | 100 (direct)                              | Filipino    | 0.000            |
| Common                                       | Josaias T. Dela Cruz           | 100 (direct)                              | Filipino    | 0.000            |
| Common                                       | Atty. Aristeo R. Cruz          | 20,000 (direct)                           |             | 0.001            |
|                                              | Atty. Arsenio A. Alfiler, Jr.  | -                                         | Filipino    | 0.000            |
|                                              | Annabelle T. Abunda            | -                                         | Filipino    | 0.000            |
| <b>All directors and officers as a group</b> |                                | <b>420,802</b>                            |             | <b>0.022</b>     |

(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 57-61 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. Atty. Ruben D. Torres          | 7. Omar M. Guinomla                              |
| 2. Elvira A. Ting                 | 8. Sergio R. Ortiz-Luis, Jr.                     |
| 3. Kenneth T. Gatchalian          | 9. Renato C. Francisco – Independent Director    |
| 4. Atty. Lamberto B. Mercado, Jr. | 10. Josaias T. Dela Cruz – Independent Director  |
| 5. Richard L. Ricardo             | 11. Atty. Aristeo R. Cruz – Independent Director |
| 6. Atty. Arthur R. Ponsaran       |                                                  |

The aforementioned nominees are all incumbent directors. Their qualifications are presented on pages 57-61 of Management Report. Mr. Renato C. Francisco, Mr. Aristeo R. Cruz and Mr. Josaias T. Dela Cruz will be serving their 3<sup>rd</sup>, 2<sup>nd</sup> and 2<sup>nd</sup> year, respectively, as independent directors when elected during the annual meeting. A company's independent director shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting pursuant to SEC Memorandum Circular No. 4 Series of 2017 (Term Limit of Independent Directors).

The Certifications of Independent Directors executed by the aforementioned independent directors of the Corporation are attached hereto (Please refer to pages 22-25).

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

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

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

1. Sergio R. Ortiz-Luis, Jr. – Chairman
2. Josaias T. Dela Cruz – Member
3. Atty. Ruben D. Torres – Member

The members of the Executive Committee are the following:

1. Elvira A. Ting – Chairman
2. Kenneth T. Gatchalian – Member
3. Sergio R. Ortiz-Luis, Jr. – Member
4. Richard L. Ricardo – Member
5. Atty. Lamberto B. Mercado, Jr. – Member

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

**A. Definition**

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

**B. Qualifications and Disqualifications of Independent Directors**

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

**C. Number of Independent Directors**

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

**D. Nomination and Election of Independent Directors**

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

shall be made in accordance with the standard election procedures of the company or its by-laws.

6.2 It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent director/s is elected during the stockholders' meeting.

6.3 Specific slot/s for independent directors shall not be filled-up by unqualified nominees.

6.4 In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

#### **E. Termination/Cessation of Independent Directorship**

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

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

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

#### **F. Term Limits for Independent Directors**

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

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

#### **Significant Employees**

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

#### **Family Relationships**

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

#### **Involvement in Certain Legal Proceedings**

For the past 5 years up to July 31, 2022, the Company is not aware of any bankruptcy proceedings filed by or against any business of a director, person nominated to become a director, executive officer or control person of the Company is a party or of which any of their property is subject.

For the past 5 years up to July 31, 2022, the Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any of its director, person nominated to become a director, executive officer, or control person.

For the past 5 years up to July 31, 2022, the Company is not aware of any order, judgment or decree not subsequently reversed, superseded, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director,

person nominated to become a director, executive officer, or control person of the Company in any type of business, securities, commodities, or banking activities.

For the past 5 years up to July 31, 2022, 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. (Note 11 of the Audited Financial Statements as of and for the year ended December 31, 2021).

#### **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 14<sup>th</sup> Floor, Pearlbank Centre, 146 Valero Street, Salcedo Village, Makati City. FCCHI has 60% ownership of Forum Cebu Coal Corporation (FCCC), a domestic corporation which holds 100% interest in one (1) Coal Operating Contract in Cebu-COC 131.

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

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

#### **Resignation of Directors Due to Disagreement**

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

#### **Item 6. Compensation of Directors & Executive Officers**

The following table list the names of the Corporation's Directors and Executive Officers' Annual Compensation for the three most recent years including the estimated compensation for year 2022.

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, except per diem received by external and independent directors.

| <b>Name and Principal Position</b>                 | <b>Year</b> | <b>Salary</b> | <b>Bonus</b> | <b>Other Annual Compensation</b> |
|----------------------------------------------------|-------------|---------------|--------------|----------------------------------|
| Atty. Ruben D. Torres<br><i>Chairman</i>           | 2022 (est)  | -             | -            | 10,000                           |
|                                                    | 2021        | -             | -            | 10,000                           |
|                                                    | 2020        | -             | -            | 10,000                           |
| Elvira A. Ting<br><i>President/CEO/Director</i>    | 2022 (est)  | -             | -            | -                                |
|                                                    | 2021        | -             | -            | -                                |
|                                                    | 2020        | -             | -            | -                                |
| Kenneth T. Gatchalian<br><i>Treasurer/Director</i> | 2022 (est)  | -             | -            | -                                |
|                                                    | 2021        | -             | -            | -                                |
|                                                    | 2020        | -             | -            | -                                |

|                                                                                                                                                  |            |   |   |        |
|--------------------------------------------------------------------------------------------------------------------------------------------------|------------|---|---|--------|
| Renato C. Francisco<br>Josaias T. Dela Cruz<br>Atty. Aristeo R. Cruz<br><i>Independent Directors</i>                                             | 2022 (est) | - | - | 30,000 |
|                                                                                                                                                  | 2021       | - | - | 30,000 |
|                                                                                                                                                  | 2020       | - | - | 20,000 |
| Sergio Ortiz-Luis, Jr.<br>Atty. Lamberto B. Mercado, Jr.<br>Omar Guinomla<br>Richard L. Ricardo<br>Atty. Arthur Ponsaran<br>& All Other Officers | 2022 (est) | - | - | 10,000 |
|                                                                                                                                                  | 2021       | - | - | 10,000 |
|                                                                                                                                                  | 2020       | - | - | 10,000 |

The members of the Compensation Committee are the following:

1. Atty. Ruben D. Torres – Chairman
2. Sergio R. Ortiz-Luis, Jr. – Member
3. Kenneth T. Gatchalian – Member

#### Standard Arrangement

Except for a nominal amount of per diem amounting to ₱10,000 during attendance in regular 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, upon recommendation by the Audit Committee of the Board of Directors composed of Mr. Aristeo R. Cruz as Chairman and Mr. Sergio R. Ortiz-Luis, Jr. and Mr. Ruben D. Torres as members, was re-appointed by the stockholders as the principal external auditors for the years 2021 and 2020, and is again being recommended to the stockholders for re-election as the Company's principal external auditors for the year 2022. 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. Mr. Jozel Francisco C. Santos was the lead engagement partner in 2014 to 2015 and Ms. Rosemary D. De Mesa in 2016 to 2018. Lead engagement partner in 2019-2021 was Mr. Richard Noel M. Ponce and was recommended again for 2022.
- 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. Atty. Aristeo R. Cruz – Chairman
  2. Sergio R. Ortiz-Luis, Jr. – Member
  3. Atty. Ruben D. Torres – 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, 2021 and 2020 amounted to ₱517,440 and ₱517,440 respectively, inclusive of 12% VAT and 10% out-of-pocket expenses.

No other service such as tax and assurance audit was provided by external auditors to the Company for the calendar year 2021 and 2020.

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

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

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

The Company submitted its Integrated Annual Corporate Governance Report (ACGR) on May 30, 2022 covering the year 2021.

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

#### Changes in and disagreements with Accountants and Financial Disclosure

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

#### **Item 8. Compensation Plans**

Not applicable.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

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

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

#### **Item 10. Modification or Exchange of Securities**

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

#### **Item 11. Financial and Other Information**

Audited Financial Statements as of 31 December 2021, 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 12. Mergers, Consolidations, Acquisitions and Similar Matters**

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

#### **Item 13. Acquisition or Disposition of Property**

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

**Item 14. Restatement of Accounts**

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

**D. OTHER MATTERS****Item 15. Action with Respect to Reports**

There is no action to be taken with respect to any report of the Company or its directors, officers or committees, except for the approval of the minutes of the previous annual stockholders meeting of the company which was held last October 27, 2021 and for the ratification of all acts of the Board of Directors during their term of office.

The previous Annual Stockholders' Meeting held on October 27, 2021 was attended, in person or by proxy, by the stockholders representing 1,002,411,101 common shares, constituting 54.51% of the total outstanding capital stock of the Company as of record date September 30, 2021. The attendance constituted a quorum for the approval of all matters in the agenda. The Board of Directors, Officers, external legal counsels and external auditors were also present in the said meeting.

The following directors and officers were present during the 2021 annual stockholders' meeting:

|     | <b>Name</b>                   | <b>Position</b>                    |
|-----|-------------------------------|------------------------------------|
| 1.  | Atty. Ruben D. Torres         | Chairman/Independent Director      |
| 2.  | Elvira A. Ting                | President/Director                 |
| 3.  | Kenneth T. Gatchalian         | Treasurer/Director                 |
| 4.  | Richard L. Ricardo            | Investor Relation Officer/Director |
| 5.  | Atty. Arthur R. Ponsaran      | Director                           |
| 6.  | Omar M. Guinomla              | Director                           |
| 7.  | Atty. Lamberto B. Mercado Jr. | Director                           |
| 8.  | Atty. Aristeo R. Cruz         | Independent Director               |
| 9.  | Sergio R. Ortiz-Luis, Jr.     | Independent Director               |
| 10. | Renato C. Francisco           | Independent Director               |
| 11. | Josaias T. Dela Cruz          | Independent Director               |
| 12. | Atty. Arsenio A. Alfiler, Jr. | Corporate Secretary                |
| 13. | Annabelle T. Abunda           | Compliance Officer                 |

An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock was sufficient for the approval of the above items.

All the items of the agenda from previous year's meeting were approved by the stockholders and the voting results as follows (% based on the attendees):

| <b>Agenda</b>                                                  | <b>Voting Results</b> |                |                |
|----------------------------------------------------------------|-----------------------|----------------|----------------|
|                                                                | <b>For</b>            | <b>Against</b> | <b>Abstain</b> |
| Approval of Minutes of Previous Meeting                        | 100%                  | 0.00%          | 0.00%          |
| Approval of Annual Report for the year ended December 31, 2020 | 100%                  | 0.00%          | 0.00%          |
| Ratification of acts of the Board and Management               | 100%                  | 0.00%          | 0.00%          |
| Election of Board of Directors                                 |                       |                |                |
| Atty. Ruben D. Torres                                          | 100%                  | 0.00%          | 0.00%          |
| Elvira A. Ting                                                 | 100%                  | 0.00%          | 0.00%          |
| Kenneth T. Gatchalian                                          | 100%                  | 0.00%          | 0.00%          |
| Richard L. Ricardo                                             | 100%                  | 0.00%          | 0.00%          |
| Atty. Arthur R. Ponsaran                                       | 100%                  | 0.00%          | 0.00%          |
| Omar M. Guinomla                                               | 100%                  | 0.00%          | 0.00%          |
| Atty. Lamberto B. Mercado Jr.                                  | 100%                  | 0.00%          | 0.00%          |
| Atty. Aristeo R. Cruz                                          | 100%                  | 0.00%          | 0.00%          |
| Sergio R. Ortiz-Luis, Jr.                                      | 100%                  | 0.00%          | 0.00%          |
| Renato C. Francisco                                            | 100%                  | 0.00%          | 0.00%          |
| Josaias T. Dela Cruz                                           | 100%                  | 0.00%          | 0.00%          |
| Election of External Auditor                                   | 100%                  | 0.00%          | 0.00%          |
| Election of External Counsel                                   | 100%                  | 0.00%          | 0.00%          |
| Other Matters                                                  | 100%                  | 0.00%          | 0.00%          |

The minutes of the previous meeting last October 27, 2021 contains the approval of the following:

- 1) Minutes of Stockholders meeting held on October 28, 2020;
- 2) Audited Financial Statements for the year ended December 31, 2020;
- 3) Ratification of Corporate Acts of the Board of Directors and Officers of the corporation;
- 4) Election of Directors
- 5) Appointment of External Counsels;
- 6) Appointment of External Auditors;

The stockholders and its representative were given a chance to ask questions to the Board of Directors after each discussion of the agenda of the meeting. The registered stockholders and its proxies were also advised to send their questions in advance through [forumpacific.asm@gmail.com](mailto:forumpacific.asm@gmail.com). Minutes of the Annual Stockholders Meeting and Organizational Meeting were available in the company website.

The method by which votes counted from previous meeting:

The 2021 Annual Stockholders' Meeting was conducted via remote communication using Zoom Meeting. Stockholders who notified the Corporation of their intention to participate were given a chance to vote either in absentia or through proxy during their registration or in the given date of casting of votes from October 5 to 11, 2021. The said registered stockholders and confirmed proxies were given the meeting link and password of the Annual Stockholders' Meeting. The counting of votes was done by the Corporate Secretary with the assistance of the representative of the Corporation's Stock Transfer Agent, BDO, Unibank, Inc. All votes attaching to the shares owned by stockholders whose proxies were received by the Corporation were casted in accordance with the instructions given or authority granted under proxies. The Corporate Secretary recorded all the votes and proceedings of the stockholders and of the Directors in a book kept for that purpose.

For the upcoming Annual Stockholders' Meeting on October 5, 2022, stockholders will be asked to approve or ratify during the annual stockholders meeting the following matters:

1. The Annual Report and Audited Financial Statements for the year ended December 31, 2021 will be presented to the stockholders for approval by a majority vote of the stockholders. Approval of the Annual Report and Audited Financial Statements constitutes a ratification of the corporation's performance during the previous fiscal year contained therein.
2. Minutes of the Annual Stockholders' Meeting held last October 27, 2021 will also be presented to the stockholders for approval by a majority vote of the stockholders.
3. Ratification of the corporate acts of the board of directors, committees and executive officers of the Corporation since October 27, 2021 by a majority vote of the stockholders.
4. Election of members of the board of directors for a term of one (1) year.
5. Appointment of Diaz Murillo Dalupan and Company, CPAs (DMDC) as external auditors of the Company.
6. Appointment of Corporate Counsels, Philippines as external legal counsels of the Company.

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

**September 15, 2021**

Setting the date of the annual stockholders' meeting on October 27, 2021 at 2:00 in the afternoon, virtually or via remote communication. The Board also set September 30, 2021 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said meeting.

**October 27, 2021**

Annual stockholders' meeting for 2021 agenda of which includes:

- a) Approval of minutes of 2020 stockholders' meeting
- b) Election of members of the board of directors for the year 2021-2022
- c) Approval of 2020 Audited Financial Statements
- d) Appointment of External Auditors
- e) Appointment of External Counsels

Approval to designate authorized signatories of the Corporation for all transactions of the Corporation with the Corporation's Stock Transfer Agent, BDO Unibank, Inc. and Securities Registrar, Philippine Depository and Trust Corporation.

**April 11, 2022**

Approval of the audited financial statements including independent auditor's report for the year ended December 31, 2021.

**August 22, 2022**

Setting the date of the annual stockholders' meeting on October 5, 2022 at 10:00 in the morning, virtually or via remote communication. The Board also set September 9, 2022 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said meeting.

In year 2021, no material information on the current stockholders, and their voting rights as well as in directors' disclosures on self-dealing and related party transactions.

For appraisal and performance report for the board and the criteria and procedure for assessment, please refer to the corporate governance report 2021, which stated that the principle is indicated in the Company's Revised Manual on Corporate Governance. But due to minimal operations of the Company, there was no written self-assessment of each individual or committee's performance.

**Item 16. Matters Not Required to be Submitted**

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

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

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

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

**Item 18. Other Proposed Action**

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

**Item 19. Voting Procedures**

(A) An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient for the approval of:

1. Minutes of the Previous Stockholders' Meeting held on October 27, 2021;
2. 2021 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 stockholder 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. 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 representative of the Company's Stock Transfer Agent, BDO Unibank, Inc. All votes attaching to the shares owned by stockholders whose proxies were received by the Company will be casted 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.

- (E) Due to continuous existence of COVID-19 Global Pandemic, the Board of Directors of Forum Pacific, Inc. has decided to conduct the annual stockholders' meeting via remote communication, specifically Zoom.

A stockholder who has the intention to participate in the Annual Stockholders' Meeting via remote communication or to exercise their vote in absentia or through proxy, should notify the Company by sending the required documents, such as proof of identity, ownership and other certification/information at **forumpacific.asm@gmail.com** from September 13 to October 3, 2022 (10:00am).

A Stockholder may opt to cast his/her vote/proxy during the registration or until October 3, 2022. Note that only the ballot/proxy form of a successful registrant will be counted as a valid vote. Stockholders whose shareholdings are lodged with the Philippine Central Depository are reminded to secure a certification of your shareholdings from your respective stockbrokers.

Once the stockholder submitted the requested documents through email, the Company will forward it to the Company's stock transfer agent, BDO, Unibank, Inc., for validation.

If confirmed, that all are true and correct, ballot/proxy form submitted will be counted as a valid vote and a successful registrant will receive the instructions on how to access the livestream and its invitation link to the Annual Stockholders Meeting. For unsuccessful registrant, he/she will receive, either an email or a call from the Company for any deficient/pending documents that needs to be submitted.

Only stockholders who notified the Company of their intention to participate in the virtual meeting and have registered themselves or their proxies will be included in the determination of quorum.

The full details of the registration and voting procedures will be available on the Company's website, **[www.forumpacific.com/annualstockholdersmeeting.html](http://www.forumpacific.com/annualstockholdersmeeting.html)**, on September 13, 2022.

We are not soliciting proxies.

### 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., 35<sup>th</sup> Flr, One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave, Ortigas Center, Pasig City, Philippines.

### SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on August 23, 2022.

Forum Pacific, Inc.

By:

  
ARSENIO A. ALFILER, JR.  
Corporate Secretary

# CERTIFICATION OF INDEPENDENT DIRECTOR

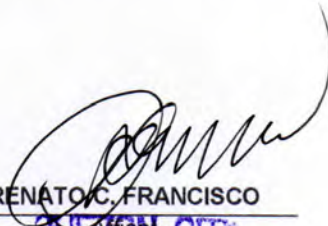
I, **Renato C. Francisco**, Filipino, of legal age and a resident of No. 8 Sparrow St., New Marikina Subdivision, Marikina City, after having been duly sworn to in accordance with law do hereby declare that;

1. I am an independent director of **Forum Pacific, Inc.** since 2020.
2. I am affiliated with the following companies or organizations:

| COMPANY                         | POSITION             | PERIOD OF SERVICE |
|---------------------------------|----------------------|-------------------|
| Philippines Estates Corporation | Independent Director | Present           |
| Acesite (Hotels) Phils.         | Independent Director | Present           |
| Waterfront Phils., Inc          | Independent Director | Present           |
| Wellex Industries, Inc.         | Independent Director | Present           |

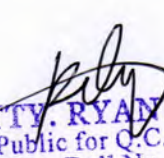
3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Forum Pacific, Inc.**, as provided for in Section 38 of the Securities Regulation Code, its Implement Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial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

Done, this AUG 24 2022 day TUEZON CITY, at \_\_\_\_\_.

  
RENATO C. FRANCISCO  
Affiant

SUBSCRIBED AND SWORN to before me this AUG 24 2022 day of \_\_\_\_\_ at \_\_\_\_\_, affiant personally appeared before me and exhibited to me his Tin No. 138-641-391 issued at Bureau of Internal Revenue.

Doc. No. 108;  
Page No. 24;  
Book No. LXII;  
Series of 2022;

  
**ATTY. RYAN C. CORTEZ**  
Notary Public for Q.C./Until Dec. 31, 2023  
Roll No. 72112  
PTR No. 2564877, Jan. 27, 2022/Q.C.  
IBP No. 178355, Feb. 15, 2022  
MCLE COMP. No. VI-0030668  
Adm. Matter No. NP-071 (2021-2022)  
Unit 102-GF, One Exec. Bldg. Cond. West Ave. Q.C.  
TIN No. 448-218-131-000

# **CERTIFICATION OF INDEPENDENT DIRECTOR**

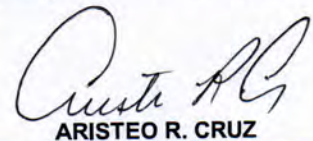
I, **Aristeo R. Cruz**, Filipino, of legal age and a resident of No. 4 Malhacan Road, Meycauayan City, Bulacan, after having been duly sworn to in accordance with law do hereby declare that;

1. I am an independent director of **Forum Pacific, Inc.** since 2021.
2. I am affiliated with the following companies or organizations:

| COMPANY                                                                              | POSITION                                               | PERIOD OF SERVICE                                 |
|--------------------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------|
| Meycauayan College, Inc.                                                             | Vice Chairman of the Board<br>Executive Vice President | December 2011 – present<br>October 2021 – present |
| Cruz Altares & Associates Law Office<br>(formerly Cruz, Castro & Altares Law Office) | Founding and Managing<br>Partner                       | July 2007 – present                               |
| Liberty Bank (A Rural Bank), Inc.                                                    | Vice President                                         | July 2018 - present                               |
| Idealland Realty & Development Corp                                                  | President and Chief<br>Operating Officer (COO)         | November 2009 – present                           |
| Philstar Innovation Realty Corp                                                      | Director and Corp Secretary                            | October 2011 – present                            |
| Statosphere Realty & Development Corp                                                | President and Chief<br>Operating Officer (COO)         | October 2011 – present                            |
| Jose & Luz Locsin Foundation                                                         | President                                              | November 2012 – present                           |
| Justino Emilia Realty and Management &<br>Dev't Corp                                 | Corporate Secretary                                    | March 2008 – present                              |
| Waterstreet Realty Corp                                                              | President                                              | June 2012 – present                               |
| Metro Alliance Holdings & Equities Corp                                              | Lead Independent Director                              | September 2015 – present                          |
| Acesite Phils Hotel Corp                                                             | Director                                               | July 2021 – present                               |
| Waterfront Philippines, Inc.                                                         | Independent Director                                   | July 2021 - present                               |
| Wellex Industries, Inc.                                                              | Independent Director                                   | October 2021 - present                            |

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

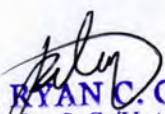
Done, this AUG 24 2021 day of QUEZON CITY, at \_\_\_\_\_.

  
**ARISTEO R. CRUZ**

Affiant

SUBSCRIBED AND SWORN to before me this AUG 24 2021 day of QUEZON CITY, at \_\_\_\_\_, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 108-672-299 issued at Bureau of Internal Revenue

Doc. No. 109;  
Page No. 1;  
Book No. EX-1;  
Series of 2022.

  
**ATTY. RYAN C. CORTEZ**  
Notary Public for Q.C./Until Dec. 31, 2023  
Roli No. 72112  
PTR No. 2564877, Jan. 27, 2022/Q.C.  
IBP No. 178355, Feb. 15, 2022  
MCLE COMP. No. VI-0030668  
Adm. Matter No. NP-071 (2021-2022)  
Unit 102-GF, One Exec. Bldg. Cond. West Ave. Q.C.  
TIN No. 448-218-131-000

# CERTIFICATION OF INDEPENDENT DIRECTOR

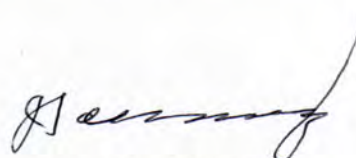
I, **Josaias T. Dela Cruz**, Filipino, of legal age and a resident of 304 Hogan Street, Capitol Hills, Quezon City, after having been duly sworn to in accordance with law do hereby declare that;

1. I am an independent director of **Forum Pacific, Inc.** since 2021.
2. I am affiliated with the following companies or organizations:

| COMPANY                                             | POSITION                                                               | PERIOD OF SERVICE |
|-----------------------------------------------------|------------------------------------------------------------------------|-------------------|
| Wegen Distributed Energy Philippines Holdings Corp. | Treasurer/Vice President for Investor Relations and Financial Planning | 2021 - Present    |
| JTDC Spinmeister Laundry Service                    | Sole Proprietor                                                        | 2016 - Present    |
| Philippine Estates Corp.                            | Independent Director                                                   | 2021 - Present    |
| Wellex Industries, Inc.                             | Independent Director                                                   | 2021 - Present    |

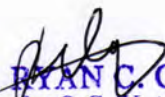
3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Forum Pacific, Inc.**, as provided for in Section 38 of the Securities Regulation Code, its Implement Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial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

Done, this AUG 24 2022 day QUEZON CITY, at \_\_\_\_\_.

  
**JOSAIAS T. DELA CRUZ**  
Affiant

SUBSCRIBED AND SWORN to before me this AUG 24 2022 day of QUEZON CITY, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 123-365-209 issued by Bureau of Internal Revenue.

Doc. No. 160  
Page No. 1  
Book No. 123  
Series of 2022;

  
**ATTY. RYAN C. CORTEZ**  
Notary Public for Q.C. Until Dec. 31, 2023  
Roll No. 72112  
PTR No. 2564877, Jan. 27, 2022/Q.C.  
IBP No. 178355, Feb. 15, 2022  
MCLE COMP. No. VI-0030668  
Adm. Matter No. NP-071 (2021-2022)  
Unit 102-GF, One Exec. Bldg. Cond. West Ave. Q.C.  
TIN No. 448-218-131-000

## CERTIFICATION

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

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

All incumbent directors and officers of the Corporation are not connected with any government agency or instrumentality, except for Atty. Lamberto B. Mercado, Jr. Attached herewith is a copy of a certification issued by the Philippine National Construction Corporation, allowing/authorizing Atty. Lamberto B. Mercado, Jr. to be director in other corporations.

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

IN WITNESS WHEREOF, I have hereunto set my hand this AUG 24 2022 in the City of Pasig QUEZON CITY

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

AUG 24 2022

QUEZON CITY

Subscribed and sworn to before me this \_\_\_\_\_ at \_\_\_\_\_, Affiant exhibiting to me his TIN with No. 108-160-743.

Doc. No. 111;  
Page No. 23;  
Book No. 2411  
Series of 2022.

*Kely G. Cortez*  
**ATTY. KELY G. CORTEZ**  
Notary Public for Q.C./Until Dec. 31, 2023  
Roll No. 72112  
PTR No. 2564877, Jan. 27, 2022/Q.C.  
IBP No. 178355, Feb. 15, 2022  
MCLE COMP. No. VI-0030668  
Adm. Matter No. NP-071 (2021-2022)  
Unit 102-GF, One Exec. Bldg. Cond. West Ave. Q.C.  
TIN No. 448-218-131-000



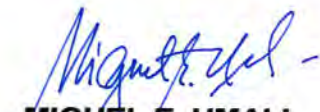
**PHILIPPINE NATIONAL  
CONSTRUCTION CORPORATION**

**CERTIFICATION**

***TO WHOM IT MAY CONCERN:***

This is to certify that **ATTY. LAMBERTO B. MERCADO, JR.** is hereby allowed/authorized to occupy membership in the Board of Directors of other corporations provided such memberships do not conflict with his official function as member of the PNCC Board of Directors.

Done this 11<sup>th</sup> day of August 2022 in Bicutan, Parañaque City.

  
**MIGUEL E. UMALI**  
President & CEO

## **PART 2**

### **MANAGEMENT REPORT AS REQUIRED BY SRC RULE 20 INCLUDING FINANCIAL INFORMATION FOR 2ND QUARTER OF 2022**

#### **BUSINESS AND GENERAL INFORMATION**

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

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.

##### **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 in order to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

The Company has been reviewing outstanding receivables and advances to affiliates and has designed collection programs to improve the Company's financial status. The board continues to evaluate calling for the remaining stock subscription as source of funds for future projects, with the aim of utilizing this process as a tool to fund capital intensive endeavors. The officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization and approval of such business project plans.

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

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

Since the Company is affiliated with group of mining companies, projects in the mining sector are being re-evaluated at the moment. Despite the stringent evaluations being conducted by the Department of Environment and Natural Resources (DENR) for new mining applications, the government has also indicated that a revival of the industry is forthcoming, especially as a means to address the economic slowdown caused by the pandemic.

##### **Business Focus for the Coming Year**

The investment made during 2017 in Taguig Lake City Development Corporation (TLCDC), a corporation engaged in the real estate industry, is starting to show some results, now that the Laguna Lake Development Authority has responded positively to this company's proposals to rehabilitate the Laguna De Bay. We will continue to support the progress of TLCDC in this regard.

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

On the one hand, given the growing requirements for power, the Company is actively looking into the traditional energy business, concentrating on cheap and consistent coal power for the country's base loads. Demand and supply studies, as well as site feasibility analysis and the selection of green and clean coal technologies are being conducted by select engineering advisers of the Company. On the other hand, the Company is also considering investing into potential renewable energy sources like solar power, ethane, biofuels, hydro, wind and geothermal energy. The management is also conducting research and feasibility studies on these renewable projects, albeit utilizing more stringent investment hurdles, given that renewable energy projects produce power at higher pricing levels as compared to traditional energy sources.

The COVID-19 pandemic and the ensuing home quarantine has triggered an economic slowdown for the country. Despite the curtailment of worldwide travel and the hesitancy of global investors to venture into new projects, the company is hopeful that the business environment will recover over the coming year, now that the vaccination efforts of the government are bearing fruit.

The Company's management believes that such financial support and the discussed 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.

## 2.) Properties and Other assets

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

|                                                    | Forum<br>Exploration,<br>Inc. (FEI) | Philippine<br>Estates Corp<br>(PHES) | Taguig<br>Lake City<br>Dev't Corp | Total               |
|----------------------------------------------------|-------------------------------------|--------------------------------------|-----------------------------------|---------------------|
| <b>Net carrying amount, December 31, 2020</b>      | <b>₱53,211,573</b>                  | <b>₱21,333,535</b>                   | <b>₱12,500,000</b>                | <b>₱87,045,108</b>  |
| <b>Additions</b>                                   | —                                   | —                                    | —                                 | —                   |
| <b>Write-Off</b>                                   | —                                   | —                                    | —                                 | —                   |
| <b>Impairment loss</b>                             | —                                   | —                                    | —                                 | —                   |
| <b>Unrealized fair value gain (loss)</b>           | —                                   | <b>4,266,708</b>                     | —                                 | <b>4,266,708</b>    |
| <b>Net carrying amount, December 31, 2021</b>      | <b>₱53,211,573</b>                  | <b>₱25,600,243</b>                   | <b>₱12,500,000</b>                | <b>₱91,311,816</b>  |
| <b>Acquisition cost</b>                            | <b>₱73,211,573</b>                  | <b>₱7,529,480</b>                    | <b>₱—</b>                         | <b>₱80,741,053</b>  |
| <b>Unrealized fair value gain (loss)</b>           | —                                   | <b>18,070,763</b>                    | —                                 | <b>18,070,763</b>   |
| <b>Accumulated impairment loss</b>                 | <b>(20,000,000)</b>                 | —                                    | —                                 | <b>(20,000,000)</b> |
| <b>Net carrying amount as of December 31, 2021</b> | <b>₱53,211,573</b>                  | <b>₱25,600,243</b>                   | <b>₱—</b>                         | <b>₱78,811,816</b>  |

|                                                    | Forum<br>Exploration,<br>Inc. (FEI) | Philippine<br>Estates Corp<br>(PHES) | Taguig Lake<br>City Dev't<br>Corp | Total               |
|----------------------------------------------------|-------------------------------------|--------------------------------------|-----------------------------------|---------------------|
| <b>Net carrying amount, December 31, 2019</b>      | <b>₱53,211,573</b>                  | <b>₱21,584,518</b>                   | <b>₱12,500,000</b>                | <b>₱87,296,091</b>  |
| <b>Additions</b>                                   | —                                   | —                                    | —                                 | —                   |
| <b>Write-Off</b>                                   | —                                   | —                                    | —                                 | —                   |
| <b>Impairment loss</b>                             | —                                   | —                                    | —                                 | —                   |
| <b>Unrealized fair value gain (loss)</b>           | —                                   | <b>(250,983)</b>                     | —                                 | <b>(250,983)</b>    |
| <b>Net carrying amount, December 31, 2020</b>      | <b>₱53,211,573</b>                  | <b>₱21,333,535</b>                   | <b>₱12,500,000</b>                | <b>₱87,045,108</b>  |
| <b>Acquisition cost</b>                            | <b>₱73,211,573</b>                  | <b>₱7,529,480</b>                    | <b>₱—</b>                         | <b>₱80,741,053</b>  |
| <b>Unrealized fair value gain (loss)</b>           | —                                   | <b>13,804,055</b>                    | —                                 | <b>13,804,055</b>   |
| <b>Accumulated impairment loss</b>                 | <b>(20,000,000)</b>                 | —                                    | —                                 | <b>(20,000,000)</b> |
| <b>Net carrying amount as of December 31, 2020</b> | <b>₱53,211,573</b>                  | <b>₱21,333,535</b>                   | <b>₱—</b>                         | <b>₱74,545,108</b>  |

**Forum Exploration, Inc. (FEI)**

This investment is classified as Financial Assets at FVOCI (net) as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. As of December 31, 2021, FPI has 33.33% ownership in Forum Exploration, Inc. The investment in FEI is stated at cost less impairment loss since there is no quoted price in an active market. In 2017, the Company made an investment in Taguig Lake City Development Corporation.

**Philippine Estates Corporation (PHES)**

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

The fair value of PHES investment as of December 31, 2021 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value gain was recognized amounting to ₱4,266,708 and charged to "other comprehensive income" account in the 2021 statements of comprehensive income and shown separately as "Unrealized fair value gain (loss) on financial assets at FVOCI" in equity.

The Company's financial assets at FVOCI as at December 31, 2021 and 2020 are not held as collateral for its financial liabilities.

**3.) Risks**

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

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

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

**Credit risk**

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

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

The Company current credit risk grade framework is as follows:

|            | Description                                                                                                    | Basis for recognizing ECLs         | Base | Minimum Allowance for credit losses | Stage |
|------------|----------------------------------------------------------------------------------------------------------------|------------------------------------|------|-------------------------------------|-------|
| Performing | The counterparty has a low risk of default and does not have any past due amounts                              | 12-month ECL                       | 0%   | 0%                                  | 1     |
| Doubtful   | Amount is 1-30 days past due or there has been a significant increase in credit risk since initial recognition | Lifetime ECL - not credit impaired | 25%  | 1%                                  | 2     |
|            | Amount is 31-90 days past due or there is evidence indicating the asset is credit-impaired                     | Lifetime ECL - not credit impaired | 25%  | 5%                                  | 2     |
|            | Amount is 91-180 days past due or there is evidence indicating the asset is credit-impaired                    | Lifetime ECL - not credit impaired | 25%  | 10%                                 | 2     |
|            | Amount is 181-360 days past due or there is evidence indicating the asset is credit-impaired                   | Lifetime ECL - not credit impaired | 25%  | 25%                                 | 2     |

|            |                                                                                                                                    |                                       |      |      |   |
|------------|------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|------|------|---|
| In default | Amount is over 1 year to 2 years past due or there is evidence indicating the asset is credit-impaired                             | Lifetime ECL<br>- not credit impaired | 50%  | 25%  | 3 |
|            | Amount is over 2 years to 3 years past due or there is evidence indicating the asset is credit-impaired                            | Lifetime ECL<br>- not credit impaired | 100% | 25%  | 3 |
|            | Amount is over 3 years to 5 years past due or there is evidence indicating the asset is credit-impaired                            | Lifetime ECL<br>- not credit impaired | 100% | 50%  | 3 |
| Write off  | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is write off                   | 100% | 100% | 3 |

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

| December 31, 2021                             |                          |                       |                |                     |
|-----------------------------------------------|--------------------------|-----------------------|----------------|---------------------|
|                                               | Basis of recognizing ECL | Gross carrying amount | Loss Allowance | Net carrying amount |
| Cash in bank                                  |                          | ₱295,667              | ₱-             | ₱295,667            |
| Advances to related parties, net of allowance | Lifetime ECL             | 473,409,335           | (221,205,384)  | 252,203,951         |
|                                               |                          | ₱473,705,002          | (₱221,205,384) | ₱252,499,618        |

| December 31, 2020                             |                          |                       |                |                     |
|-----------------------------------------------|--------------------------|-----------------------|----------------|---------------------|
|                                               | Basis of recognizing ECL | Gross carrying amount | Loss Allowance | Net carrying amount |
| Cash in bank                                  |                          | ₱625,346              | ₱-             | ₱625,346            |
| Advances to related parties, net of allowance | Lifetime ECL             | 468,538,069           | (221,205,384)  | 247,332,685         |
|                                               |                          | ₱469,163,415          | (₱221,205,384) | ₱247,958,031        |

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

#### *Cash in bank*

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

#### *Advances to related parties*

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

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

On that basis, the loss allowance as at December 31, 2021 and 2020 was determined based on months past due, as follows for advances to related parties:

| December 31, 2021 | ECL Rate | Cash in Bank | Advances to related parties | Total        | ECL          |
|-------------------|----------|--------------|-----------------------------|--------------|--------------|
| Performing        | 0.00%    | ₱295,667     | ₱301,778,259                | ₱302,073,926 | ₱49,574,308* |
| Doubtful          |          |              |                             |              |              |
| 1-30 days         | 0.25%    | -            | -                           | -            | -            |
| 31-90 days        | 1.25%    | -            | -                           | -            | -            |
| 91-180 days       | 2.50%    | -            | -                           | -            | -            |
| 181-360 days      | 3.00%    | -            | -                           | -            | -            |
| In Default        |          |              |                             |              |              |
| 1-2 years         | 7.50%    | -            | -                           | -            | -            |
| 2-3 years         | 15.00%   | -            | -                           | -            | -            |
| 3-5 years         | 50.00%   | -            | -                           | -            | -            |
| Write off         | 100.00%  | -            | 171,631,076                 | 171,631,076  | 171,631,076  |
|                   |          | ₱295,667     | ₱473,409,335                | ₱473,705,002 | ₱221,205,384 |

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

| December 31, 2020 | ECL Rate | Cash in Bank | Advances to related parties | Total        | ECL          |
|-------------------|----------|--------------|-----------------------------|--------------|--------------|
| Performing        | 0.00%    | ₱625,346     | ₱296,906,993                | ₱297,532,339 | ₱49,574,308* |
| Doubtful          |          |              |                             |              |              |
| 1-30 days         | 0.25%    | -            | -                           | -            | -            |
| 31-90 days        | 1.25%    | -            | -                           | -            | -            |
| 91-180 days       | 2.50%    | -            | -                           | -            | -            |
| 181-360 days      | 3.00%    | -            | -                           | -            | -            |
| In Default        |          |              |                             |              |              |
| 1-2 years         | 7.50%    | -            | -                           | -            | -            |
| 2-3 years         | 15.00%   | -            | -                           | -            | -            |
| 3-5 years         | 50.00%   | -            | -                           | -            | -            |
| Write off         | 100.00%  | -            | 171,631,076                 | 171,631,076  | 171,631,076  |
|                   |          | ₱625,346     | ₱468,538,069                | ₱469,163,415 | ₱221,205,384 |

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

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

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

As at December 31, 2021 and 2020, the Company has entered into an agreement with its related party to settle the advances (Note 11 of the Audited Financial Statements).

### **Liquidity risk**

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

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

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

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

| December 31, 2021                      |            | On     | Less than | 3-12     | 1-5 years  |
|----------------------------------------|------------|--------|-----------|----------|------------|
|                                        | Total      | demand | 3 months  | months   |            |
| Account payable and other liabilities* | ₱515,847   | ₱–     | ₱–        | ₱515,847 | ₱–         |
| Lease Liability                        | 41,806     | –      | –         | 41,806   | –          |
| Advances from related parties          | 4,228,951  | –      | –         | –        | 4,228,951  |
|                                        | ₱4,786,604 | ₱–     | ₱–        | ₱557,653 | ₱4,228,951 |

*\*excluding government liabilities*

| December 31, 2020                      |            | On     | Less than | 3-12     | 1-5 years  |
|----------------------------------------|------------|--------|-----------|----------|------------|
|                                        | Total      | demand | 3 months  | months   |            |
| Account payable and other liabilities* | ₱331,900   | ₱–     | ₱–        | ₱317,400 | ₱–         |
| Lease Liability                        | 160,373    | –      | –         | 118,567  | 41,806     |
| Advances from related parties          | 3,982,175  | –      | –         | –        | 3,982,175  |
|                                        | ₱4,474,448 | ₱–     | ₱–        | ₱450,467 | ₱4,023,981 |

*\*excluding government liabilities*

The Company's current ratio for the year ended December 31, 2021 and 2020 is 0.24:1 and 1.43:1, respectively. This shows that for every peso of currently maturing liabilities, the Company has a fund of ₱0.24 and ₱1.43 in 2021 and 2020, respectively, to settle its obligations.

### **Equity price risk**

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

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

If the price of the financial assets at FVOCI had been 10% higher/lower the net income before tax for the year ended December 31, 2021 and 2020 would decrease/increase by ₱9,131,182 and ₱8,704,511, respectively.

### **Foreign currency risk**

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

The Company is mainly exposed to foreign currency risk through its advances from a related party of \$82,922 which amounted to ₱4,228,951 and ₱3,982,175 as at December 31, 2021 and 2020, 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 ₱422,895 and ₱398,218 in 2021 and 2020, respectively. Equity for the years ended December 31, 2021 and 2020 would decrease/increase by ₱317,171 and ₱278,753, respectively.

### **Capital Risk Objective and Management**

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

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

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

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

The gearing ratios as at December 31, 2021 and 2020 were as follows:

|                      | 2021               | 2020               |
|----------------------|--------------------|--------------------|
| <b>Debt</b>          | <b>₱5,605,805</b>  | <b>₱4,537,074</b>  |
| <b>Cash</b>          | <b>(295,667)</b>   | <b>(625,346)</b>   |
| <b>Net debt</b>      | <b>5,310,138</b>   | <b>3,908,728</b>   |
| <b>Equity</b>        | <b>338,292,673</b> | <b>330,708,912</b> |
| <b>Gearing ratio</b> | <b>1.57%</b>       | <b>1.18%</b>       |

The Company is subject to externally imposed capital requirement amounting to ₱6,250,000 which is the minimum paid-up capital requirement of SEC for mining companies. As at December 31, 2021 and 2020, the Company is in compliance with this externally imposed capital requirement.

## Fair Value Information

### Assets measured at fair value

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

|                                  | Fair Value as at December |                    | Fair Value | Valuation Techniques                  |
|----------------------------------|---------------------------|--------------------|------------|---------------------------------------|
|                                  | 2021                      | 2020               | Hierarchy  |                                       |
| <b>Financial assets at FVOCI</b> | <b>₱25,600,243</b>        | <b>₱21,333,535</b> | Level 1    | Quoted bid prices in an active market |

### Assets and liabilities not measured at fair value

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

|                               | 2021              |                   | 2020              |                   | Fair value hierarchy | Valuation techniques                  |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|----------------------|---------------------------------------|
|                               | Carrying Value    | Fair Value        | Carrying Value    | Fair Value        |                      |                                       |
| <b>Financial Assets</b>       |                   |                   |                   |                   |                      |                                       |
| Advances to related parties   | ₱252,203,951      | ₱248,086,460      | ₱247,332,685      | ₱241,553,386      | Level 2              | Discounted value of future cash flows |
| <b>Financial Liabilities</b>  |                   |                   |                   |                   |                      |                                       |
| Lease Liability               | -                 | -                 | 160,373           | 159,669           | Level 2              | Discounted value of future cash flows |
| Advances from related parties | 4,228,951         | 4,159,909         | 3,982,175         | 3,915,147         | Level 2              | Discounted value of future cash flows |
|                               | <b>₱4,228,951</b> | <b>₱4,159,909</b> | <b>₱4,142,548</b> | <b>₱4,074,816</b> |                      |                                       |

For the long-term financial assets and liabilities, the fair value of the non-interest bearing noncurrent assets and liabilities are determined based on the discounted value of future cash flows using the prevailing credit adjusted PH BVAL for 2021 and 2020 that are specific to the tenor of the instruments' cash flow as at reporting date. Discount rates used is 1.660% in 2021 and 1.712% in 2020.

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

Certain financial assets at FVOCI amounting to ₱65,711,573 as at December 31, 2021 and 2020 are carried at cost less impairment loss since there was no reliable basis for the measurement of the fair value.

#### **4.) Legal Proceedings**

A case of illegal dismissal and claims for unpaid salaries, back wages, separation pay and damages was filed by an employee (logistic coordinator), on February 1996. The respondents on the said case are James Dale Hood, Air Philippines International (Formerly), Cophil Exploration & Drilling Co., Air Philippines International, Inc. and Forum Exploration, Inc. The management has its lawyer take care of the settlement and will plan to meet with the Sheriff or labor officer in-charge with the case. As of December 31, 2021, the claimant didn't make any demands or appeared before the Company's principal office address to enforce the said writ of execution.

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

There was no matter submitted to a vote of security holders during 2021.

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

***A copy of the Audited Financial Statements as of December 31, 2021 and Unaudited Second Quarter of 2022 Financial Statements are herein attached.***

#### **PLAN OF OPERATION**

The following discussion and analysis should be read in conjunction with the accompanying financial statements and related notes as of December 31, 2021, 2020 and 2019, 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 uncertainties caused by the global economic crisis in 2008. As the Philippine GDP slowed in the first half of 2009, oil exploration activities were reconsidered by global investors. In consequence, the feasibility of continuing operations under existing drilling service contracts were severely put into question. However, 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 income/(losses) amounting to ₱3,317,053, (₱2,304,863) and (₱2,061,580) in 2021, 2020 and 2019, respectively. To continue as going concern, the officers and major stockholders of the Company has committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

#### **Business Plans**

The COVID-19 pandemic and the ensuing home quarantine has triggered an economic slowdown for the country. Despite the curtailment of worldwide travel and the hesitancy of global investors to venture into new projects, the Company is hopeful that the business environment will recover over the coming years, now that the vaccination efforts of the government are bearing fruit. For the coming year 2022, the Company plans to undertake the following:

- The investment made during 2017 in Taguig Lake City Development Corporation (TLCDC), a corporation engaged in the real estate industry, is starting to show some results, now that the Laguna Lake Development Authority has responded positively to the Company's proposals to rehabilitate the Laguna de Bay. The Company will continue to support the progress of TLCDC in this regard
- Further scan for business target projects, and welcome other business opportunities from different industries apart from oil and gas and mineral exploration.

- Evaluate potential buyers to buy out investment with Forum Exploration, Inc. or enter into partnership with potential buyers
- Actively looking into the traditional energy business, concentrating on cheap and consistent coal power for the country's base loads
- Consider investing into potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy
- Conduct research and feasibility studies on renewable projects, albeit utilizing more stringent investment hurdles, given that renewable energy projects produce power at higher pricing levels as compared to traditional energy sources
- Evaluate advances to affiliates and design collection programs to improve the Company's financial status. As at December 31, 2021 and 2020, the Company has existing contracts with The Wellex Group, Inc. to collect outstanding advances (Note 11 of Audited Financial Statements)
- Evaluate calling for the remaining stock subscription as source of fund for future projects. The Company has outstanding ₱667,456,379 subscription receivable as at December 31, 2021

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

### Financial Highlights

The following table shows the comparative operating data and financial statements of the Company for the years ending December 31, 2021, 2020 and 2019.

|                                                | 2021        | 2020         | 2019         |
|------------------------------------------------|-------------|--------------|--------------|
| Revenues                                       | ₱—          | ₱—           | ₱—           |
| Cost and Expenses                              | 2,098,754   | 2,522,945    | 1,994,414    |
| Gross Profit (Loss)                            | (2,098,754) | (2,522,945)  | (1,994,414)  |
| Other income (expenses)                        | 5,506,535   | 262,163      | (30,681)     |
| Finance Cost                                   | (31,433)    | (40,000)     | (37,677)     |
| Net income (loss) before tax                   | 3,376,348   | (2,300,782)  | (2,062,772)  |
| Benefit from (provision for) income tax        |             |              |              |
| Current                                        | 58,096      | 4,944        | —            |
| Deferred                                       | 1,199       | (863)        | (1,192)      |
| Net income (loss) for the year                 | ₱3,317,053  | (₱2,304,863) | (₱2,061,580) |
| Other comprehensive loss:                      |             |              |              |
| Unrealized gain (loss) on AFS financial asset  | 4,266,708   | (250,983)    | (2,007,862)  |
| Total comprehensive income (loss) for the year | ₱7,583,761  | (₱2,555,846) | (₱4,069,442) |
| Earnings (loss) per share                      | ₱0.003      | (₱0.002)     | (₱0.002)     |

### Calendar Year Ended December 31, 2021 vs. Calendar Year Ended December 31, 2020

#### Key Performance Indicators

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

1. Advances to Related Parties - currently, The Wellex Group, Inc. (TWGI), one of the company's major stockholders, is funding all operational expenses of the Company. Total advances made as of December 31, 2021 and 2020 are ₱4,871,266 and (₱2,906,627), (net of interest income on the loans to TWGI amounting to ₱5,933,195 and ₱247,216 in 2021 and 2020), respectively.
2. Current Ratios - current assets against the current liabilities of the Company. It measures the company's ability to pay short-term obligations. Current ratio for the year 2021 is 24.42% and 143.00% for 2020. A significant decrease in the ratio by 118.58% was mainly due to net cash decrease of ₱329,679. The net decrease is composed of cash flows from operating, investing and financing activities.
3. Cash Ratio - the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities. The cash ratio of the company for the year 2021 is

21.62% and 134.76% for 2020. Same with the current ratio, decrease in cash ratio was due to decrease in cash resulting from the Company's cash flows from operating, investing and financing activities.

4. Debt ratio - it is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the year 2021 is 1.63% and 1.35% for 2020.
5. Debt-to-equity ratio - the formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the year 2021 is 1.66% and 1.37% for 2020.

## **CHANGES IN RESULTS OF OPERATION**

### **Revenues and Earnings per share**

Since the company ceased to have control over Express Savings Bank, Inc. and still banking on new petroleum and gas service contracts, the company has no revenues recorded in the year 2021, 2020 and 2019.

The company incurred income/(losses) of ₱3.3 million, (₱2.3 million) and (₱2.1 million) in 2021, 2020 and 2019, respectively. Income/(Loss) per share for 2021, 2020 and 2019 were ₱0.003, (₱0.002) and (₱0.002), respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

### **Cost and Expenses**

Cost and expenses consisted primarily of professional fees, management fee, membership fee and dues, depreciation, publication fee, utilities, donation, taxes and licenses, transportation, office supplies and miscellaneous. For the years 2021 and 2020 amounts recorded were ₱2.1 million and ₱2.5 million, respectively.

Decrease of ₱0.4 million or 16.81% is mainly attributable to the increase in professional fees by ₱0.1 million and decrease in donation by ₱0.4 million.

### **Other Income (Expenses) and Finance Cost**

This account is composed of interest income in advances to related parties and Cash in Bank, unrealized foreign exchange gain (loss), finance cost and provision for impairment of input tax.

For 2021 and 2020, the Company provided an allowance for impairment of input tax amounting to ₱180,199 and ₱202,163, respectively. Unrealized foreign exchange gain/(loss) for 2021 and 2020 are (₱246,776) and ₱216,592, respectively. It arises from the fluctuation of Peso to U.S. dollar exchange rates on the Company's payable to FEI, Ltd. amounting to \$82,229 as of December 31, 2021.

Interest income in banks for 2021, 2020 and 2019 amounted to ₱315, ₱518 and ₱553, respectively. The company reported interest income in advances to related parties in 2021 and 2020 amounting to ₱5,933,195 and ₱247,216, respectively.

The Company also reported a Finance cost in 2021 and 2020 amounted to ₱31,433 and ₱40,000, respectively.

## **CHANGES IN FINANCIAL CONDITION**

### **ASSETS**

#### **Current Assets**

##### Cash

Cash in bank carries interest at respective bank deposit rate. For the year 2021 and 2020, the total cash and cash equivalents were ₱625,346 and ₱215,276, respectively. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro-Meralco Ave. - Branch to facilitate the collection and disbursement processes of the company.

##### Prepayments and other current assets

The account is composed of advances to officers and employees and other assets amounting to ₱38,213 and input tax of ₱2,416,747 with provision for valuation allowance of the same amount for the year December 31, 2021. Input VAT increase by ₱180,199 or 7.34% in 2021.

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 has no outstanding balance for the year ended December 31, 2021 and 2020. The Company has provided full valuation allowance on all its input tax for 2021 and 2020 as it sees no economic use for it in the future.

## **Noncurrent Assets**

### **Advances to related parties (net)**

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured and partially impaired. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting arrangement. This account consists of advances to Forum Exploration, Inc. (FEI) and The Wellex Group, Inc. (TWGI). Total amount recorded for the year 2021 and 2020 (net of allowance for impairment loss of ₱221,205,384 and ₱221,205,384) were ₱252,203,951 and ₱247,332,685, respectively. Increase by ₱4.9 million or 1.97% is due to interest income earned from related parties.

### **Advances to TWGI**

On December 16, 2020, TWGI issued a new promissory note amounting to ₱296,659,777 in favor of the Company. The term of the loan is five years maturing on December 15, 2025, bearing an interest of 2% per annum. Accrued interest receivable for this promissory note amounted to ₱6,180,411 and ₱247,216 as at December 31, 2021 and 2020, respectively.

To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

1. The Company leases an office space from TWGI starting May 2014. The lease is for a period of two years but renewable thereafter upon mutual agreement of both parties. The contract has been renewed thrice since then and is currently valid until April 30, 2022. Total rental and utilities expense charged to operations amounted to ₱222,000 for both years ended December 31, 2021 and 2020, respectively.
2. 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. The contract has been renewed four times since then and is currently valid until April 30, 2022. Total management fee charged to operations amounted to ₱480,000 for both years ended December 31, 2021 and 2020, respectively.

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

### **Advances to FEI**

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company in 2007. Outstanding balance for the years ended December 31, 2021 and 2020 amounted to ₱171,631,076, gross of allowance for impairment loss. The Company recognized an additional impairment loss amounting to nil in 2021 and 2020, as review on the FEI financial status and operations showed an unlikely possibility of collection.

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

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

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

As at December 31, 2021 and 2020, FEI has not yet returned the value of the exploration assets that the Company transferred.

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

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

|                                  | 2021                | 2020         |
|----------------------------------|---------------------|--------------|
| <b>Unquoted shares</b>           |                     |              |
| Balance at beginning of the year | <b>₱85,711,573</b>  | ₱85,711,573  |
| Additions                        | -                   | -            |
| Balance at end of the year       | <b>85,711,573</b>   | 85,711,573   |
| Impairment loss                  | <b>(20,000,000)</b> | (20,000,000) |
|                                  | <b>65,711,573</b>   | 65,711,573   |
| <b>Quoted shares</b>             |                     |              |
| Cost                             | <b>7,529,480</b>    | 7,529,480    |
| Net unrealized fair value gain   | <b>18,070,763</b>   | 13,804,055   |
|                                  | <b>25,600,243</b>   | 21,333,535   |
|                                  | <b>₱91,311,816</b>  | ₱87,045,108  |

#### Unquoted shares - Forum exploration, Inc. (FEI)

Investment in unquoted shares of stock represents ownership of the Company in Forum Exploration, Inc. and Taguig Lake City Development Corporation as at December 31, 2021. These investments are classified as financial assets at FVOCI as the Company does not participate in the financial and operating policy of the investee which manifests control, joint control or significant influence. These Company believes the carrying amount of these unquoted shares of stock approximate fair value.

#### Quoted shares - Philippine Estates Corporation (PHES)

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

#### Right-of-Use Asset

Right-of-use asset are the asset that represents lessee's right to use an asset over the lease term. The Company recognized a right-of-use asset as a result of adoption of PFRS 16. The carrying amount of right-of-use asset is ₱38,380 and ₱153,522 as of 2021 and 2020, respectively. Based on the impairment review of the Company's right-of-use asset, the Company believes that there is no indication of impairment on its right-of-use asset as at December 31, 2021 and 2020 (Note 8).

#### Deferred Tax Asset

Due to the adoption of PFRS 16, the Company has an outstanding balance of Deferred Tax Asset amounting to ₱10,451 and ₱48,112 as of December 31, 2021 and 2020, respectively (Note 14).

### **LIABILITIES**

#### Accounts Payable and other liabilities

These accounts consist of Accounts Payable, Withholding Tax Payable, Accrued Expense and Deferred Output VAT accounts. Total amounted recorded for 2021 and 2020 were to ₱1,266,121 and ₱340,525 respectively, with an increase by ₱925,596 or 271.81% due mostly to the Deferred Output VAT reported amounting to ₱741,649.

#### Lease Liability

The Company adopted PFRS 16 in year 2019. The Company recognized the asset as 'right-of-use asset' and corresponding lease liability (current and non-current) with present value of ₱41,806 and ₱160,373 as of December 31, 2021 and 2020, respectively or a decrease by ₱118,567 or 73.93% (Note 11).

#### Advances from Affiliate

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

The Company received cash advances from Forum (FEI) Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI; Company's subsidiary which was formally

dissolved last July 6, 2012). The Company received USD denominated cash advances from FEI, Ltd. with no definite terms of payment. Outstanding balance of account as of December 31, 2021 and 2020 were ₱4,228,951 and ₱3,982,175 respectively.

#### Deferred Tax Liability

Due to the adoption of PFRS 16, the Company has an outstanding balance of Deferred Tax Liability amounting to ₱9,595 and ₱46,057 as of December 31, 2021 and 2020, respectively (Note 14).

### **Calendar Year Ended December 31, 2020 vs. Calendar Year Ended December 31, 2019**

#### **Key Performance Indicators**

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

1. Advances to Related Parties - currently, The Wellex Group, Inc. (TWGI), one of the company's major stockholders, is funding all operational expenses of the Company. Total advances made as of December 31, 2020 and 2019 are ₱2,906,627 and ₱2,183,312, respectively. These advances are offset against the outstanding receivable of the company from TWGI.
2. Current Ratios - current assets against the current liabilities of the Company. It measures the company's ability to pay short-term obligations. Current ratio for the year 2020 is 143.00% and 70.10% for 2019. A significant increase in the ratio by 72.90% was mainly due to net cash increase of ₱410,070. The net increase is composed of cash flows from operating, investing and financing activities.
3. Cash Ratio - the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities. The cash ratio of the company for the year 2020 is 134.76% and 58.96% for 2019. Same with the current ratio, increase in cash ratio was due to increase in cash resulting from the Company's cash flows from operating, investing and financing activities.
4. Debt ratio - it is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the year 2020 is 1.35% and 1.35% 2019.
5. Debt-to-equity ratio - the formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the year 2020 is 1.37% and 1.35% for 2019.

### **CHANGES IN RESULTS OF OPERATION**

#### **Revenues and Earnings per share**

Since the company ceased to have control over Express Savings Bank, Inc. and still banking on new petroleum and gas service contracts, the company has no revenues recorded in the year 2020, 2019 and 2018.

The company incurred losses of ₱2.3 million, ₱2.1 million and ₱2.1 million in 2020, 2019 and 2018, respectively. Loss per share for 2020, 2019 and 2018 were ₱0.002, ₱0.002 and ₱0.002, respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

#### **Cost and Expenses**

Cost and expenses consisted primarily of membership fees and dues, professional fees, utilities, taxes and licenses, management fee, donations, publication and depreciation. For the years 2020 and 2019, amounts recorded were ₱2.5 million and ₱2.0 million respectively. See notes to financial statement for the breakdown of the expenses.

#### **Other Income (Expenses)**

This account is composed of interest income in advances to related parties, unrealized foreign exchange gain/(loss), finance cost and provision for impairment of input tax.

For 2020 and 2019, the Company provided an allowance for impairment of input tax amounting to ₱202,163 and ₱192,517, respectively. Unrealized foreign exchange loss/gain for 2020 and 2019 are ₱216,592 and ₱161,284, respectively. It arises from the fluctuation of Peso to U.S. dollar exchange rates on the Company's payable to FEI, Ltd. amounting to \$82,229.24 as of December 31, 2020.

Interest and other income for 2020, 2019 and 2018 amounted to ₱518, ₱553 and ₱459, respectively. The company reported loans receivable income in advances to related parties in 2020 amounting to ₱247,216. The Company also reported a Finance cost in 2020 and 2019 amounted to ₱40,000 and ₱37,677, respectively.

## **CHANGES IN FINANCIAL CONDITION**

### **ASSETS**

#### **Current Assets**

##### Cash

Cash in bank carries interest at respective bank deposit rate. For the year 2020 and 2019, the total cash and cash equivalents were ₱625,346 and ₱215,276, respectively. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro-Meralco Ave. - Branch to facilitate the collection and disbursement processes of the company.

##### Prepayments and other current assets

The account is composed of advances to officers and employees and other assets amounting to ₱38,213 and input tax of ₱2,236,547 with provision for valuation allowance of the same amount for the year December 31, 2020. Prepayments and other current assets decrease by ₱2,439 or 6%.

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 has no outstanding balance for the year ended December 31, 2020 and 2019. The Company has provided full valuation allowance on all its input tax for 2020 and 2019 as it sees no economic use for it in the future.

#### **Noncurrent Assets**

##### Advances to related parties (net)

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured and partially impaired. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting arrangement. This account consists of advances to Forum Exploration, Inc. (FEI) and The Wellex Group, Inc. (TWGI). Total amount recorded for the year 2020 and 2019 (net of allowance for impairment loss of ₱221,205,384 and ₱221,205,384) were ₱247,332,685 and ₱250,239,312, respectively. Decrease by ₱2.9 million or 1.16% is due to cash collected from related parties.

##### Advances to TWGI

As of December 31, 2019, there was an existing promissory note amounting to ₱301,996,932 issued by TWGI in favor of the Company. The promissory note is non-interest bearing and will mature on December 16, 2023. On December 16, 2020, TWGI issued a new promissory note amounting to ₱296,659,777 which superseded the previous promissory note. The term of the loan is five years maturing on December 15, 2025, bearing an interest of 2% per annum. Accrued interest receivable for this promissory note amounted to ₱247,216 as at December 31, 2020.

To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

1. The Company leases an office space from TWGI starting May 2014. The lease is for a period of two years but renewable thereafter upon mutual agreement of both parties. The contract has been renewed thrice since then and is currently valid until April 30, 2022. Total rental and utilities expense charged to operations amounted to ₱222,000 for both years ended December 31, 2020 and 2019, respectively.
2. 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. The contract has been renewed four times since then and is currently valid until April 30, 2022. Total management fee charged to operations amounted to ₱480,000 for both years ended December 31, 2020 and 2019, respectively.

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

Total collections of advances to TWGI amounted to ₱2,906,627 and ₱2,183,312 in 2020 and 2019, respectively.

#### Advances to FEI

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company in 2007. Outstanding balance for the years ended December 31, 2020 and 2019 amounted to ₱171,631,076, gross of allowance for impairment loss. The Company recognized an additional impairment loss amounting to nil in 2020 and 2019, as review on the FEI financial status and operations showed an unlikely possibility of collection.

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

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

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

As at December 31, 2020 and 2019, FEI has not yet returned the value of the exploration assets that the Company transferred.

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

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

|                                  | 2020                | 2019         |
|----------------------------------|---------------------|--------------|
| <b>Unquoted shares</b>           |                     |              |
| Balance at beginning of the year | <b>₱85,711,573</b>  | ₱85,711,573  |
| Additions                        | -                   | -            |
| Balance at end of the year       | <b>85,711,573</b>   | 85,711,573   |
| Impairment loss                  | <b>(20,000,000)</b> | (20,000,000) |
|                                  | <b>65,711,573</b>   | 65,711,573   |
| <b>Quoted shares</b>             |                     |              |
| Cost                             | <b>7,529,480</b>    | 7,529,480    |
| Net unrealized fair value gain   | <b>13,804,055</b>   | 14,055,038   |
|                                  | <b>21,333,535</b>   | 21,584,518   |
|                                  | <b>₱87,045,108</b>  | ₱87,296,091  |

#### *Unquoted shares - Forum exploration, Inc. (FEI)*

Investment in unquoted shares of stock represents 33.33% ownership or 62,500,000 shares of the Company in Forum Exploration, Inc. as at December 31, 2020. Previously 100% owned, the Company sold its 66.67% ownership, or 125 million shares to Tracer Petroleum Corporation (TCP), now Forum Energy, Inc. in 2003. Subsequent to sale, the Company did not have any material transaction with FEI, which manifests that it has ceased to have significant influence on the financial and operating policy decisions of FEI. These investments are classified as financial assets at FVOCI as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost less impairment loss since there is no quoted price in an active market.

#### Quoted shares - Philippine Estates Corporation (PHES)

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

#### Right-of-Use Asset

Right-of-use asset are the asset that represents lessee's right to use an asset over the lease term. During 2020, the Company recognized a right-of-use asset as a result of adoption of PFRS 16. The carrying amount of right-of-use asset is ₱153,522 and ₱36,117 as of 2020 and 2019, respectively. Increase was due on the additions recorded in 2020 in the amount of ₱230,283. Based on the impairment review of the Company's right-of-use asset, the Company believes that there is no indication of impairment on its right-of-use asset as at December 31, 2020 and 2019 (Note 8 of the Audited Financial Statements).

#### Deferred Tax Asset

Due to the adoption of PFRS 16, the Company has an outstanding balance of Deferred Tax Asset amounting to ₱48,112 and ₱12,027 as of December 31, 2020 and 2019, respectively (Note 14 of the Audited Financial Statements).

### **LIABILITIES**

#### Accounts Payable and other liabilities

These accounts consist of Accounts Payable, Withholding Tax Payable and Accrued Expense accounts. Total amounted recorded for 2020 and 2019 were to ₱340,525 and ₱325,025 respectively, with an increase by ₱15,500 or 4.77%.

#### Lease Liability

The Company adopted PFRS 16 in year 2019. The Company recognized the asset as 'right-of-use asset' and corresponding lease liability (current and non-current) with present value of ₱160,373 and ₱40,090 as of December 31, 2020 and 2019, respectively or an increase by ₱120,283 or 300% (Note 11 of the Audited Financial Statements).

#### Advances from Affiliate

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

The Company received cash advances from Forum (FEI) Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI; Company's subsidiary which was formally dissolved last July 6, 2012). The Company received USD denominated cash advances from FEI, Ltd. with no definite terms of payment. Outstanding balance of account as of December 31, 2020 and 2019 were ₱3,982,175 and ₱4,198,767 respectively.

#### Deferred Tax Liability

Due to the adoption of PFRS 16, the Company has an outstanding balance of Deferred Tax Liability amounting to ₱46,057 and ₱10,835 as of December 31, 2020 and 2019, respectively (Note 14).

### **Calendar Year Ended December 31, 2019 vs. Calendar Year Ended December 31, 2018**

#### **Key Performance Indicators**

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

1. Advances to Related Parties - currently, The Wellex Group, Inc. (TWGI), one of the company's major stockholders, is funding all operational expenses of the Company. Total advances made as of December 31, 2019 and 2018 are ₱2,183,312 and ₱2,703,984, respectively. These advances are offset against the outstanding receivable of the company from TWGI.
2. Current Ratios - current assets against the current liabilities of the Company. It measures the company's ability to pay short-term obligations. Current ratio for the year 2019 is 70.10% and 93.17% for 2018. A significant decrease in the ratio by 23.07% was mainly due to net cash decrease of ₱72,637. The net decrease is composed of cash flows from operating, investing and financing activities.
3. Cash Ratio - the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. It measures the amount of cash and cash equivalents there are in

the current assets to cover current liabilities. The cash ratio of the company for the year 2019 is 58.96% and 80.61 for 2018. Same with the current ratio, decrease in cash ratio was due to decrease in cash resulting from the Company's cash flows from operating, investing and financing activities.

4. Debt ratio - it is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the year 2019 is 1.35% and 1.38% 2018.
5. Debt-to-equity ratio - the formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the year 2019 is 1.35% and 1.40% for 2018.

## **CHANGES IN RESULTS OF OPERATION**

### **Revenues and Earnings per share**

Since the company ceased to have control over Express Savings Bank, Inc. and still banking on new petroleum and gas service contracts, the company has no revenues recorded in the year 2019, 2018 and 2017.

The company incurred losses of ₱2.1 million, ₱2.6 million and ₱22.8 million in 2019, 2018 and 2017, respectively. Loss per share for 2019, 2018 and 2017 were ₱0.002, ₱0.002 and ₱0.019, respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

### **Cost and Expenses**

Cost and expenses consisted primarily of professional fees, taxes and licenses, PSE annual maintenance fee, management fee and office rental. For the years 2019 and 2018 amounts recorded were ₱2.0 million and ₱2.2 million respectively. See notes to financial statement for the breakdown of the expenses.

### **Other Income (Expenses)**

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

For 2019 and 2018, the Company provided an allowance for impairment of input tax amounting to ₱192,517 and ₱235,433, respectively. An additional allowance for impairment on AFS financial assets and advances to Forum Exploration, Inc. (FEI) was provided for 2019 and 2018 amounting to ₱0 and ₱0, respectively. Unrealized foreign exchange gain/(loss) for 2019 and 2018 are ₱161,284 and (₱220,324), respectively. It arises from the fluctuation of Peso to U.S. dollar exchange rates on the Company's payable to FEI, Ltd. amounting to \$82,229.24 as of December 31, 2019. Interest and other income for 2019, 2018 and 2017 amounted to ₱553, ₱459 and ₱767, respectively.

## **CHANGES IN FINANCIAL CONDITION**

### **ASSETS**

#### **Current Assets**

##### Cash

Cash in bank carries interest at respective bank deposit rate. For the year 2019 and 2018, the total cash and cash equivalents were ₱215,276 and ₱287,913, respectively. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro-Meralco Ave. - Branch to facilitate the collection and disbursement processes of the company.

##### Prepayments and other current assets

The account is composed of advances to officers and employees and other assets amounting to ₱40,652 and input tax of ₱2,034,384 with provision for valuation allowance of the same amount for the year ended December 31, 2019.

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 has no outstanding balance for the year ended December 31, 2019 and 2018. The Company has

provided full allowance on all its input tax for 2019 and 2018 as it sees no economic use for it in the future.

### **Noncurrent Assets**

#### **Advances to related parties (net)**

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms or repayments period. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting arrangement. This account consists of advances to Forum Exploration, Inc. (FEI) and The Wellex Group, Inc. (TWGI). Total amount recorded for the year 2019 and 2018, net of allowance for impairment loss of ₱221.2 million and ₱221.2 million, were ₱250.2 million and ₱252.4 million, respectively. See attached Notes to Financial Statements for a detailed description of the changes in accounting policies and procedures (Note 3).

#### **Advances to TWGI**

The account with outstanding balance of ₱299.8 million and ₱302 million, gross of impairment loss, as of December 31, 2019 and 2018 respectively, pertains to outstanding receivable from TWGI, a stockholder of the Company. This account pertains to advances obtained by TWGI from the Company to finance its working capital requirements on previous years.

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

In addition, the Company leases an office space from TWGI and the original lease was for a period of two years. The contract has been renewed thrice since then and is currently valid until April 30, 2022. Total rental and utilities expense charged to operations amounted to ₱222,000 for both years ended December 31, 2019 and 2018, respectively. Payment for rental and utilities are being offset against advances to TWGI outstanding balance.

On April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. The contract has been renewed four times since then and is valid until April 30, 2022. Total management fee charged to operations amounted to ₱480,000 for both years ended December 31, 2019 and 2018, respectively. Likewise, payments for management fee are being offset against advances to TWGI outstanding balance.

Total collections of advances to TWGI amounted to ₱2,183,312 and ₱2,703,984 in 2019 and 2018, respectively.

#### **Advances to FEI**

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company in 2007. Outstanding balance for the years ended December 31, 2019 and 2018 amounted to ₱171,631,076, gross of allowance for impairment loss. The Company recognized an additional impairment loss amounting to nil in 2019 and 2018, as review on the FEI financial status and operations showed an unlikely possibility of collection.

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

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

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

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

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

|                                  | 2019                | 2018         |
|----------------------------------|---------------------|--------------|
| <b>Unquoted shares</b>           |                     |              |
| Balance at beginning of the year | <b>₱85,711,573</b>  | ₱85,711,573  |
| Additions                        | -                   | -            |
| Balance at end of the year       | <b>85,711,573</b>   | 85,711,573   |
| Impairment loss                  | <b>(20,000,000)</b> | (20,000,000) |
|                                  | <b>65,711,573</b>   | 65,711,573   |
| <b>Quoted shares</b>             |                     |              |
| Cost                             | <b>7,529,480</b>    | 7,529,480    |
| Net unrealized fair value gain   | <b>14,055,038</b>   | 16,062,900   |
|                                  | <b>21,584,518</b>   | 23,592,380   |
|                                  | <b>₱87,296,091</b>  | ₱89,303,953  |

#### *Unquoted shares - Forum exploration, Inc. (FEI)*

Investment in unquoted shares of stock represents 33.33% ownership or 62,500,000 shares of the Company in Forum Exploration, Inc. as at December 31, 2019. Previously 100% owned, the Company sold its 66.67% ownership, or 125 million shares to Tracer Petroleum Corporation (TCP), now Forum Energy, Inc. in 2003. Subsequent to sale, the Company did not have any material transaction with FEI, which manifests that it has ceased to have significant influence on the financial and operating policy decisions of FEI. These investments are classified as financial assets at FVOCI as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost less impairment loss since there is no quoted price in an active market.

#### *Quoted shares - Philippine Estates Corporation (PHES)*

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

### Right-of-Use Asset

Right-of-use asset are the asset that represents lessee's right to use an asset over the lease term. During 2019, the Company recognized a right-of-use asset as a result of adoption of PFRS 16. The carrying amount of right-of-use asset is ₱36,117 and ₱0 as of 2019 and 2018, respectively. Based on the impairment review of the Company's right-of-use asset, the Company believes that there is no indication of impairment on its right-of-use asset as at December 31, 2019 and 2018 (Note 8 of Audited Financial Statements).

### Deferred Tax Asset

Due to the adoption of PFRS 16, the Company has an outstanding balance of Deferred Tax Asset amounting to ₱12,027 and ₱0 as of December 31, 2019 and 2018 (Note 14 of Audited Financial Statements).

## **LIABILITIES**

### Accounts Payable and other liabilities

These accounts consist of Accounts Payable, Withholding Tax Payable and Accrued Expense accounts. Total amounted recorded for 2019 and 2018 were to ₱325,025 and ₱357,181 respectively.

### Lease Liability

The Company adopted PFRS 16 in year 2019. The Company recognized the asset as 'right-of-use asset' and corresponding lease liability with present value of ₱40,090 and ₱0 as of December 31, 2019 and 2018, respectively (Note 11 of Audited Financial Statements).

### Advances from Affiliate

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

The Company received cash advances from Forum (FEI) Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI; Company's subsidiary which was formally dissolved last July 6, 2012). The Company received USD denominated cash advances from FEI, Ltd. with no definite terms of payment. Outstanding balance of account as of December 31, 2019 and 2018 were ₱4,198,767 and ₱4,360,051 respectively.

#### Deferred Tax Liability

Due to the adoption of PFRS 16, the Company has an outstanding balance of Deferred Tax Liability amounting to ₱10,835 and ₱0 as of December 31, 2019 and 2018, respectively (Note 14).

#### **Undertaking**

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

#### **Interim Period as of Quarter Ended June 30, 2022**

The following are the discussions for the interim report covering the period for the 2nd quarter ended June 30, 2022.

#### **Key Performance Indicators:**

1. Advances to Related Parties – currently, TWGI is funding all operational expenses of the Company.
2. Current Ratios – current assets against the current liabilities of the Company. It measures the Company's ability to pay short-term obligations. Current Ratio for the 2nd quarter of 2022 and 2021 are 37.84% and 162.29%, respectively.
3. Cash Ratio – the most conservative liquidity ratio. It excludes all current assets except the most liquid – cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities. The cash ratio of the company for the 2nd quarter of 2022 and 2021 are 33.12% and 141.98%, respectively.
4. Debt ratio - it is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the 2nd quarter of 2022 and 2021 are 1.60% and 1.24%, respectively.
5. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the Company is using to finance its assets. The debt to equity ratio for the 2nd quarter of 2022 and 2021 are 1.63% and 1.26%, respectively.

#### **Financial Highlights**

##### ☐ Unaudited Income Statements

|                              | <b>April – June<br/>2022</b> | April – June<br>2021 | <b>January – June<br/>2022</b> | January – June<br>2021 |
|------------------------------|------------------------------|----------------------|--------------------------------|------------------------|
| Revenues                     | <b>₱-</b>                    | <b>₱-</b>            | <b>₱-</b>                      | <b>₱-</b>              |
| Less: Costs and Expenses     | <b>391,890</b>               | 321,350              | <b>948,806</b>                 | 879,458                |
| Loss from Operation          | <b>(391,890)</b>             | (321,350)            | <b>(948,806)</b>               | (879,458)              |
| Add: Other Income/(Expenses) | <b>(299,418)</b>             | (42,980)             | <b>(468,110)</b>               | (160,081)              |
| Loss before Income Tax       | <b>(691,308)</b>             | (364,330)            | <b>(1,416,916)</b>             | (1,039,539)            |
| Income Tax Expense           | -                            | -                    | -                              | -                      |
| Net Loss for the quarter     | <b>(691,308)</b>             | (364,330)            | <b>(1,416,916)</b>             | (1,039,539)            |
| Loss per share               | <b>(₱0.0006)</b>             | (₱0.0003)            | <b>(₱0.0012)</b>               | (₱0009)                |

##### ☐ Unaudited Balance Sheets

|                                          | <b>As of<br/>June 30, 2022</b> | As of<br>June 30, 2021 | As of<br>December 31, 2021 |
|------------------------------------------|--------------------------------|------------------------|----------------------------|
| Assets                                   | <b>₱335,728,215</b>            | ₱349,312,375           | ₱343,898,478               |
| Liabilities                              | <b>5,378,011</b>               | 4,333,052              | 5,605,805                  |
| Stockholders' Equity                     | <b>330,350,204</b>             | 344,979,323            | 338,292,673                |
| Total Liabilities & Stockholders' Equity | <b>₱335,728,215</b>            | ₱349,312,375           | ₱343,898,478               |

## **Interim quarter ended June 30, 2022 compared with quarter ended June 30, 2021**

### **RESULTS OF OPERATION**

#### ***Revenues and Loss per share***

Since the Company is exploring business opportunities given the volatile situation of metal and oil prices in the global market, the Company has no revenues for the 2nd quarter of 2022 and 2021.

The Company incurred losses of ₱0.7 million and ₱0.4 million for quarters ended June 30, 2022 and 2021, respectively. Loss per share for the 2nd quarter of 2022 and 2021 were ₱0.0006 and ₱0.0003, respectively. In line with the plan for the next twelve months, the Board continue to explore business opportunities to aspire for maximized potential earnings.

#### ***Costs and Expenses***

Costs and expenses as of 2nd Quarter consisted primarily of donations, dues and subscriptions, miscellaneous, office supplies, professional fees, rental, storage, taxes and licenses and transportation expenses.

Costs and expenses recorded for the 2nd quarter of 2022 and 2021 were ₱391,890 and ₱321,350, respectively. Increased of ₱70,540 or 21.95% in the quarter ended June 30, 2022 versus June 30, 2021 was mainly due to the increase in donations by ₱26,756, decrease in dues and subscriptions by ₱2,600, increase in miscellaneous by ₱2,317, increase in office supplies by ₱4,464, decrease in professional fee by ₱20,000, increase in taxes and licenses by ₱58,074 and increase in transportation by ₱1,980.

The Company has incurred other expenses amounting to ₱299,460 and other income amounting to ₱41.77 in the 2nd Quarter of 2022 and 2021, respectively. Increase in other expenses was due to unrealized forex loss in 2022 as compared in 2021.

### **FINANCIAL CONDITION**

#### ***Current Assets***

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

Balance of cash in bank as of June 30, 2022 and 2021 were ₱268,351 and ₱312,559, respectively. The Company provided full valuation on its input tax as of June 30, 2022 amounting to ₱2,555,655.

#### ***Noncurrent Assets***

##### ***Financial Assets at FVOCI (net)***

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

|                                | 2022                | 2021         |
|--------------------------------|---------------------|--------------|
| <b>Unquoted shares</b>         |                     |              |
| Cost                           | <b>₱85,711,574</b>  | ₱85,711,574  |
| Impairment loss                | <b>(20,000,000)</b> | (20,000,000) |
|                                | <b>65,711,574</b>   | 65,711,574   |
| <b>Quoted shares</b>           |                     |              |
| Cost                           | <b>7,529,480</b>    | 7,529,480    |
| Net unrealized fair value gain | <b>11,545,210</b>   | 29,114,003   |
|                                | <b>19,074,690</b>   | 36,643,483   |
|                                | <b>₱84,786,264</b>  | ₱102,355,057 |

Investment in unquoted shares of stock represents ownership of the Company in Forum Exploration, Inc. (FEI) and Taguig Lake City Development Corporation (TLCDC). These investments are classified as financial assets at FVOCI as the Company does not participate in the financial and operating policy of the investee which manifests control, joint control or significant influence. The Company believes that the carrying amount of these quoted shares of stock approximates fair value.

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

The Company's financial assets at FVOCI as at June 30, 2022 and 2021 are not held as collateral for its financial liabilities.

#### *Right-Of-Use Asset (net)*

Right-of-use asset are the asset that represents lessee's right to use an asset over the lease term. The carrying amount of right-of-use is ₱38,380 and ₱153,522 as of June 30, 2022 and 2021, respectively or a decrease by ₱115,141.

The recognition of right-of-use asset has a corresponding lease liability. The present value of the lease liability – current amounted to ₱41,806 and ₱118,567 in 2nd quarters of 2022 and 2021, respectively, with a decrease of ₱76,761 or 64.74% and lease liability – noncurrent amounting to nil and ₱41,806 in 2nd quarters of 2022 and 2021, respectively.

Based in the impairment review of the Company's right-of-use asset, the Company believes that there is no indication of impairment on its right-of-use asset as at June 30, 2022 and 2021.

#### *Deferred Tax Asset*

Due to the adoption of PFRS 16, the Company has an outstanding balance of Deferred Tax Asset amounting to ₱10,451 and ₱48,112 as of June 30, 2022 and 2021, respectively.

#### *Related Party Transaction Account*

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

#### Relationships, Transactions and Account Balances

| Related Parties         | Relationship          | Outstanding Balance |               |
|-------------------------|-----------------------|---------------------|---------------|
|                         |                       | June 30, 2022       | June 30, 2021 |
| The Wellex Group, Inc.  | Common key management | <b>₱138,955,480</b> | ₱134,767,336  |
| Forum Exploration, Inc. | Common key management | <b>111,631,076</b>  | 111,631,076   |
| Forum Exploration, Ltd. | Common key management | <b>(4,558,236)</b>  | (4,025,045)   |

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

On December 16, 2020, TWGI issued a new promissory note amounting to ₱296,659,777 in favor of the Company. The term of the loan is five years maturing on December 15, 2025, bearing an interest of 2% per annum. Accrued interest receivable for this promissory note amounted to ₱6,180,411 and ₱247,216 as at June 30, 2022 and 2021, respectively.

To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

The Company leases an office space in May 2014 from The Wellex Group, Inc. (TWGI) located at the 35<sup>th</sup> Floor One Corporate Centre, Doña Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City. The lease is for a period of two years but renewable thereafter upon mutual agreement of both parties. The contract has been rented fourth time since then and is currently valid until April 30, 2024. Office space quarterly rental including storage room usage and utilities is ₱55,500, exclusive of VAT and withholding tax for both periods ended June 30, 2022 and 2021.

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. The contract has been renewed fifth time since then and is currently valid until April 30, 2024. Total management fee charged to operations amounted to ₱120,000 for both periods ended June 30, 2022 and 2021.

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

|                               | 2022                 | 2021          |
|-------------------------------|----------------------|---------------|
| Advances                      | <b>₱300,160,863</b>  | ₱295,972,720  |
| Allowance for impairment loss | <b>(161,205,384)</b> | (161,205,384) |
| Net carrying amount           | <b>₱138,955,480</b>  | ₱134,767,336  |

The Company originally provides allowance for impairment amounting to ₱161,205,384 and ₱161,205,384 as at June 30, 2022 and 2021, respectively, on advances to TWGI prior to agreements entered to settle the outstanding advances. Allowance for impairment will be reversed once the unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

#### *Advances to Forum Exploration Inc. (FEI)*

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company. No transaction in the account balance was recognized for the quarters ended June 30, 2022 and 2021.

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

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

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

|                               | 2022                | 2021         |
|-------------------------------|---------------------|--------------|
| Advances                      | <b>₱171,631,076</b> | ₱171,631,076 |
| Allowance for impairment loss | <b>(60,000,000)</b> | (60,000,000) |
| Net carrying amount           | <b>₱111,631,076</b> | ₱111,631,076 |

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

As at June 30, 2022 and 2021, FEI has not yet returned the value of the exploration assets that the Company transferred.

#### *Advances from Forum (FEI), Ltd.*

The Company received USD denominated cash advances from Forum (FEI), Ltd. with no definite terms of payment. Outstanding balance as at June 30, 2022 and 2021 amounted to ₱4,558,236 and ₱4,025,045, respectively.

#### *Remuneration to key management personnel*

With the Company's tight cash position, management decided to suspend any form of compensation given to key management personnel for the period ended June 30, 2022 and 2021.

#### *Others*

The administrative function of the Company is performed by its related party, TWGI.

#### **Current liabilities**

This is primarily consisting of accounts payable and other current liabilities (including payable for retainer fees of legal counsels and stock transfer agent, accrued expenses, withholding taxes payable and deferred output VAT), lease liability – current and income tax payable. Total outstanding balance as at June 30, 2022 and 2021 amounted to ₱810,180 and ₱220,144, respectively or an increase by ₱590,036 or 268.02%. This is mainly due to increase in accounts payable and other current liabilities by ₱668,033, decrease in current lease liability by ₱76,761 and decrease in income tax payable by ₱1,236.

## **Interim quarter ended June 30, 2021 compared with quarter ended June 30, 2020**

### **RESULTS OF OPERATION**

#### ***Revenues and Loss per share***

Since the Company is exploring new business opportunities given the volatile situation of metal and oil prices in the global market, the Company has no revenues for the 2nd quarter of 2021 and 2020.

The Company incurred losses of ₱0.4 million and ₱0.2 million for quarters ended June 30, 2021 and 2020, respectively. Loss per share for the 2nd quarter of 2021 and 2020 were ₱0.0003 and ₱0.0002, respectively. In line with the plan for the next twelve months, the Board continue to explore business opportunities to aspire for maximized potential earnings.

#### ***Costs and Expenses***

Costs and expenses for as of 2nd Quarter consisted primarily of dues and subscriptions, professional fees, rental, storage, miscellaneous and transportation expenses.

Costs and expenses recorded for the 2nd quarter of 2021 and 2020 were ₱321,350 and ₱296,194, respectively. Increased of ₱25,156 or 8.49% was mainly due to the increase payments of dues and subscriptions by ₱3,151, increase in consultancy fee by ₱50,000, decrease in donations by ₱25,000 and decrease in printing expenses by ₱2,745 in the 2nd Quarter 2021.

The Company has incurred other expenses amounting to ₱42,980 and other income amounting to ₱55,462 in the 2nd Quarter of 2021 and 2020, respectively. Decreased was due to lower unrealized forex gain in 2021 as compared in 2020.

### **FINANCIAL CONDITION**

#### ***Current Assets***

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

Balance of cash in bank as of June 30, 2021 and 2020 were ₱312,559 and ₱283,001, respectively. The Company provided full valuation on its input tax as of June 30, 2021 amounting to ₱2,353,931.

#### ***Noncurrent Assets***

##### ***Financial Assets at FVOCI (net)***

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

|                                | 2021                | 2020         |
|--------------------------------|---------------------|--------------|
| <b>Unquoted shares</b>         |                     |              |
| Cost                           | <b>₱85,711,574</b>  | ₱85,711,574  |
| Impairment loss                | <b>(20,000,000)</b> | (20,000,000) |
|                                | <b>65,711,574</b>   | 65,711,574   |
| <b>Quoted shares</b>           |                     |              |
| Cost                           | <b>7,529,480</b>    | 7,529,480    |
| Net unrealized fair value gain | <b>29,114,003</b>   | 14,807,983   |
|                                | <b>36,643,483</b>   | 22,337,463   |
|                                | <b>₱102,355,057</b> | ₱88,049,037  |

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

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

The Company's financial assets at FVOCI as at June 30, 2021 and 2020 are not held as collateral for its financial liabilities.

#### *Right-Of-Use Asset (net)*

Right-of-use asset are the asset that represents lessee's right to use an asset over the lease term. During 2019, the Company recognized a right-of-use asset as a result of adoption of PFRS 16. The carrying amount of right-of-use asset is ₱153,522 and ₱36,117 as of June 30, 2021 and 2020, respectively or an increased by ₱117,405.

The recognition of right-of-use asset has a corresponding lease liability. The present value of the lease liability – current amounted to ₱118,567 and ₱40,090 in 2nd quarters of 2021 and 2020, respectively, with an increase of ₱78,477 or 195.75% and lease liability – noncurrent amounting to ₱41,806 and ₱0 in 2nd quarters of 2021 and 2020, respectively.

Based in the impairment review of the Company's right-of-use asset, the Company believes that there is no indication of impairment on its right-of-use asset as at June 30, 2021 and 2020.

#### *Deferred Tax Asset*

Due to the adoption of PFRS 16, the Company has an outstanding balance of Deferred Tax Asset amounting to ₱48,112 and ₱12,027 as of December 31, 2020 and 2019 (Note 14 of Audited Financial Statements).

#### *Related Party Transaction Account*

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

#### Relationships, Transactions and Account Balances

| Related Parties         | Relationship          | Outstanding Balance |               |
|-------------------------|-----------------------|---------------------|---------------|
|                         |                       | June 30, 2021       | June 30, 2020 |
| The Wellex Group, Inc.  | Common key management | <b>₱134,767,336</b> | ₱137,336,687  |
| Forum Exploration, Inc. | Common key management | <b>111,631,076</b>  | 111,631,076   |
| Forum Exploration, Ltd. | Common key management | <b>(4,025,045)</b>  | (4,133,756)   |

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

As of December 31, 2019, there was an existing promissory note amounting ₱301,996,932 issued by TWGI in favor of the Company. The promissory note is non-interest bearing and will mature on December 16, 2023. On December 16, 2020, TWGI issued a new promissory note amounting to ₱296,659,777 which superseded the previous promissory note. The term of the loan is five years maturing on December 15, 2025, bearing an interest of 2% per annum.

To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

- a) The Company leases an office space in May 2014 from TWGI located at 35<sup>th</sup> Floor One Corporate Centre, Doña Julia Vargas Ave., corner Meralco Ave., Ortigas Center, Pasig City. The lease is for a period of two years but renewable thereafter upon mutual agreement of both parties. The contract has been renewed thrice since then and is currently valid until April 30, 2022. Office space quarterly rental including storage room usage and utilities is ₱55,500, exclusive of VAT and withholding tax for both periods ended June 30, 2021 and 2020.
- b) 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. The contract has been renewed four times since then and is currently valid until April 30, 2022. Total management fee charged to operations amounted to ₱120,000 for both periods ended June 30, 2021 and 2020.

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

|                               | 2021                 | 2020          |
|-------------------------------|----------------------|---------------|
| Advances                      | <b>₱295,972,720</b>  | ₱298,542,071  |
| Allowance for impairment loss | <b>(161,205,384)</b> | (161,205,384) |
| Net carrying amount           | <b>₱134,767,336</b>  | ₱137,336,687  |

The Company originally provides allowance for impairment amounting to ₱161,205,384 and ₱161,205,384 as at June 30, 2021 and 2020, respectively, on advances to TWGI prior to agreements entered to settle the outstanding advances. Allowance for impairment will be reversed once the unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

*Advances to Forum Exploration Inc. (FEI)*

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company. No transaction in the account balance was recognized for the quarters ended June 30, 2021 and 2020.

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

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

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

|                               | 2021                | 2020         |
|-------------------------------|---------------------|--------------|
| Advances                      | <b>₱171,631,076</b> | ₱171,631,076 |
| Allowance for impairment loss | <b>(60,000,000)</b> | (60,000,000) |
| Net carrying amount           | <b>₱111,631,076</b> | ₱111,631,076 |

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

As at June 30, 2021 and 2020, FEI has not yet returned the value of the exploration assets that the Company transferred.

*Advances from Forum (FEI), Ltd.*

The Company received cash advances from Forum (FEI), Ltd. The advances have no definite terms of payment. Outstanding balance as at June 30, 2021 and 2020 amounted to ₱4,025,045 and ₱4,133,756 respectively.

*Remuneration to key management personnel*

With the Company's tight cash position, management decided to suspend any form of compensation given to key management personnel for the period ended June 30, 2021 and 2020.

*Others*

The administrative function of the Company is performed by its related party, TWGI.

**Current liabilities**

This is primarily consisting of accounts payable and other current liabilities, lease liability – current and income tax payable. Total outstanding balance as at June 30, 2021 and 2020 amounted to ₱220,144 and ₱116,460, respectively.

Accounts payable and other current liabilities include payables and accrued expenses for retainer fees for legal counsels and stock transfer agents, website maintenance and withholding taxes –expanded. It increased by ₱23,971 or 31.39% due to higher accrued expenses for the 2nd quarter of 2021.

Lease liabilities – current increased by ₱78,477 or 1.96% as at June 30, 2021 and 2020.

### **Undertaking**

**A copy of Quarter Report or SEC Form 17-Q for the period ended June 30, 2022, will be made available in the Company website.**

### **(i) Summary of Material Trends, Events and Uncertainties**

The shares of Forum Pacific, Inc. 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.

### **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 in order to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

The Company has been reviewing outstanding receivables and advances to affiliates and has designed collection programs to improve the Company's financial status. The board continues to evaluate calling for the remaining stock subscription as source of funds for future projects, with the aim of utilizing this process as a tool to fund capital intensive endeavors. The officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization and approval of such business project plans.

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

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

Since the Company is affiliated with group of mining companies, projects in the mining sector are being re-evaluated at the moment. Despite the stringent evaluations being conducted by the Department of Environment and Natural Resources (DENR) for new mining applications, the government has also indicated that a revival of the industry is forthcoming, especially as a means to address the economic slowdown caused by the pandemic.

### **Business Focus for the Coming Year**

The investment made during 2017 in Taguig Lake City Development Corporation – a corporation engaged in the real estate industry, is starting to show some results, now that the Laguna Lake Development Authority has responded positively to this Company's proposals to rehabilitate the Laguna de Bay. The Company will support the progress of Taguig Lake City Development Corporation in this regard. The Company will further scan for business target projects, and welcome other business opportunities from different industries apart from oil and gas and mineral exploration. As mentioned above, the management is currently discussing on how the Company will proceed with its remaining 33.33% capital stock investment in Forum Exploration, Inc., specifically whether to sell its interest or enter into partnership with potential buyers.

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

On the other hand, the Company is also considering investing into potential renewable energy sources like solar power, ethane, biofuels, hydro, wind and geothermal energy. The management is also conducting research and feasibility studies on these renewable projects, albeit utilizing more stringent investment hurdles, given that renewable energy projects produce power at higher pricing levels as compared to traditional energy sources.

The COVID-19 pandemic and the ensuing home quarantine has triggered an economic slowdown for the country. Despite the curtailment of worldwide travel and the hesitancy of global investors to venture into new projects, the company is hopeful that the business environment will recover over the coming year, now that the vaccination efforts of the government are bearing fruit.

The Company's management believes that such financial support and the discussed 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.

#### **(ii) Events that will Trigger Direct or Contingent Financial Obligation**

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

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

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

#### **(iv) Commitment for Capital Expenditures**

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

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

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

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

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

| <b>June 30, 2022</b>                           | <b>Total</b>      | <b>On demand</b> | <b>Less than 3 months</b> | <b>3-12 months</b> | <b>1-5 years</b>  |
|------------------------------------------------|-------------------|------------------|---------------------------|--------------------|-------------------|
| <b>Advances from related parties</b>           | <b>₱4,558,236</b> | <b>₱-</b>        | <b>₱-</b>                 | <b>₱-</b>          | <b>₱4,558,236</b> |
| <b>Lease Liability</b>                         | <b>41,806</b>     | <b>-</b>         | <b>-</b>                  | <b>41,806</b>      | <b>-</b>          |
| <b>Accounts payable and other Liabilities*</b> | <b>18,100</b>     | <b>-</b>         | <b>-</b>                  | <b>18,100</b>      | <b>-</b>          |
|                                                | <b>₱4,618,142</b> | <b>₱-</b>        | <b>₱-</b>                 | <b>₱59,906</b>     | <b>₱-</b>         |
| <i>*excluding government liabilities</i>       |                   |                  |                           |                    |                   |
| <b>June 30, 2021</b>                           | <b>Total</b>      | <b>On demand</b> | <b>Less than 3 months</b> | <b>3-12 months</b> | <b>1-5 years</b>  |
| <b>Advances from related parties</b>           | <b>₱4,025,045</b> | <b>₱-</b>        | <b>₱-</b>                 | <b>₱-</b>          | <b>₱4,025,045</b> |
| <b>Lease Liability</b>                         | <b>160,373</b>    | <b>-</b>         | <b>-</b>                  | <b>118,567</b>     | <b>41,806</b>     |
| <b>Accounts payable and other Liabilities*</b> | <b>89,716</b>     | <b>-</b>         | <b>-</b>                  | <b>89,716</b>      | <b>-</b>          |
|                                                | <b>₱4,275,134</b> | <b>₱-</b>        | <b>₱-</b>                 | <b>₱208,283</b>    | <b>₱4,066,851</b> |

*\*excluding government liabilities*

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

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

The Company adopted PFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on deficit as at January 1, 2019, without restatement of comparative figures.

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

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

On December 16, 2020, TWGI issued a new promissory note amounting to ₱296,659,777 which superseded the previous promissory note. The term of the loan is five years maturing on December 15, 2025, bearing an interest of 2% per annum. Accrued interest receivable for this promissory note amounted to ₱6,180,411 and ₱247,216 as at June 30, 2022 and 2021, respectively.

**(vii) Material Changes on Line Items in Financial Statements**

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

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

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

\* \* \*

## MARKET INFORMATION

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

|      |                | High  | Low   |
|------|----------------|-------|-------|
| 2022 | First Quarter  | 0.290 | 0.206 |
|      | Second Quarter | 0.208 | 0.206 |
| 2021 | First Quarter  | 0.330 | 0.206 |
|      | Second Quarter | 0.320 | 0.241 |
|      | Third Quarter  | 0.340 | 0.275 |
| 2020 | Fourth Quarter | 0.325 | 0.270 |
|      | First Quarter  | 0.275 | 0.180 |
|      | Second Quarter | 0.200 | 0.152 |
|      | Third Quarter  | 0.210 | 0.160 |
| 2019 | Fourth Quarter | 0.242 | 0.175 |
|      | First Quarter  | 0.340 | 0.203 |
|      | Second Quarter | 0.280 | 0.224 |
|      | Third Quarter  | 0.295 | 0.220 |
|      | Fourth Quarter | 0.229 | 0.201 |

The latest high, low and close market price is ₱0.204 per share as of August 19, 2022, respectively.

### **HOLDERS**

The number of shareholders of record as of July 31, 2022 was 860. Common shares issued and subscribed were 1,838,943,246.

### **Top 20 Stockholders As of July 31, 2022**

|    | NAME                                         | CLASS A<br>NO. OF SHARES HELD | % to<br>TOTAL |
|----|----------------------------------------------|-------------------------------|---------------|
| 1  | INTERNATIONAL POLYMER CORPORATION            | 496,887,494                   | 26.501        |
| 2  | PCD NOMINEE CORPORATION                      | 428,185,374                   | 22.837        |
| 3  | THE WELLEX GROUP, INC.                       | 376,950,000                   | 20.104        |
| 4  | E.F. DURKEE & ASSOCIATES, INC.               | 77,838,563                    | 4.151         |
| 5  | INTRA-INVEST SEC., INC.                      | 48,159,000                    | 2.568         |
| 6  | METROPOLITAN MANAGEMENT CORPORATION          | 30,000,000                    | 1.600         |
| 7  | JUANITO C. UY                                | 22,625,001                    | 1.207         |
| 8  | PACRIM ENERGY N.L.                           | 21,000,000                    | 1.120         |
| 9  | SAPPHIRE SECURITIES INC.                     | 19,433,500                    | 1.036         |
| 10 | BENITO ONG AND/OR ZITA Y. ONG                | 18,000,000                    | 0.960         |
| 11 | LI CHIH-HUI                                  | 17,100,000                    | 0.912         |
| 12 | NESTOR S. MANGIO                             | 12,500,000                    | 0.667         |
| 13 | A & A SECURITIES, INC.                       | 11,911,320                    | 0.635         |
| 14 | MARK SECURITIES CORPORATION                  | 10,772,800                    | 0.575         |
| 15 | PCD NOMINEE CORP. (NON-FILIPINO)             | 10,470,050                    | 0.558         |
| 16 | GLOBALINKS SEC & STOCKS, INC. A/C # CWUSO001 | 9,400,000                     | 0.501         |
| 17 | BELSON SECURITIES, INC.                      | 9,200,000                     | 0.491         |
| 18 | WEALTH SECURITIES, INC.                      | 8,240,000                     | 0.439         |
| 19 | RUBEN M. GAN                                 | 7,610,000                     | 0.406         |
| 20 | DAVID GO SECURITIES CORPORATION              | 6,880,000                     | 0.367         |

### **Cash and Stock Dividend Declared**

The Company has not declared and paid dividends due to substantial losses suffered by the Company for the year 2021, 2020 and 2019.

### **Restriction That Limits The Payment Of Dividends On Common Shares**

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

### **Recent Sales Of Unregistered Securities**

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

**Directors and Executive Officers of the Registrants****Directors and Executive Officers**

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

| <b>Name</b>                    | <b>Age</b> | <b>Citizenship</b> | <b>Position</b>                                | <b>Years of Service</b>   |
|--------------------------------|------------|--------------------|------------------------------------------------|---------------------------|
| Atty. Ruben D. Torres          | 80         | Filipino           | Chairman                                       | 2021-Present              |
| Elvira A. Ting                 | 61         | Filipino           | President/Director                             | 1996-Present              |
| Kenneth T. Gatchalian          | 46         | Filipino           | Treasurer/Director                             | 2004-Present              |
| Atty. Lamberto B. Mercado, Jr. | 57         | Filipino           | Director                                       | 1998-Present              |
| Richard L. Ricardo             | 59         | Filipino           | Director                                       | 2014-Present              |
| Atty. Arthur R. Ponsaran       | 79         | Filipino           | Director                                       | 2000-Present              |
| Omar M. Guinomla               | 50         | Filipino           | Director                                       | 2014-Present              |
| Renato C. Francisco            | 74         | Filipino           | Independent Director                           | 2020-Present              |
| Sergio R. Ortiz-Luis, Jr.*     | 79         | Filipino           | Director - Nominee<br>Independent Director     | Oct 2022<br>2013-Oct 2022 |
| Josaias T. Dela Cruz           | 61         | Filipino           | Independent Director                           | 2021-Present              |
| Atty. Aristeo R. Cruz          | 56         | Filipino           | Independent Director/<br>Chief Audit Executive | 2021-Present              |
| Atty. Arsenio A. Alfiler Jr.   | 76         | Filipino           | Corporate Secretary                            | 2005-Present              |
| Amando J. Ponsaran, Jr.        | 52         | Filipino           | Asst. Corporate<br>Secretary – Nominee         | Oct 2022                  |
| Annabelle T. Abunda            | 46         | Filipino           | Compliance Officer                             | 2017-Present              |

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

| <b>Name and Position</b>                                                                                                                                                        | <b>Other Companies Affiliated</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>Position</b>                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Atty. Ruben D. Torres</b><br>Chairman/Director<br>Filipino<br>80 years old<br>B.A. in Political Science<br>Bachelor of Laws<br>University of the Philippines                 | BPO Workers Association of the Phils.<br>Services Exporters Risk Management & Consultancy Co<br>Trade Union Congress of the Phils.<br>Torres Caparas Torres Law Offices<br>Waterfront Phils., Inc.<br>Acesite (Phils.) Hotel Corp.<br>Wellex Industries, Inc.<br>Waterfront Manila Premier Dev't., Inc.<br>Alliance Energy Power and Dev't., Inc.<br>Aristocrat Manila City Holdings, Inc.<br>Pacific Concorde Corp.<br>Philippine Estates Corp.<br>Taguig Lake City Dev't. Corp.<br>Wellex Mining Corp.<br>Triton Construction and Dev't. Corp. | President<br>Chairman/CEO<br><br>VP-International Affairs<br>Senior Partner<br>Independent Director<br>Independent Director<br>Chairman/Director<br>Chairman/Director<br>Chairman/Director<br>Chairman/Director<br>President/Director<br>Independent Director<br>Chairman/Director<br>Corp. Treasurer/Director<br>Chairman/Director                                                                                                                |
| <b>Elvira A. Ting</b><br>President/Director<br>Filipino<br>61 years old<br>BS in Business Administration<br>Major in Management<br>Philippine School of Business Administration | Philippine Estates Corp.<br>Waterfront Philippines, Inc.<br>Wellex Industries, Inc.<br>Acesite (Phils.) Hotel Corp.<br>Metro Alliance Holdings & Equities Corp.<br>Orient Pacific Corp.<br>Crisanta Realty Dev't. Corp.<br>Recovery Dev't Corp.<br>The Wellex Group, Inc.<br>Plastic City Industrial Corp.<br>Waterfront Manila Premier Dev't, Inc.<br>Rexlon Realty Group, Inc.<br>Pacific Rehouse Corp.<br>Westland Pacific Properties Corp.<br>Heritage Pacific Corp.<br>Palawan Estate Corp.                                                 | President/Director<br>Corp. Treasurer/Director<br>Vice President/Director<br>Corp. Treasurer/Director<br>Chairman/Director<br>Chairman/Director<br>Chairman/President/Director<br>Corp. Treasurer/Director<br>Corp. Treasurer/Director<br>Corp. Treasurer/Director<br>Corp. Secretary/Director<br>Chairman/President/Director<br>Corp. Treasurer/Director<br>Asst. Corp. Sec./Director<br>Chairman/President/Director<br>Asst. Corp. Sec./Director |

|                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                   | Poly Premier Property Dev't Corp.<br>Wanda Prime Property Dev't, Inc.<br>Bocaue Prime Estate Corp.<br>Bulacan Fortune Land Dev't Corp.<br>Taguig Lake City Dev't Corp.<br>Country Garden Agri-Tourism Dev't, Inc.<br>Alliance Energy Power & Dev't Corp.<br>North Luzon Premier Dev't Corp.<br>Shangrila Global Estate Ventures Corp.<br>Aristocrat Manila City Holdings, Inc.<br>Seabrook Resources & Dev't, Corp.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Corp. Treasurer/Director<br>President/ Director<br>President/ Director<br>Chairman/President/Director<br>President/ Director<br>Corp. Treasurer/Director<br>Corp. Secretary/Director<br>President/ Director<br>Chairman/Director<br>President/Director<br>Corp. Treasurer/Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Kenneth T. Gatchalian</b><br>Corp. Treasurer/ Director<br>Filipino<br>46 years old<br>B.S. in Architecture<br><i>University of Texas, USA</i>                  | The Wellex Group, Inc.<br>Wellex Industries, Inc.<br>Waterfront Phils., Inc.<br>Waterfront Manila Premier Dev't, Inc.<br>Acesite (Phils.) Hotels Corp.<br>Philippine Estates Corp.<br>Metro Alliance Holdings & Equities Corp.<br>Orient Pacific Corp.<br>Wellex Mining Corp.<br>Westland Pacific Properties Corp.<br>Wellex Petroleum, Inc.<br>Recovery Dev't. Corp.<br>Novateknika Land Corp.<br>Pacific Rehouse Corp.<br>Crisanta Realty Dev't. Corp.<br>Palawan Estate Corp.<br>Philippine International Airways<br>Philfoods Asia, Inc.<br>Southernpec Phils., Inc.<br>Manila Bay Front Hotels, Inc.<br>Poly Premier Property Dev't. Corp.<br>Wanda Prime Property Dev't., Inc.<br>North Luzon Premier Dev't. Corp.<br>Pacific Concorde Corp<br>Forum Holdings Corp<br>Rexlon Realty Group, Inc.<br>Heritage Pacific Corp.<br>Seabrook Resources & Dev't. Corp.<br>Recovery Real Estate Corp.<br>Shanghai Global Estate Ventures Corp.<br>Altai Philippines Mining Corp.<br>Bulacan Harbour Dev't. Corp.<br>Bulacan Country Garden Dev't. Corp. | President/Director<br>President/Director<br>President/Director<br>President/Director<br>President/Director<br>Vice Chairman/Director<br>President/Director<br>President/Director<br>Chairman/President/Director<br>Corp. Treasurer/Director<br>Corp. Secretary/Director<br>Chairman/President/Director<br>Corp. Secretary/Director<br>Chairman/President/Director<br>Corp. Secretary/Director<br>Corp. Secretary/Director<br>Corp. Secretary/Director<br>Corp. Secretary/Director<br>Chairman/President/Director<br>Corp. Treasurer/Director<br>Chairman/Director<br>President/Director<br>Chairman/Director<br>Chairman/Director<br>Chairman/President/Director<br>Corp. Secretary/Director<br>Asst. Corp. Sec./Director<br>Chairman/President/Director<br>Chairman/President/Director<br>President/Director<br>Director<br>Asst. Corp. Sec./Director<br>Chairman/President/Director |
| <b>Atty. Lamberto B. Mercado, Jr.</b><br>Director<br>Filipino<br>57 years old<br>Bachelor of Laws (L.L.B.)<br><i>Ateneo de Manila University</i><br>School of Law | Metro Alliance Holdings & Equities Corp.<br>Asia Healthcare, Inc.<br>FEZ-EAC Holdings, Inc.<br>Wellex Industries, Inc.<br>Acesite (Phils.) Hotels Corp.<br>Philippine National Construction Corp.<br>Consumer Product Distribution Services<br>Rexlon Realty Group, Inc.<br>Wellex Mining Corp.<br>Southernpec Phils., Inc.<br>Dubai Gold Mining Corp.<br>Sands Mining & Dev't. Corp.<br>Bulacan Harbour Dev't. Corp.<br>Wanda Prime Property Dev't., Inc.<br>Seabrook Resources & Dev't Corp.<br>Country Garden Agri-Tourism Dev't., Inc.<br>Bulacan Country Garden Dev't. Corp.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Director/Compliance Officer<br>Director<br>Director<br>Director<br>Chief Risk Officer/Director<br>Director<br>Director<br>Assist. Cop. Sec./Director<br>Corp. Secretary/Director<br>Corp. Secretary/Director<br>Corp. Secretary/Director<br>Director<br>Corp. Secretary/Director<br>Director<br>Corp. Secretary/Director<br>President<br><br>Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

|                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Richard L. Ricardo</b><br>Investor Relations Officer/Director<br>Filipino<br>59 years old<br>B.S. in Business Management<br>A.B. in Economics<br><i>Ateneo de Manila University</i>                                               | Wellex Industries, Inc.<br><br>Waterfront Philippines, Inc.<br><br>Acesite (Phils.) Hotel Corp.<br><br>Metro Alliance Holdings & Equities Corp.<br><br>Philippine Estates Corp.<br><br>The Wellex Group, Inc.<br>Rexlon Realty Group, Inc.<br>Westland Pacific Properties Corp.<br>Wellex Petroleum, Inc.<br>Wellex Mining Corp.<br>Bocau Prime Estate Corp.<br>Taguig Lake City Dev't. Corp.<br>Pacific Wide Holdings, Inc.<br>Dubai Gold Mining Corp.<br>Sand Mining & Dev't. Corp.<br>Manila Bay Front Hotels, Inc.<br>Shanghai Global Estate Ventures Corp.<br>Bulacan Country Garden Dev't. Corp.<br>Alliance Energy Power & Dev't. Inc. | Corp. Treasurer/Investor<br>Relations Officer/Director<br>Corporate Affairs<br>Officer/Compliance Officer<br>Vice President for Corporate<br>Affairs/Compliance Officer<br>Corp. Treasurer/Investor<br>Relations Officer<br>Corp. Treasurer/Investor<br>Relations Officer/Director<br>Corp. Secretary/Director<br>Vice President/Director<br>Corp. Secretary/Director<br>Corp. Treasurer/Director<br>Assist. Corp. Sec./Director<br>Corp. Secretary/Director<br>Corp. Secretary/Director<br>Corp. Treasurer/Director<br>Chairman/President/Director<br>Corp. Treasurer/Director<br>Corp. Treasurer/Director<br>Corp. Secretary/Director<br>Corp. Secretary/Director<br>President/Director |
| <b>Atty. Arthur R. Ponsaran</b><br>Director<br>Filipino<br>79 years old<br>CPA Lawyer<br>Business Administration<br>Major in Accounting<br><i>University of the East</i><br>Bachelor of Laws<br><i>University of the Philippines</i> | Philippine Estate Corp.<br>Corporate Counsels, Phils. Law Office<br>Acesite (Phils.) Hotel Corp.<br>Waterfront Phils., Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Director<br>Managing Partner<br>Corp. Secretary/Director<br>Corp. Secretary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Omar M. Guinomla</b><br>Director<br>Filipino<br>50 years old<br>A.B. Management<br><i>De La Salle University</i><br>Master's in Business<br>Administration<br><i>Ateneo de Manila University</i>                                  | Wellex Industries, Inc.<br>Recovery Real Estate Corp.<br>Pacific Rehouse Corp.<br>Orient Pacific Corp.<br>Recovery Dev't. Corp.<br>Philippine International Airways<br>Continental Wire & Cable Corp.<br>Shanghai Resources Corp.<br>Calinan Star Mining, Inc.<br>Dubai Gold Mining Corp.<br>Sands Mining & Dev't. Corp.<br>Manila Bay Front Hotels, Inc.<br>Silverquest Mining Resources Inc.<br>Bulacan Fortune Land Dev't. Corp.<br>Triton Construction & Dev't. Corp.                                                                                                                                                                     | Director<br>Director<br>Director<br>Assist. Corp. Sec./Director<br>Assist. Corp. Sec./Director<br>Corp. Treasurer/Director<br>Director<br>Chairman/President/Director<br>Director<br>Director<br>Corp. Secretary/Director<br>Corp. Secretary/Director<br>Corp. Treasurer/Director<br>Corp. Secretary/Director<br>Corp. Secretary/Director                                                                                                                                                                                                                                                                                                                                                 |
| <b>Renato C. Francisco</b><br>Independent Director<br>Filipino<br>74 years old<br>Bachelor of Laws<br><i>Ateneo de Manila University</i><br>B.A. in English and Philosophy<br><i>San Beda College</i>                                | Waterfront Phil., Inc.<br>Wellex Industries Inc<br>Philippine Estates Corp.<br>Acesite (Phils.) Hotel Corp.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Independent Director<br>Independent Director<br>Independent Director<br>Independent Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| <b>Sergio R. Ortiz-Luis, Jr.</b><br>Regular Director – Nominee 2022<br>Filipino<br>79 years old<br>B.S. in Liberal Arts<br>B.S. in Business Administration<br>Masters in Business<br>Administration (Candidate)<br><i>De La Salle University</i><br>PhD Humanities hc<br><i>Central Luzon Agricultural College</i><br>PhD in Business Technology hc<br><i>Eulogio Rodriguez University</i><br>PhD Capital Management hc<br><i>Academy of Multiskills, UK</i><br>PhD Business Administration hc<br><i>Angeles University Foundation</i> | Wellex Industries, Inc.<br>Philippine Estates Corp.<br>Waterfront Phils., Inc.<br>Acesite (Phils.) Hotel Corp.<br><br>BA Securities<br>VC Securities Corp.<br><br>Waterfront Manila Premier Dev't., Inc.<br>Country Garden Agri-Tourism Dev't. Inc.<br>Philippine International Airways<br>Philippine Chamber of Commerce and Industry<br>National Center for Mediation<br>Integrated Concepts & Solutions, Inc.<br>Rotary Club of Greenmeadows<br>Foundation<br>Export Dev't. Council<br>Alliance Global, Inc.<br>JARDELI Club Foundation<br>Philippine Exporters Confederation Inc.<br>Employers Confederation of the Phils.<br>Philippines Foundation, Inc.<br>Asia Pacific Chinese Media, Inc.<br>GS1 and International Chamber of Commerce Phils.<br>Philippine Foundation, Inc. (Team Phils.)<br>Manila Exposition Complex, Inc.<br>La Salle Tech Academy<br>Alliance Energy Power and Dev't. Inc.<br>Rural Bank of Baguio<br>H2O (Formerly Calapan Ventures, Inc)<br>LikeCash Asia & Pacific Corp.<br>SPC Power Corp.<br>Drug Abuse Resistance Education Phils.<br>Human Resource Dev't. Foundation<br>Consulate of Romania in the Phils.<br>Consular Corps of the Phils.<br>International Association of Educators for World Peace<br>The Philippine Bamboo Council<br>Patrol 117 (Foundation for Crime Prevention)<br>Industry Development Council<br>National Competitiveness Council<br>Aristocrat Manila City Holdings, Inc.<br>Philippine Jaycee Senate<br>Philippine Coastguard Auxilliary | Regular Director - Nominee 2022<br>Director<br>Chairman/Director<br>Vice-Chairman/Independent Director<br>Independent Director<br>Vice-Chairman/Independent Director<br>Director<br>Chairman/Director<br>Chairman/Director<br>Chairman/Treasurer<br><br>Chairman<br>Chairman<br>Chairman<br><br>Vice Chairman<br>Vice Chairman<br>Vice Chairman<br>President/CEO<br>President<br>President<br>President<br>Founding Director<br><br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Trustee/Treasurer<br>Consul General<br>Treasurer<br>Honorary Adviser<br><br>Private Sector Representative<br>Commissioner<br><br>Member<br>BPLS Champion<br>Director<br>Senate<br>Captain |
| <b>Josaias T. Dela Cruz</b><br>Independent Director<br>Filipino<br>61 years old<br>B.S. in Business Management<br><i>Ateneo de Manila University</i>                                                                                                                                                                                                                                                                                                                                                                                   | Wellex Industries, Inc.<br>Philippine Estates Corp.<br>JTDC Spinmeister Laundry Service<br>Wegen Distributed Energy Philippines<br>Holdings Corp.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Independent Director<br>Independent Director<br>Sole Proprietor<br>Treasurer/Vice President for Investor Relations and Financial Planning                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

|                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Aristeo R. Cruz</b><br>Independent Director<br>Filipino<br>56 years old<br><br>CPA Lawyer<br>B.S. in Commerce Major in Accountancy<br><i>De La Salle University</i><br>Bachelor of Laws (LLB)<br><i>New Era University</i>                                                   | Metro Alliance Holdings & Equities Corp.<br>Wellex Industries, Inc.<br>Acesite (Phils.) Hotel Corp.<br>Waterfront Philippines Inc<br>Philstar Innovation Realty Corp.<br>Meycauayan College, Inc.<br><br>Cruz Altares & Associates Law Office (formerly Cruz, Castro & Altares Law Office)<br>Liberty Bank (A Rural Bank), Inc.<br>Idealland Realty & Dev't. Corp.<br><br>Statosphere Realty & Dev't. Corp.<br><br>Waterstreet Realty Corp.<br>Jose & Luz Locsin Foundation<br>Justina Emilia Realty and Management & Dev't. Corp. | Independent Director<br>Independent Director<br>Director<br>Independent Director<br>Corp. Secretary/Director<br>Vice-Chairman/Director, Dean, College Department<br>Founding and Managing Partner<br><br>Vice-President/Compiler<br>President and Chief Operating Officer (COO)<br>President and Chief Operating Officer (COO)<br>President<br>President<br>Corp. Secretary |
| <b>Atty. Arsenio A. Alfiler, Jr.</b><br>Corporate Secretary<br>Filipino<br>76 years old<br>Bachelor of Laws<br><i>University of the Philippines</i><br>B.A. in Public Administration<br><i>University of the Philippines</i>                                                    | Acesite (Phils.) Hotel Corp.<br>Waterfront Philippines, Inc.<br>Iloilo City Development Bank<br>Philippine Estates Corp                                                                                                                                                                                                                                                                                                                                                                                                            | Assistant Corporate Secretary<br>Assistant Corporate Secretary<br>Assistant Corporate Secretary<br>Corporate Secretary                                                                                                                                                                                                                                                      |
| <b>Amando J. Ponsaran, Jr.</b><br>Assistant Corporate Secretary<br><i>Nominee for 2022</i><br>Filipino<br>52 years old<br>BSBA-Finance/Marketing<br><i>University of San Agustin – Iloilo</i><br>Bachelor of Laws<br><i>Arellano Law School/Philippine Christian University</i> | Philippine Estates Corp.<br>Corporate Counsels, Phils. Law Offices<br><br>Wellex Industries, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                  | Assistant Corporate Secretary<br>Senior Manager – Corporate Services Group<br>Corporate Secretary                                                                                                                                                                                                                                                                           |
| <b>Annabelle T. Abunda</b><br>Compliance Officer<br>Filipino<br>46 years old<br>CPA and Licensed Real Estate Broker<br>B.S. in Accountancy<br><i>University of the Philippines in the Visayas</i>                                                                               | Metro Alliance Holdings & Equities Corp.<br>Pacific Rehouse Corp.<br><br>Pacific Wide Holdings, Inc.<br>Wellex Industries, Inc.                                                                                                                                                                                                                                                                                                                                                                                                    | Finance Officer<br>Finance & Administration Manager<br>Accounting Manager<br>Compliance Officer                                                                                                                                                                                                                                                                             |

### **CORPORATE GOVERNANCE**

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

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

Forum Pacific, Inc. has consistently strived to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards. The Company submitted its Integrated Annual Corporate Governance Report (IACGR) on May 30, 2022 covering the year 2021. The independent directors have submitted their Certificate of Qualification as required by the SEC vis-à-vis Section 38 of the Securities Regulation Code.

Re: Forum Pacific Inc\_SEC Form 17-A 2021\_13May2022

From: ICTD Submission (ictdsubmission+canned.response@sec.gov.ph)

To: forumpacific010393@yahoo.com.ph

Date: Friday, May 13, 2022, 01:44 PM GMT+8

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.

(Subject to Verification and Review of the Quality of the Attached Document)

Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at [www.sec.gov.ph](http://www.sec.gov.ph)

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## NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

[ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph)

**Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST/OST or over- the- counter.**

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as:

AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC\_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

<https://apps010.sec.gov.ph>

For your information and guidance.

Thank you and keep safe.

## Certification

I, Annabelle T. Abunda, Compliance Officer of Forum Pacific, Inc., with SEC registration number AS93000120 with principal office at 35<sup>th</sup> Flr. One Corporate Center, Dona Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

- 1) That on behalf of Forum Pacific, Inc., I have caused this Annual Report 2021 SEC Form 17-A to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company, Forum Pacific, Inc., will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hands this MAY 13 2022 day of \_\_\_\_\_, 2022.

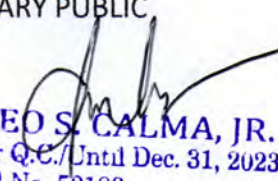


Affiant

TIN: 205-231-659

SUBSCRIBED AND SWORN to before me this MAY 13 2022 day of \_\_\_\_\_, 2022.

NOTARY PUBLIC

  
**ATTY. ELISEO S. CALMA, JR.**  
Notary Public for Q.C./ Until Dec. 31, 2023  
Roll No. 50183

PTR No. 2454359D/Jan. 03, 2022/Q.C.

IBP No. 183888, Jan. 31, 2022

MCLE COMP. NO. VII-0006924

Adm Matter No. NP-062(2022-2023)

20 Kamagong St., Sapamanai Vill. East Fairview Q.C.  
TIN No. 138-541-197-000

Doc No. 103  
Page No. 21  
Book No. XyXv11  
Series of 2022

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**Company Name**

[illegible][illegible][illegible][illegible]

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

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Department requiring the report

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Secondary License Type, If Applicable

|  |   |   |  |
|--|---|---|--|
|  | N | A |  |
|--|---|---|--|

## COMPANY INFORMATION

**Company's Email Address**

[forumpacific010393@yahoo.com.ph](mailto:forumpacific010393@yahoo.com.ph)

**Company's Telephone Number/s**

8706-7888

Mobile Number

**0917790437**

### No. of Stockholders

863

Annual Meeting  
Month/Day

## October/2

Fiscal Year  
Month/Day

Dec-3

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Atty. Arsenio A. Alfiler, Jr.

Email Address

noyealfiler@yahoo.com

**Telephone Number/s:**

8687-753

Mobile Numbe

NA

### Contact Person's Address

Unit 3104 Antel Global Corporate Center, #3 Dona Julia Vargas, Ortigas Center, Pasig City

**Note1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause delay in updating the corporation's records with the commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

***Forum Pacific, Inc.***

*Financial Statements*  
*December 31, 2021 and 2020*

*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 including the schedules attached therein, for the years ended **December 31, 2021 and 2020**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

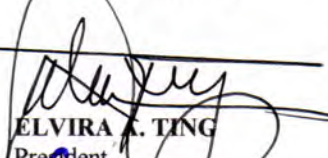
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

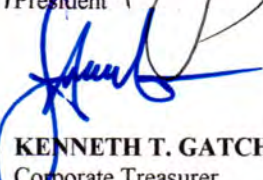
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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

  
**RUBEN D. TORRES**  
Chairman of the Board

  
**ELVIRA A. TING**  
President

  
**KENNETH T. GATCHALIAN**  
Corporate Treasurer

**SUBSCRIBED AND SWORN** to before me in QUEZON CITY City/Province, Philippines on APR 26 2022 affiants personally appeared before me and exhibited to me their Tax Identification Number below:

| Name                     | Tax Identification Number |
|--------------------------|---------------------------|
| 1. RUBEN D TORRES        | 135-071-068               |
| 2. ELVIRA A. TING        | 117-922-153               |
| 3. KENNETH T. GATCHALIAN | 167-406-526               |

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

DOC NO: 40  
PAGE NO: 10  
BOOK NO: xxvii  
SERIES OF xxx

  
**ATTY. ELISEO S. CALMA, JR.**  
Notary Public for P.C. until Dec. 31, 2022  
Roll No. 50183

PTR No. 245435910-001 03, 2022/Q.C.  
BI No. 34-058-001 03, 2021

MCLE COMP NO. 101-00000000-0000 April 14, 2022  
Adm. Matter No. 88-00000000-0000 Dec 31, 2021

20 Katatagan St., Baguio City, Philippines  
Extended as Commissioned Notary Public until June 30, 2022

## **Independent Auditor's Report**

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

## **Report on the Audits of the Financial Statements**

### *Opinion*

We have audited the financial statements of **Forum Pacific, Inc.** (the 'Company'), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

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

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the financial statements, which indicates that the Company has incurred losses in prior years and has accumulated a deficit of ₱851,264,961 and ₱854,582,014 as at December 31, 2021 and 2020, respectively. As stated in Note 1, these events or conditions, along with other matters, indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. To continue as a going concern, the officers and major stockholders of the Company have committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

#### **Global Reach, Global Quality**

Head Office : 7th Floor, Don Jacinto Building, De la Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines • Phone: +63(2) 894 5892 / 844 9421 / Fax: +63(2) 818 1872  
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Philippines • Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029  
Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636  
Palawan Office : 2F MRC Building, Pineda Road, Brgy. San Pedro, Puerto Princesa City, Palawan 5300 Philippines • Phone +63(48) 716 1580  
Website : [www.dmdcpa.com.ph](http://www.dmdcpa.com.ph)

The Company will also consider investing into potential renewable energy sources like solar power, ethane, biofuels, hydro, wind and geothermal energy. It will continue conduct research and feasibility studies on renewable projects, albeit utilizing more stringent investment hurdles, given that renewable energy projects produce power at higher pricing levels as compared to traditional energy sources.

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

#### *Key Audit Matters*

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

#### *Adequacy of Allowance for Expected Credit Losses on Advances to Related Parties*

The Company's assumptions used in calculating the allowance for expected credit losses (ECL) is significant to our audit as it involves the exercise of significant management judgement. Key judgment areas include, historical credit loss experience based on past due status of debtors and current conditions and estimates of future economic conditions. Allowance for ECL on advances to related parties amounted to ₱221,205,384 as at December 31, 2021 and 2020.

The disclosures related to allowance for ECL on advances to related parties are included in Note 16.

#### *Our Response*

Our audit procedures to address the adequacy of allowance for ECL, includes the following:

- Obtained understanding of the approved methodologies used by the Company and assessed whether these are acceptable under the requisites of PFRS 9.
- Checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used.
- Tested the definition of default against historical analysis of accounts and credit risk management policies and practices.
- Tested loss given default by inspecting historical recoveries including the timing, related costs, and write-offs.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

### *Auditors' Responsibilities for the Audits of the Financial Statements*

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

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

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

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

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

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

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

#### **Report on Supplementary Information required by the Bureau of Internal Revenue**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of **Forum Pacific, Inc.** taken as a whole. The supplementary information in Note 19 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### **DIAZ MURILLO DALUPAN AND COMPANY**

Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until August 4, 2023

SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and  
valid in the audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:



Richard Noel M. Ponce

Partner

CPA Certificate No. 120457

SEC Accreditation No. 120457-SEC, Group A, issued on March 31, 2022 and  
valid in the audit of 2021 to 2025 financial statements

Tax Identification No. 257-600-228

PTR No. 8867323, January 17, 2022, Makati City

BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

April 11, 2022

**FORUM PACIFIC, INC.**  
**Statements of Financial Position**

|                                                         | <b>As at December 31</b> |                       |
|---------------------------------------------------------|--------------------------|-----------------------|
|                                                         | <b>2021</b>              | <b>2020</b>           |
| <b>ASSETS</b>                                           |                          |                       |
| <b>Current Assets</b>                                   |                          |                       |
| Cash - note 5                                           | <b>₱ 295,667</b>         | <b>₱ 625,346</b>      |
| Prepayments and other current assets (net) - note 6     | <b>38,213</b>            | <b>38,213</b>         |
|                                                         | <b>333,880</b>           | <b>663,559</b>        |
| <b>Noncurrent Assets</b>                                |                          |                       |
| Advances to related parties (net) - note 11             | <b>252,203,951</b>       | <b>247,332,685</b>    |
| Financial assets at FVOCI - note 7                      | <b>91,311,816</b>        | <b>87,045,108</b>     |
| Right-of-use asset (net) - note 8                       | <b>38,380</b>            | <b>153,522</b>        |
| Deferred tax assets (net) - note 14                     | <b>10,451</b>            | <b>48,112</b>         |
|                                                         | <b>343,564,598</b>       | <b>334,579,427</b>    |
| <b>TOTAL ASSETS</b>                                     | <b>₱ 343,898,478</b>     | <b>₱ 335,242,986</b>  |
| <b>LIABILITIES AND EQUITY</b>                           |                          |                       |
| <b>Current Liabilities</b>                              |                          |                       |
| Accounts payable and other liabilities - note 9         | <b>₱ 1,266,121</b>       | <b>₱ 340,525</b>      |
| Lease liability - note 11                               | <b>41,806</b>            | <b>118,567</b>        |
| Income tax payable                                      | <b>59,332</b>            | <b>4,944</b>          |
|                                                         | <b>1,367,259</b>         | <b>464,036</b>        |
| <b>Noncurrent Liabilities</b>                           |                          |                       |
| Advances from a related party - note 11                 | <b>4,228,951</b>         | <b>3,982,175</b>      |
| Lease liability (net of current portion) - note 11      | <b>—</b>                 | <b>41,806</b>         |
| Deferred tax liability - note 14                        | <b>9,595</b>             | <b>46,057</b>         |
|                                                         | <b>4,238,546</b>         | <b>4,070,038</b>      |
|                                                         | <b>5,605,805</b>         | <b>4,534,074</b>      |
| <b>Equity</b>                                           |                          |                       |
| Capital stock - note 10                                 | <b>1,207,543,621</b>     | <b>1,207,543,621</b>  |
| Unrealized fair value gain on financial assets at FVOCI | <b>18,070,763</b>        | <b>13,804,055</b>     |
| Deficit - note 2                                        | <b>( 851,264,961)</b>    | <b>( 854,582,014)</b> |
|                                                         | <b>374,349,423</b>       | <b>366,765,662</b>    |
| Treasury shares - note 10                               | <b>( 36,056,750)</b>     | <b>( 36,056,750)</b>  |
|                                                         | <b>338,292,673</b>       | <b>330,708,912</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>                     | <b>₱ 343,898,478</b>     | <b>₱ 335,242,986</b>  |

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

**FORUM PACIFIC, INC.**  
**Statements of Comprehensive Income**

|                                                                 | <b>For the Years Ended December 31</b> |                      |                      |
|-----------------------------------------------------------------|----------------------------------------|----------------------|----------------------|
|                                                                 | <b>2021</b>                            | <b>2020</b>          | <b>2019</b>          |
| <b>COSTS AND EXPENSES</b> - note 12                             | <b>(₱ 2,098,754)</b>                   | <b>(₱ 2,522,945)</b> | <b>(₱ 1,994,414)</b> |
| <b>OTHER INCOME (EXPENSES)</b> - note 13                        | <b>5,506,535</b>                       | <b>262,163</b>       | <b>( 30,681)</b>     |
| <b>FINANCE COST</b> - note 11                                   | <b>( 31,433)</b>                       | <b>( 40,000)</b>     | <b>( 37,677)</b>     |
| <b>INCOME (LOSS) BEFORE INCOME TAX</b>                          | <b>3,376,348</b>                       | <b>( 2,300,782)</b>  | <b>( 2,062,772)</b>  |
| <b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> - note 14        |                                        |                      |                      |
| Current                                                         | <b>58,096</b>                          | <b>4,944</b>         | <b>—</b>             |
| Deferred                                                        | <b>1,199</b>                           | <b>( 863)</b>        | <b>( 1,192)</b>      |
|                                                                 | <b>59,295</b>                          | <b>4,081</b>         | <b>( 1,192)</b>      |
| <b>NET INCOME (LOSS) FOR THE YEAR</b>                           | <b>3,317,053</b>                       | <b>( 2,304,863)</b>  | <b>( 2,061,580)</b>  |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>                        |                                        |                      |                      |
| Item that will not reclassified subsequently to profit or loss: |                                        |                      |                      |
| Unrealized fair value gain (loss) on financial assets           |                                        |                      |                      |
| at FVOCI - note 7                                               | <b>4,266,708</b>                       | <b>( 250,983)</b>    | <b>( 2,007,862)</b>  |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>                        | <b>₱ 7,583,761</b>                     | <b>(₱ 2,555,846)</b> | <b>(₱ 4,069,442)</b> |
| <b>INCOME (LOSS) PER SHARE</b> - note 15                        | <b>₱ 0.003</b>                         | <b>(₱ 0.002)</b>     | <b>(₱ 0.002)</b>     |

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

**FORUM PACIFIC, INC.**  
**Statements of Changes in Equity**

|                                                | <b>Capital Stock</b><br>(Note 10) | <b>Treasury Shares</b><br>(Note 10) | <b>Deficit</b><br>(Note 2) | <b>Unrealized Fair<br/>Value Gain (Loss) on<br/>AFS Financial Assets</b><br>(Note 7) | <b>Total</b>         |
|------------------------------------------------|-----------------------------------|-------------------------------------|----------------------------|--------------------------------------------------------------------------------------|----------------------|
| <b>As at January 1, 2019, as restated</b>      | <b>₱ 1,207,543,621</b>            | <b>(₱ 36,056,750)</b>               | <b>(₱ 850,215,571)</b>     | <b>₱ 16,062,900</b>                                                                  | <b>₱ 337,334,200</b> |
| <b>Comprehensive loss</b>                      |                                   |                                     |                            |                                                                                      |                      |
| Net loss for the year                          | —                                 | —                                   | ( 2,061,580)               | —                                                                                    | ( 2,061,580)         |
| Other comprehensive loss                       | —                                 | —                                   | —                          | ( 2,007,862)                                                                         | ( 2,007,862)         |
| <b>Total comprehensive loss for the year</b>   | <b>—</b>                          | <b>—</b>                            | <b>( 2,061,580)</b>        | <b>( 2,007,862)</b>                                                                  | <b>( 4,069,442)</b>  |
| <b>Balance as at December 31, 2019</b>         | <b>1,207,543,621</b>              | <b>( 36,056,750)</b>                | <b>( 852,277,151)</b>      | <b>14,055,038</b>                                                                    | <b>333,264,758</b>   |
| <b>Comprehensive loss</b>                      |                                   |                                     |                            |                                                                                      |                      |
| Net loss for the year                          | —                                 | —                                   | ( 2,304,863)               | —                                                                                    | ( 2,304,863)         |
| Other comprehensive loss                       | —                                 | —                                   | —                          | ( 250,983)                                                                           | ( 250,983)           |
| <b>Total comprehensive loss for the year</b>   | <b>—</b>                          | <b>—</b>                            | <b>( 2,304,863)</b>        | <b>( 250,983)</b>                                                                    | <b>( 2,555,846)</b>  |
| <b>Balance as at December 31, 2020</b>         | <b>1,207,543,621</b>              | <b>( 36,056,750)</b>                | <b>( 854,582,014)</b>      | <b>13,804,055</b>                                                                    | <b>330,708,912</b>   |
| <b>Comprehensive income</b>                    |                                   |                                     |                            |                                                                                      |                      |
| Net income for the year                        | —                                 | —                                   | <b>3,317,053</b>           | —                                                                                    | <b>3,317,053</b>     |
| Other comprehensive income                     | —                                 | —                                   | —                          | <b>4,266,708</b>                                                                     | <b>4,266,708</b>     |
| <b>Total comprehensive income for the year</b> | <b>—</b>                          | <b>—</b>                            | <b>3,317,053</b>           | <b>4,266,708</b>                                                                     | <b>7,583,761</b>     |
| <b>Balance as at December 31, 2021</b>         | <b>₱ 1,207,543,621</b>            | <b>(₱ 36,056,750)</b>               | <b>(₱ 851,264,961)</b>     | <b>₱ 18,070,763</b>                                                                  | <b>₱ 338,292,673</b> |

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

**FORUM PACIFIC, INC.**  
**Statements of Cash Flows**

|                                                               | <b>For the Years Ended December 31</b> |                  |                  |
|---------------------------------------------------------------|----------------------------------------|------------------|------------------|
|                                                               | <b>2021</b>                            | <b>2020</b>      | <b>2019</b>      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                                        |                  |                  |
| Income (loss) before income tax                               | <b>₱ 3,376,348</b>                     | (₱ 2,300,782)    | (₱ 2,062,772)    |
| Adjustments for income tax:                                   |                                        |                  |                  |
| Provision for impairment of input tax - note 6                | <b>180,199</b>                         | 202,163          | 192,518          |
| Depreciation - note 8                                         | <b>115,142</b>                         | 112,878          | 108,350          |
| Finance cost - note 11                                        | <b>31,433</b>                          | 40,000           | 37,677           |
| Unrealized foreign exchange loss (gain) - note 11             | <b>246,776</b>                         | ( 216,592)       | ( 161,284)       |
| Interest income - notes 5 and 11                              | ( <b>5,933,510</b> )                   | ( 247,734)       | ( 553)           |
| Operating loss before working capital changes                 | ( <b>1,983,612</b> )                   | ( 2,410,067)     | ( 1,886,064)     |
| Increase in prepayments and other current assets              | ( <b>180,199</b> )                     | ( 199,724)       | ( 188,281)       |
| Increase (decrease) in accounts payable and other liabilities | <b>925,596</b>                         | 15,500           | ( 32,156)        |
| Cash used in operations                                       | ( <b>1,238,215</b> )                   | ( 2,594,291)     | ( 2,106,501)     |
| Income tax paid                                               | ( <b>3,708</b> )                       | —                | —                |
| Interest received - note 5                                    | <b>315</b>                             | 518              | 553              |
| Net cash used in operating activities                         | ( <b>1,241,608</b> )                   | ( 2,593,773)     | ( 2,105,948)     |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                    |                                        |                  |                  |
| Collection of advances to related parties - note 11           | <b>1,061,929</b>                       | 3,153,843        | 2,263,311        |
| Additional advances to related parties - note 11              | —                                      | —                | ( 80,000)        |
| Net cash provided by investing activities                     | <b>1,061,929</b>                       | 3,153,843        | 2,183,311        |
| <b>CASH FLOW FROM FINANCING ACTIVITY</b>                      |                                        |                  |                  |
| Payment of lease liability - note 11                          | ( <b>150,000</b> )                     | ( 150,000)       | ( 150,000)       |
| <b>NET INCREASE (DECREASE) IN CASH</b>                        | ( <b>329,679</b> )                     | 410,070          | ( 72,637)        |
| <b>CASH - note 5</b>                                          |                                        |                  |                  |
| At beginning of year                                          | <b>625,346</b>                         | 215,276          | 287,913          |
| At end of year                                                | <b>₱ 295,667</b>                       | <b>₱ 625,346</b> | <b>₱ 215,276</b> |

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

## **FORUM PACIFIC, INC.**

### **Notes to Financial Statements**

As at December 31, 2021 and 2020 and for each of the three years  
in the period ended December 31, 2021

#### **1. CORPORATE INFORMATION**

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

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

The accompanying financial statements of the Company as at and for the year ended December 31, 2021 including its comparatives for 2020 and 2019 were approved and authorized for issue by its Board of Directors (BOD) on April 11, 2022.

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

##### *Management's Assessment of the Going Concern Assumption*

To continue as a going concern, the officers and major stockholders of the Company have committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

##### *Business Plans*

The COVID-19 pandemic and the ensuing home quarantine has triggered an economic slowdown for the country. Despite the curtailment of worldwide travel and the hesitancy of global investors to venture into new projects, the Company is hopeful that the business environment will recover over the coming years, now that the vaccination efforts of the government are bearing fruit. For the coming year 2022, the Company plans to undertake the following:

- The investment made during 2017 in Taguig Lake City Development Corporation (TLCDC), a corporation engaged in the real estate industry, is starting to show some results, now that the Laguna Lake Development Authority has responded positively to the Company's proposals to rehabilitate the Laguna De Bay. The Company will continue to support the progress of TLCDC in this regard.
- Further scan for business target projects, and welcome other business opportunities from different industries apart from oil and gas and mineral exploration.

- Evaluate potential buyers to buy out investment with Forum Exploration Inc. or enter into partnership with potential buyers
- Actively looking into the traditional energy business, concentrating on cheap and consistent coal power for the country's base loads.
- Consider investing into potential renewable energy sources like solar power, ethane, biofuels, hydro, wind and geothermal energy
- Conduct research and feasibility studies on renewable projects, albeit utilizing more stringent investment hurdles, given that renewable energy projects produce power at higher pricing levels as compared to traditional energy sources.
- Evaluate advances to affiliates and design collection programs to improve the Company's financial status. As at December 31, 2021 and 2020, the Company has existing contracts with The Wellex Group Inc. (TWGI) to collect outstanding advances (see Note 11).
- Evaluate calling for the remaining stock subscription as source of fund for future projects, with the aim of utilizing this process as a tool to fund capital intensive endeavors.

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **Statement of Compliance**

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

#### **Basis of Preparation**

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

## **Functional and Presentation Currency**

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

## **Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2021.

*COVID-19-related Rent Concessions beyond June 30, 2021 (Amendments to PFRS 16).* The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria: (a) the rent concession is a direct consequence of COVID-19; (b) the change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change; (c) any reduction in lease payments affects only payments originally due on or before June 30, 2022; and (d) there is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Company adopted the amendments beginning April 1, 2021. As there is no rent concessions granted to the Company as a lessee, these amendments had no impact on the financial statements.

*Interest Rate Benchmark Reform – Phase 2 (Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16).* The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Company shall also disclose information about: (a) the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and (b) their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively. These amendments had no impact on the financial statements of the Company.

### **New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2021**

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

*Reference to the Conceptual Framework (Amendments to PFRS 3).* Minor amendments were made to PFRS 3, Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets and Philippine Interpretation IFRIC 21, Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022.

*Property, Plant and Equipment: Proceeds before Intended Use (Amendments to PAS 16).* The amendments to PAS 16, Property, Plant and Equipment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The amendments are effective for annual periods beginning on or after January 1, 2022.

*Onerous Contracts – Cost of Fulfilling a Contract (Amendments to PAS 37).* The amendment to PAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

The above amendments are effective for annual periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

### *Annual Improvements to PFRS Standards 2018–2020*

- PFRS 9, *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- PFRS 16, *Leases – Lease Incentives* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* – allows subsidiaries that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.
- PAS 41, *Agriculture, Taxation in Fair Value Measurements* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under PAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The annual improvements are effective for annual periods beginning on or after January 1, 2022.

*Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12).* The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The annual improvements are effective for annual periods beginning on or after January 1, 2023.

An entity intends to apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Company.

*Definition of Accounting Estimates (Amendments to PAS 8).* The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

*Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2).* The narrow-scope amendments PAS 1, *Presentation of Financial Statements* require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also clarify the following: (1) accounting policy information may be material because of its nature, even if the related amounts are immaterial; (2) accounting policy is material if users of an entity's financial statements would need it to understand other material information in the statements; and (3) if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Further, the amendment provides several paragraphs to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

The amendment is applied prospectively. The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2.

*Classification of Liabilities as Current or Non-current (Amendments to PAS 1).* The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice.

*PFRS 17, Insurance Contracts.* PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. The new standard is not applicable to the Company since it has no activities that are predominantly connected with insurance or issue insurance contracts.

#### *Deferred Effectivity*

*PFRS 10, Consolidated Financial Statements and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)*. The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the FRSC deferred the original effective date of April 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Company has not early adopted the previously mentioned new, amended and improved accounting standards and interpretations. The Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to January 1, 2021 on its financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Company's financial statements when these amendments are adopted.

#### **Determination of Fair Value and Fair Value Hierarchy**

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

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

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

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

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

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

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

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

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

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

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

Fair value measurement disclosures of financial and non-financial assets are presented in Note 18 to the financial statements.

#### **“Day 1” difference**

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

## **Financial Instruments**

### *Initial recognition, measurement and classification*

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

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

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

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

### *Financial assets at amortized cost*

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

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

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

As at December 31, 2021 and 2020, included under financial assets at amortized cost are the Company's cash and advances to related parties (see Notes 5 and 11).

### *Cash*

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

### *Advances to related parties*

Advances to related parties represent promissory notes from TWGI and Forum Exploration Inc. (FEI) which represents cash advance for working capital and value of exploration of assets transferred to the Company.

### *Equity instruments designated at FVOCI*

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

As at December 31, 2021 and 2020, the Company elected to classify irrevocably its quoted and unquoted equity investments under this category (see Note 7).

### *Financial liabilities at amortized cost*

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

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

As at December 31, 2021 and 2020, included in financial liabilities at amortized cost are the Company's accounts payable and other liabilities (excluding government liabilities), lease liability and advances from a related party (see Notes 9 and 11).

*Accounts payable and other liabilities*

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

*Lease liability*

Lease liability represents the Company's obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value is effectively treated as a financial liability which is measured at amortized cost, using the incremental borrowing rate of the Company.

*Advances from a related party*

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

**Offsetting of Financial Instruments**

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

**Derecognition of Financial Instruments**

*Financial assets*

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

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

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

### *Financial liabilities*

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

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

### **Impairment of Financial Assets**

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

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

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

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

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

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

*Significant increase in credit risk*

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

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

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

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

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

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

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

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

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

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

#### *Definition of default*

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

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

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

### *Credit-impaired financial assets*

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

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

### *Write-off policy*

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

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

### **Input Tax**

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

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

### **Right-of-use Asset**

Right-of-use asset represents lessee's right to use an asset over the lease term.

The Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is initially measured at cost which includes the amount of lease liability recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use asset is depreciated on a straight-line basis over the lease term of two years which is shorter than its estimated useful life.

When right-of-use are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

### **Impairment of Non-Financial Assets**

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

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

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

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

### **Retirement Benefits**

The Company does not provide any retirement benefits because it does not have any employee. The Company's administrative functions are performed by TWGL.

## **Income Taxes**

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

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

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

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

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

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

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

## **Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined generally, the Company uses its incremental borrowing rate as the discount rate. The weighted average rate applied is 19.6%.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company elects to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

### **Related Parties and Related Party Transactions**

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

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

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

## **Equity**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are measured (initial and subsequent) at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and time value of money is material, the initial measurement is on a present value basis.

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

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

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

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

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

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

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

## **Revenue Recognition**

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

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

### **Cost and Expense Recognition**

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

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

### **Foreign Currency Denominated Transactions**

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

### **Basic Income (Loss) Per Share**

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

### **Provisions and Contingencies**

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

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

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

#### **Events after the Reporting Date**

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

#### **4. SIGNIFICANT ACCOUNTING JUDGMENTS, AND 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**

###### *Leases*

The Company has entered into contracts of lease for its office space it occupies. The Company determines the contract if there is a substance of lease. In determining the substance of the lease, the Company considered, among others, whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Based on management judgment, the Company's lease for its office space has substance of lease, thus, the Company recognized right-of-use asset representing the right to use the leased asset and lease liability representing its obligation to make lease payments.

##### **Significant Accounting Estimates and Assumptions**

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

*Impairment of input tax*

Management believes that the recoverability of input tax is doubtful since the Company is not expecting income subject to output tax in the near future. Consequently, the Company has provided full valuation allowance of its input tax in 2021 and 2020.

The Company's input tax amounted to ₱2,416,747 and ₱2,236,548 as at December 31, 2021 and 2020, respectively (see Note 6).

*Deferred tax assets*

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Due to non-operation of the Company, management expects that the Company will continue to incur losses and the related deferred tax assets will not be utilized in the near future. The Company's unrecognized deferred tax assets are fully disclosed in Note 14.

The Company's unrecognized deferred tax assets amounted to ₱6,849,279 and ₱9,167,731 as at December 31, 2021 and 2020, respectively (see Note 14).

*Allowance for impairment of advances to related parties*

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

Advances to related parties amounted to ₱252,203,951 and ₱247,332,685, net of allowance for impairment loss of ₱221,205,384 as at December 31, 2021 and 2020, respectively (see Note 11).

*Allowance for impairment on financial assets at FVOCI*

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

The Company's financial assets at FVOCI amounted to ₱91,311,816 and ₱87,045,108, net of allowance amounted to ₱20,000,000 as at December 31, 2021 and 2020, respectively (see Note 7).

**5. CASH**

Cash represents cash in bank with outstanding balance of ₱295,667 and ₱625,346 as at December 31, 2021 and 2020, respectively. Interest income earned from bank deposits were ₱315, ₱518 and ₱553 for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 13).

Cash in bank generally earns interest at annual rates based on daily bank deposit rates ranging from 0.125% to 0.25% per annum in 2021 and 2020.

There is no restriction on the Company's cash in bank as at December 31, 2021 and 2020.

**6. PREPAYMENTS AND OTHER CURRENT ASSETS (net)**

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

|                                        | 2021         | 2020         |
|----------------------------------------|--------------|--------------|
| Input tax                              | ₱ 2,416,747  | ₱ 2,236,548  |
| Less: Valuation allowance on input tax | ( 2,416,747) | ( 2,236,548) |
|                                        | —            | —            |
| Other current assets                   | 38,213       | 38,213       |
|                                        | ₱ 38,213     | ₱ 38,213     |

Movements in the allowance on input tax are as follows:

|                                     | 2021        | 2020        |
|-------------------------------------|-------------|-------------|
| Balance at beginning of the year    | ₱ 2,236,548 | ₱ 2,034,385 |
| Provision during the year – note 13 | 180,199     | 202,163     |
| Balance at end of year              | ₱ 2,416,747 | ₱ 2,236,548 |

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

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

## 7. FINANCIAL ASSETS AT FVOCI

Financial assets at FVOCI as at December 31 consist of:

|                                          | 2021                | 2020         |
|------------------------------------------|---------------------|--------------|
| <b>Unquoted shares</b>                   |                     |              |
| Balance at beginning and end of the year | <b>₱ 65,711,573</b> | ₱ 65,711,573 |
| <b>Quoted shares</b>                     |                     |              |
| Cost                                     | <b>7,529,480</b>    | 7,529,480    |
| Unrealized fair value gain               | <b>18,070,763</b>   | 13,804,055   |
|                                          | <b>25,600,243</b>   | 21,333,535   |
|                                          | <b>₱ 91,311,816</b> | ₱ 87,045,108 |

Investment in unquoted shares of stock represents ownership of the Company in FEI (see Note 11) and TLCDC. These investments are classified as financial assets at FVOCI as the Company does not participate in the financial and operating policy of the investee would which manifest control, joint control or significant influence. The Company believes that the carrying amount of these unquoted shares of stock approximates fair value.

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

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

|                                    | 2021               | 2020         | 2019         |
|------------------------------------|--------------------|--------------|--------------|
| At beginning of year               | <b>₱13,804,055</b> | ₱ 14,055,038 | ₱ 16,062,900 |
| Fair value changes during the year | <b>4,266,708</b>   | ( 250,983)   | ( 2,007,862) |
| At end of year                     | <b>₱18,070,763</b> | ₱ 13,804,055 | ₱ 14,055,038 |

The Company's financial assets at FVOCI as at December 31, 2021 and 2020 are not held as collateral for its financial liabilities.

**8. RIGHT-OF-USE ASSET (net)**

The reconciliation of right-of-use asset for the years ended December 31 are as follows:

|                                          | 2021             | 2020       |
|------------------------------------------|------------------|------------|
| <b>Cost</b>                              |                  |            |
| Balance at beginning of year             | <b>₱ 230,283</b> | ₱ 216,701  |
| Additions                                | –                | 230,283    |
| Write-off                                | –                | ( 216,701) |
| Balance at end of year                   | <b>230,283</b>   | 230,283    |
| <b>Accumulated depreciation</b>          |                  |            |
| At beginning of year                     | <b>76,761</b>    | 180,584    |
| Depreciation – note 12                   | <b>115,142</b>   | 112,878    |
| Write-off                                | –                | ( 216,701) |
| At end of year                           | <b>191,903</b>   | 76,761     |
| <b>Net carrying amounts, December 31</b> | <b>₱ 38,380</b>  | ₱ 153,522  |

Based on the impairment review of the Company's right-of-use asset, the Company believes that there is no indication of impairment on its right-of-use asset as at December 31, 2021 and 2020.

**9. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

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

|                     | 2021               | 2020      |
|---------------------|--------------------|-----------|
| Deferred output VAT | <b>₱ 741,649</b>   | ₱ –       |
| Accrued expenses    | <b>515,847</b>     | 331,900   |
| Withholding taxes   | <b>8,625</b>       | 8,625     |
|                     | <b>₱ 1,266,121</b> | ₱ 340,525 |

Accrued expenses pertain to unpaid professional fees.

Accounts payable pertains to the amount due to supplier's payable within one year and do not bear any interest.

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

## 10. CAPITAL STOCK

Details of the Company's capital stock as at December 31, 2021 and 2020 are as follows:

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

The Company has one class of common shares which carry no right to fixed income. No movement in the capital stock of the Company in 2021 and 2020 reporting periods. There were no shares of the Company reserved for issue under options and contracts for the sale of shares as at December 31, 2021 and 2020.

### *Track record of registration of securities*

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

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

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

The Company has 1.5 billion shares listed and traded in the PSE as at December 31, 2021 and 2020.

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

|                          |               |
|--------------------------|---------------|
| <b>December 31, 2021</b> | <b>₱0.270</b> |
| December 31, 2020        | 0.225         |
| December 31, 2019        | 0.212         |

The Company has 862 and 865 stockholders as at December 31, 2021 and 2020, 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. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting arrangement.

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

| Related parties and relationships | Amount of transactions |              | Outstanding receivable |               | Terms and Condition           |
|-----------------------------------|------------------------|--------------|------------------------|---------------|-------------------------------|
|                                   | 2021                   | 2020         | 2021                   | 2020          |                               |
| <u>With common key management</u> |                        |              |                        |               |                               |
| <b>TWGI</b>                       |                        |              |                        |               |                               |
| Cash advance                      | (₱359,929)             | (₱2,451,843) | ₱ 295,597,848          | ₱296,659,777  | (a) Unsecured,                |
| Interest income                   | 5,933,195              | 247,216      | 6,180,411              | 247,216       | (a) Partially impaired        |
| Consultancy agreement             | (480,000)              | ( 480,000)   | —                      | —             | (a)                           |
| Rental and utilities              | (222,000)              | ( 222,000)   | —                      | —             | (a)                           |
| <b>FEI</b>                        |                        |              |                        |               |                               |
| Transfer of assets                | —                      | —            | 171,631,076            | 171,631,076   | (b) Unsecured, Fully impaired |
|                                   | 4,871,266              | (2,906,627)  | 473,409,335            | 468,538,069   |                               |
| Impairment loss                   | —                      | —            | (221,205,384)          | (221,205,384) |                               |
|                                   | ₱4,871,266             | (₱2,906,627) | ₱ 252,203,951          | ₱ 247,332,685 |                               |
|                                   |                        |              |                        |               |                               |
| Related parties and relationships | Amount of transactions |              | Outstanding payable    |               | Terms and Condition           |
|                                   | 2021                   | 2020         | 2021                   | 2020          |                               |
| <u>With common key management</u> |                        |              |                        |               |                               |
| <b>FEI, Ltd.</b>                  |                        |              |                        |               |                               |
| Cash advance for working capital  | ₱ —                    | ₱ —          | ₱ 4,228,951            | ₱ 3,982,175   | (c) Unsecured                 |

(a) Advances to TWGI

On December 16, 2020, TWGI issued a new promissory note amounting to P296,659,777 in favor of the Company. The term of the loan is five years maturing on December 15, 2025, bearing an interest of 2% per annum. Accrued interest receivable for this promissory note amounted to P6,180,411 and P247,216 as at December 31, 2021 and 2020, respectively.

To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

- The Company leases an office space from TWGI in May 2014. The lease is for a period of two years but renewable thereafter upon mutual agreement of both parties. The contract has been renewed thrice since then and is currently valid until April 30, 2022.

Utilities expense charged to operations amounted to ₱72,000 for the years ended December 31, 2021, 2020 and 2019 (see Note 12).

The Company recognized the asset as ‘right-of-use asset’ and corresponding lease liability.

The present value of the lease liability as at December 31 is as follows:

|            | 2021            | 2020             |
|------------|-----------------|------------------|
| Current    | ₱ 41,806        | ₱ 118,567        |
| Noncurrent | –               | 41,806           |
|            | <b>₱ 41,806</b> | <b>₱ 160,373</b> |

The future minimum lease payments as at December 31 are as follows:

|                                                   | 2021            | 2020             |
|---------------------------------------------------|-----------------|------------------|
| Not later than one year                           | ₱ 50,000        | ₱ 150,000        |
| Later than one year but not later than five years | –               | 50,000           |
| Future minimum lease payments                     | 50,000          | 200,000          |
| Amounts representing finance charges              | ( 8,194)        | ( 39,627)        |
|                                                   | <b>₱ 41,806</b> | <b>₱ 160,373</b> |

The net carrying amount of the right-of-use asset recognized as at December 31, 2021 and 2020 is disclosed in Note 8.

Total finance costs charged to operations amounted to ₱31,433, ₱40,000 and ₱37,677 for the years ended December 31, 2021, 2020 and 2019, respectively.

- 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. The contract has been renewed four times since then and is currently valid until April 30, 2022. Total management fee charged to operations amounted to ₱480,000 for the years ended December 31, 2021, 2020 and 2019 (see Note 12).

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

*(b) Advances to FEI*

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

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

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

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

As at December 31, 2021 and 2020, FEI has not yet returned the value of the exploration assets that the Company transferred.

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

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

|                                                   | 2021               | 2020        |
|---------------------------------------------------|--------------------|-------------|
| At beginning of year                              | <b>₱ 3,982,175</b> | ₱ 4,198,767 |
| Unrealized foreign exchange loss (gain) – note 13 | <b>246,776</b>     | ( 216,592)  |
| At end of year                                    | <b>₱ 4,228,951</b> | ₱ 3,982,175 |

*(d) Remuneration to key management personnel*

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

*(e) Others*

The Company's administrative functions are performed by TWGL.

## 12. COSTS AND EXPENSES

Cost and expenses for the years ended December 31 consists of:

|                           | 2021               | 2020               | 2019               |
|---------------------------|--------------------|--------------------|--------------------|
| Professional fees         | ₱ 900,000          | ₱ 790,000          | ₱ 782,000          |
| Management fees – note 11 | 480,000            | 480,000            | 480,000            |
| Membership fees and dues  | 264,850            | 272,699            | 262,399            |
| Depreciation – note 8     | 115,142            | 112,878            | 108,350            |
| Publication fees          | 114,400            | 156,728            | –                  |
| Utilities – note 11       | 72,000             | 72,000             | 72,000             |
| Donation                  | 30,000             | 516,000            | 15,000             |
| Taxes and licenses        | 19,271             | 20,306             | 19,452             |
| Travel and transportation | 9,090              | 2,915              | 35,779             |
| Office supplies           | 2,881              | 15,942             | 77,309             |
| Communication             | –                  | –                  | 39,821             |
| Miscellaneous             | 91,120             | 83,478             | 102,304            |
|                           | <b>₱ 2,098,754</b> | <b>₱ 2,522,945</b> | <b>₱ 1,994,414</b> |

Membership fees and dues include annual PSE listing and registration.

Miscellaneous expense mainly consists of website maintenance fees.

## 13. OTHER INCOME (EXPENSES) - net

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

|                                                   | 2021               | 2020             | 2019              |
|---------------------------------------------------|--------------------|------------------|-------------------|
| Interest income                                   |                    |                  |                   |
| Advances to related parties – note 11             | ₱ 5,933,195        | ₱ 247,216        | ₱ –               |
| Cash in bank – note 5                             | 315                | 518              | 553               |
| Unrealized foreign exchange gain (loss) – note 11 | ( 246,776)         | 216,592          | 161,284           |
| Provision for impairment on input tax – note 6    | ( 180,199)         | ( 202,163)       | ( 192,518)        |
|                                                   | <b>₱ 5,506,535</b> | <b>₱ 262,163</b> | <b>(₱ 30,681)</b> |

#### 14. INCOME TAXES

##### *Reconciliation of tax expense*

The reconciliation of income (loss) before income tax computed at the regular corporate income tax rate to the provision for (benefit from) income tax as shown in the statement of comprehensive income is as follows:

|                                            | 2021               | 2020           | 2019         |
|--------------------------------------------|--------------------|----------------|--------------|
| Income (loss) before income tax            | <b>₱ 3,376,348</b> | (₱ 2,300,782)  | (₱2,062,772) |
| Income tax benefit at statutory rate:      | <b>₱ 844,087</b>   | (₱ 690,235)    | (₱ 618,832)  |
| Income tax effect on:                      |                    |                |              |
| Interest income subjected to final tax     | ( 78)              | ( 155)         | ( 166)       |
| Nondeductible expense                      | <b>7,500</b>       | –              | –            |
| Expired NOLCO                              | –                  | 779,086        | 841,516      |
| Change in unrecognized deferred tax assets | ( 791,321)         | ( 84,615)      | ( 223,710)   |
| Change in income tax rate                  | ( 893)             | –              | –            |
|                                            | <b>₱ 59,295</b>    | <b>₱ 4,081</b> | (₱ 1,192)    |

The composition of deferred tax assets (net) and liability as at December 31 is as follows:

|                                             | 2021               | 2020            |
|---------------------------------------------|--------------------|-----------------|
| <b>Deferred tax assets</b>                  |                    |                 |
| Impairment loss on financial asset at FVOCI | <b>₱ 5,000,000</b> | ₱ 6,000,000     |
| NOLCO                                       | <b>673,145</b>     | 1,956,649       |
| Provision for input VAT                     | <b>604,186</b>     | 670,964         |
| Unrealized foreign exchange loss            | <b>507,672</b>     | 535,174         |
| MCIT                                        | <b>64,276</b>      | 4,944           |
| Lease liability                             | <b>10,451</b>      | 48,112          |
|                                             | <b>6,859,730</b>   | 9,215,843       |
| Unrecognized deferred tax assets            | ( 6,849,279)       | ( 9,167,731)    |
|                                             | <b>₱ 10,451</b>    | <b>₱ 48,112</b> |
| <b>Deferred tax liability</b>               |                    |                 |
| Right-of-use asset                          | (₱ 9,595)          | (₱ 46,057)      |

The Company has deductible temporary differences that are available for offset against future taxable income for which no deferred tax assets have been recognized in the financial statements. Deferred tax assets of the temporary differences amounting to ₱6,849,279 and ₱9,167,731 in 2021 and 2020, respectively, were not recognized as management believes that it is more likely than not, that the carry-forward benefits will not be realized in the future.

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

As at December 31, 2021, the Company has NOLCO that can be claimed as deduction from future taxable income as follows:

| Year Incurred | Expiration Date | Beginning balance | Additions | Expired | Claimed      | Ending balance |
|---------------|-----------------|-------------------|-----------|---------|--------------|----------------|
| 2020          | 2025            | ₱2,312,852        | ₱ –       | ₱ –     | ₱ –          | ₱2,312,852     |
| 2019          | 2022            | 2,036,064         | –         | –       | ( 1,656,337) | 379,727        |
| 2018          | 2021            | 2,173,246         | –         | –       | ( 2,173,246) | –              |
|               |                 | ₱6,522,162        | ₱ –       | ₱ –     | (₱3,829,583) | ₱2,692,579     |

As at December 31, 2021, the Company's MCIT that can be claimed as deduction from future income tax payable as follows:

| Year of Incurrence | Year of Expiry | Beginning balance | Additions | Expired/ Applied | Ending balance |
|--------------------|----------------|-------------------|-----------|------------------|----------------|
| 2020               | 2023           | ₱ 4,944           | ₱ –       | ₱ –              | ₱ 4,944        |
| 2021               | 2024           | –                 | 59,332    | –                | 59,332         |
|                    |                | ₱ 4,944           | ₱ 59,332  | ₱ –              | ₱ 64,276       |

On March 26, 2021, the Republic Act (RA) 11534, known as “The Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE Act), was passed into law. The salient provisions of the CREATE Act applicable to the Company are as follow:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023;
3. The imposition of improperly accumulated earnings is repealed.

The impact of the CREATE Act in the Company's financial statements as at and for the year ended December 31, 2020 are as follows:

|                                           | National Internal Revenue Code (NIRC) of 1997 | CREATE Act*  | Impact of CREATE Act |
|-------------------------------------------|-----------------------------------------------|--------------|----------------------|
| <b>Statement of Financial Position</b>    |                                               |              |                      |
| Deferred tax assets                       | ₱ 9,215,843                                   | ₱ 7,679,455  | ₱1,536,388           |
| Unrecognized DTA                          | ( 9,167,731)                                  | ( 7,639,362) | (1,528,369)          |
| Deferred tax liability                    | (46,057)                                      | (38,380)     | 7,677                |
| <b>Statement of Comprehensive Income</b>  |                                               |              |                      |
| Provision for income tax - current (MCIT) | 4,944                                         | 3,708        | 1,236                |
| Provision for income tax – deferred       | (863)                                         | (520)        | (343)                |

\*Starting July 1, 2020, RCIT is at 25% and MCIT at 1%

## 15. INCOME (LOSS) PER SHARE

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

|                                                                      | 2021                 | 2020          | 2019          |
|----------------------------------------------------------------------|----------------------|---------------|---------------|
| Net income (loss) for the year                                       | <b>₱ 3,317,053</b>   | (₱ 2,304,863) | (₱ 2,061,580) |
| Weighted average number of common shares outstanding during the year | <b>1,171,486,871</b> | 1,171,486,871 | 1,171,486,871 |
|                                                                      | <b>₱ 0.003</b>       | (₱ 0.002)     | (₱ 0.002)     |

## 16. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

### *Credit risk*

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

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

The Company current credit risk grading framework is as follows:

| Category   | Description                                                                                                    | Basis for recognizing ECL          | Base | Minimum allowance for credit losses | Stage |
|------------|----------------------------------------------------------------------------------------------------------------|------------------------------------|------|-------------------------------------|-------|
| Performing | The counterparty has a low risk of default and does not have any past due amounts                              | 12-month ECL                       | 0%   | 0%                                  | 1     |
| Doubtful   | Amount is 1-30 days past due or there has been a significant increase in credit risk since initial recognition | Lifetime ECL – not credit-impaired | 25%  | 1%                                  | 2     |
|            | Amount is 31-90 days past due or there is evidence indicating the asset is credit-impaired                     | Lifetime ECL – not credit-impaired | 25%  | 5%                                  | 2     |

|            |                                                                                                                                      |                                    |      |      |   |
|------------|--------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------|------|---|
|            | Amount is 91-180 days past due or there is evidence indicating the asset is credit-impaired                                          | Lifetime ECL – not credit-impaired | 25%  | 10%  | 2 |
|            | Amount is 181-360 days past due or there is evidence indicating the asset is credit-impaired                                         | Lifetime ECL – not credit-impaired | 25%  | 12%  | 2 |
| In default | Amount is over 1 year to 2 years past due or there is evidence indicating the asset is credit-impaired                               | Lifetime ECL – credit-impaired     | 50%  | 15%  | 3 |
|            | Amount is over 2 years to 3 years past due or there is evidence indicating the asset is credit-impaired                              | Lifetime ECL – credit-impaired     | 100% | 15%  | 3 |
|            | Amount is over 3 years to 5 years past due or there is evidence indicating the asset is credit-impaired                              | Lifetime ECL – credit-impaired     | 100% | 50%  | 3 |
| Write off  | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery | Amount is written off              | 100% | 100% | 3 |

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

| December 31, 2021                         |                          |                       |                 |                     |
|-------------------------------------------|--------------------------|-----------------------|-----------------|---------------------|
|                                           | Basis of recognizing ECL | Gross carrying amount | Loss allowance  | Net carrying amount |
| Cash in bank– note 5 (a)                  |                          | ₱ 295,667             | ₱ –             | ₱ 295,667           |
| Advances to related parties – note 11 (b) | Lifetime ECL             | 473,409,335           | ( 221,205,384)  | 252,203,951         |
| Total                                     |                          | ₱ 473,705,002         | (₱ 221,205,384) | ₱ 252,499,618       |

| December 31, 2020                         |                          |                       |                |                     |
|-------------------------------------------|--------------------------|-----------------------|----------------|---------------------|
|                                           | Basis of recognizing ECL | Gross carrying amount | Loss allowance | Net carrying amount |
| Cash in bank– note 5 (a)                  |                          | ₱ 625,346             | ₱ –            | ₱ 625,346           |
| Advances to related parties – note 11 (b) | Lifetime ECL             | 468,538,069           | ( 221,205,384) | 247,332,685         |
| Total                                     |                          | ₱ 469,163,415         | (₱221,205,384) | ₱247,958,031        |

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

(a) *Cash in bank*

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

*(b) Advances to related parties*

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

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

On that basis, the loss allowance as at December 31, 2021 and 2020 was determined based on Company's credit risk grading framework, as follows for advances to related parties:

| <b>December 31, 2021</b> | <b>ECL<br/>rate</b> | <b>Cash in bank</b> | <b>Advances to<br/>related parties</b> | <b>Total</b>         | <b>ECL</b>          |
|--------------------------|---------------------|---------------------|----------------------------------------|----------------------|---------------------|
| Performing               | 0%                  | <b>₱ 295,667</b>    | <b>₱301,778,259</b>                    | <b>₱302,073,926</b>  | <b>₱49,574,308*</b> |
| Doubtful                 |                     | —                   | —                                      | —                    | —                   |
| 1-30 days                | 0.25%               | —                   | —                                      | —                    | —                   |
| 31-90 days               | 1.25%               | —                   | —                                      | —                    | —                   |
| 91-180 days              | 2.50%               | —                   | —                                      | —                    | —                   |
| 181-360 days             | 3.00%               | —                   | —                                      | —                    | —                   |
| In default               |                     |                     |                                        |                      |                     |
| 1-2 years                | 7.50%               | —                   | —                                      | —                    | —                   |
| 2-3 years                | 15.00%              | —                   | —                                      | —                    | —                   |
| 3-5 years                | 50.00%              | —                   | —                                      | —                    | —                   |
| Write-off                | 100%                | —                   | <b>171,631,076</b>                     | <b>171,631,076</b>   | <b>171,631,076</b>  |
|                          |                     | <b>₱ 295,667</b>    | <b>₱473,409,335</b>                    | <b>₱ 473,705,002</b> | <b>₱221,205,384</b> |

| <b>December 31, 2020</b> | <b>ECL<br/>rate</b> | <b>Cash in bank</b> | <b>Advances to<br/>related parties</b> | <b>Total</b>         | <b>ECL</b>          |
|--------------------------|---------------------|---------------------|----------------------------------------|----------------------|---------------------|
| Performing               | 0%                  | <b>₱ 625,346</b>    | <b>₱ 296,906,993</b>                   | <b>₱ 297,532,339</b> | <b>₱49,574,308*</b> |
| Doubtful                 |                     | —                   | —                                      | —                    | —                   |
| 1-30 days                | 0.25%               | —                   | —                                      | —                    | —                   |
| 31-90 days               | 1.25%               | —                   | —                                      | —                    | —                   |
| 91-180 days              | 2.50%               | —                   | —                                      | —                    | —                   |
| 181-360 days             | 3.00%               | —                   | —                                      | —                    | —                   |
| In default               |                     |                     |                                        |                      |                     |
| 1-2 years                | 7.50%               | —                   | —                                      | —                    | —                   |
| 2-3 years                | 15.00%              | —                   | —                                      | —                    | —                   |
| 3-5 years                | 50.00%              | —                   | —                                      | —                    | —                   |
| Write-off                | 100%                | —                   | <b>171,631,076</b>                     | <b>171,631,076</b>   | <b>171,631,076</b>  |
|                          |                     | <b>₱ 625,346</b>    | <b>₱ 468,538,069</b>                   | <b>₱ 469,163,415</b> | <b>₱221,205,384</b> |

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

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

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

As at December 31, 2021 and 2020, the Company has entered into agreements 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 through continuous collection of advances to related parties which is considered as cash inflow to finance its operation. The Company continuously monitoring forecast and actual cash flows and matching the maturity profiles of liabilities.

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

| <b>December 31, 2021</b>                      | <b>Total</b>       | <b>On demand</b> | <b>Less than three months</b> | <b>3 to12 months</b> | <b>1 to 5 years</b> |
|-----------------------------------------------|--------------------|------------------|-------------------------------|----------------------|---------------------|
| <b>Account payable and other liabilities*</b> | <b>₱ 515,847</b>   | <b>₱ –</b>       | <b>₱ –</b>                    | <b>₱ 515,847</b>     | <b>₱ –</b>          |
| <b>Lease liability</b>                        | <b>41,806</b>      | <b>–</b>         | <b>–</b>                      | <b>41,806</b>        | <b>–</b>            |
| <b>Advances from a related party</b>          | <b>4, 228,951</b>  | <b>–</b>         | <b>–</b>                      | <b>–</b>             | <b>4,228,951</b>    |
|                                               | <b>₱ 4,786,604</b> | <b>₱ –</b>       | <b>₱ –</b>                    | <b>₱ 557,653</b>     | <b>₱ 4,228,951</b>  |
| <b>December 31, 2020</b>                      | <b>Total</b>       | <b>On demand</b> | <b>Less than three months</b> | <b>3 to12 months</b> | <b>1 to 5 years</b> |
| <b>Account payable and other liabilities*</b> | <b>₱ 331,900</b>   | <b>₱ –</b>       | <b>₱ –</b>                    | <b>₱ 331,900</b>     | <b>₱ –</b>          |
| <b>Lease liability</b>                        | <b>160,373</b>     | <b>–</b>         | <b>–</b>                      | <b>118,567</b>       | <b>41,806</b>       |
| <b>Advances from a related party</b>          | <b>3,982,175</b>   | <b>–</b>         | <b>–</b>                      | <b>–</b>             | <b>3,982,175</b>    |
|                                               | <b>₱ 4,474,448</b> | <b>₱ –</b>       | <b>₱ –</b>                    | <b>₱ 450,467</b>     | <b>₱ 4,023,981</b>  |

*\*excluding government liabilities*

The Company's current ratio as at December 31, 2021 and 2020 is 0.24:1 and 1.43:1, respectively. This shows that for every peso of currently maturing liabilities, the Company has a fund of ₱0.24 and ₱1.43 in 2021 and 2020, respectively, to settle its obligations.

***Equity price risk***

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

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

If the price of the financial assets at FVOCI had been 10% higher/lower, other comprehensive income for the years ended December 31, 2021 and 2020 would decrease/increase by ₱9,131,182 and ₱8,704,511, respectively.

***Foreign currency risk***

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

The Company is mainly exposed to foreign currency risk through its advances from a related party of \$82,922 which amounted to ₱4,228,951 and ₱3,982,175 as at December 31, 2021 and 2020, 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 ₱422,895 and ₱398,218 in 2021 and 2020, respectively. Equity as at December 31, 2021 and 2020 would decrease/increase by ₱317,171 and ₱278,753, respectively.

### ***Capital Risk Objective and Management***

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

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

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

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

The gearing ratios as at December 31 were as follows:

|               | 2021               | 2020        |
|---------------|--------------------|-------------|
| Debt          | <b>₱ 5,605,805</b> | ₱ 4,534,074 |
| Cash          | <b>295,667</b>     | 625,346     |
| Net debt      | <b>5,310,138</b>   | 3,908,728   |
| Equity        | <b>338,292,673</b> | 330,708,912 |
| Gearing ratio | <b>0.016:1</b>     | 0.012:1     |

The Company is subject to externally imposed capital requirement amounting to ₱6,250,000 which is the minimum paid-up capital requirement of SEC for mining companies. As at December 31, 2021 and 2020, the Company is in compliance with this externally imposed capital requirement.

## **17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The reconciliation about the changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes for the years ended December 31 is as follows:

|                               | Balance as at<br>January 1,<br>2021 | Effect of<br>foreign<br>exchange rates | Changes from<br>financing cash<br>flows | Balance as at<br>December 31,<br>2021 |
|-------------------------------|-------------------------------------|----------------------------------------|-----------------------------------------|---------------------------------------|
| Advances from a related party | <b>₱3,982,175</b>                   | <b>₱246,776</b>                        | <b>₱ –</b>                              | <b>₱4,228,951</b>                     |
| Lease liability               | <b>160,373</b>                      | <b>–</b>                               | <b>(118,567)</b>                        | <b>41,806</b>                         |
|                               | <b>₱4,142,548</b>                   | <b>₱246,776</b>                        | <b>(₱118,567)</b>                       | <b>₱4,270,757</b>                     |

|                               | Balance as at<br>January 1,<br>2020 | Effect of<br>foreign<br>exchange rates | New leases | Changes from<br>financing cash<br>flows | Balance as at<br>December 31,<br>2020 |
|-------------------------------|-------------------------------------|----------------------------------------|------------|-----------------------------------------|---------------------------------------|
| Advances from a related party | ₱4,198,767                          | (₱216,592)                             | ₱ –        | ₱ –                                     | ₱3,982,175                            |
| Lease liability               | 40,090                              | –                                      | 230,283    | ( 110,000)                              | 160,373                               |
|                               | ₱4,238,857                          | (₱216,592)                             | ₱230,283   | (₱110,000)                              | ₱4,142,548                            |

## 18. FAIR VALUE INFORMATION

### *Assets measured at fair value*

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

|                                  | Fair value as at December 31<br>2021 | 2020         | Fair value<br>hierarchy | Valuation<br>techniques              |
|----------------------------------|--------------------------------------|--------------|-------------------------|--------------------------------------|
| <b>Financial assets at FVOCI</b> | <b>₱25,600,243</b>                   | ₱ 21,333,535 | Level 1                 | Quoted prices in<br>an active market |

### *Assets and liabilities not measured at fair value*

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

|                                  | 2021           |              | 2020           |              | Valuation<br>techniques                     | Fair value<br>hierarchy |
|----------------------------------|----------------|--------------|----------------|--------------|---------------------------------------------|-------------------------|
|                                  | Carrying Value | Fair Value   | Carrying Value | Fair Value   |                                             |                         |
| <b>Financial Asset</b>           |                |              |                |              |                                             |                         |
| Advances to<br>related parties   | ₱252,203,951   | ₱248,086,460 | ₱247,332,685   | ₱241,553,386 | Discounted<br>value of future<br>cash flows | Level 2                 |
| <b>Financial Liabilities</b>     |                |              |                |              |                                             |                         |
| Lease liability                  | ₱ –            | ₱ –          | ₱ 160,373      | ₱ 159,669    | Discounted<br>value of future<br>cash flows | Level 2                 |
| Advances from a<br>related party | 4,228,951      | 4,159,909    | 3,982,175      | ₱ 3,915,147  | Discounted<br>value of future<br>cash flows | Level 2                 |
|                                  | ₱ 4,228,951    | ₱4,159,909   | ₱ 4,142,548    | ₱ 4,074,816  |                                             |                         |

For the long-term financial assets and liabilities, the fair value of the non-interest bearing noncurrent assets and liabilities are determined based on the discounted value of future cash flows using the prevailing credit adjusted PH BVAL for 2021 and 2020 that are specific to the tenor of the instruments' cash flow as at reporting date. Discount rates used are 1.660% in 2021 and 1.712% in 2020.

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

Certain financial assets at FVOCI amounting to ₱65,711,573 as at December 31, 2021 and 2020 are carried at cost less impairment loss since there was no reliable basis for the measurement of the fair value.

## 19. SUPPLEMENTARY INFORMATION REQUIRED BY BUREAU OF INTERNAL REVENUE

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

### a) *Output value-added tax*

The Company has no output VAT since it does not have any income subject to VAT.

### b) *Input value-added tax*

|                                          | <b>2021</b>        |
|------------------------------------------|--------------------|
| At beginning of year                     | <b>₱ 2,236,548</b> |
| Current purchases and payments for:      |                    |
| Domestic purchases of goods and services | <b>180,199</b>     |
|                                          | <b>₱ 2,416,747</b> |

### c) *Importations*

The Company did not pay nor accrue custom duties or tariff fees as the Company did not import any goods or equipment for the year ended December 31, 2021.

### d) *Excise Tax*

The Company did not pay nor accrue any excise tax as there was no related transaction that requires the payment of the said tax for the year ended December 31, 2021.

### e) *Documentary Stamp Tax*

The Company did not pay nor accrue any documentary stamp tax as there was no related transaction that requires the payment of the said tax for the year ended December 31, 2021.

*f) Taxes and licenses*

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

|                         | <b>2021</b>     |
|-------------------------|-----------------|
| Business permits        | <b>₱ 18,271</b> |
| Community tax           | <b>500</b>      |
| BIR Annual registration | <b>500</b>      |
|                         | <b>₱ 19,271</b> |

*g) Withholding taxes*

The total amount of expanded withholding tax accrued and paid is ₱8,625 for the year ended December 31, 2021.

*h) Deficiency tax assessment and tax cases*

The Company had no deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR as at December 31, 2021.

*i. Other information*

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

\* \* \*

**Independent Auditors' Report on  
Components of Financial Soundness Indicators**

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **Forum Pacific, Inc.** (the 'Company') as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 11, 2022. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

**DIAZ MURILLO DALUPAN AND COMPANY**

Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until August 4, 2023

SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and  
valid in the audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:

  
Richard Noel M. Ponce  
Partner

CPA Certificate No. 120457

SEC Accreditation No. 120457-SEC, Group A, issued on March 31, 2022 and  
valid in the audit of 2021 to 2025 financial statements

Tax Identification No. 257-600-228

PTR No. 8867323, January 17, 2022, Makati City

BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

April 11, 2022

**Global Reach, Global Quality**

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Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Philippines • Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029  
Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636  
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Website : [www.dmdcpa.com.ph](http://www.dmdcpa.com.ph)

**FORUM PACIFIC, INC.**  
**SCHEDULE SHOWING FINANCIAL SOUNDNESS**  
**PURSUANT TO REVISED SRC RULE 68**  
**DECEMBER 31, 2021**

| <b>Ratio</b>                                      | <b>Formula</b>                         | <b>2021</b>          | <b>2020</b>          |
|---------------------------------------------------|----------------------------------------|----------------------|----------------------|
| Profitability ratios:<br>Return on assets         | Net income                             | <b>₱ 3,317,053</b>   | <b>₱ –</b>           |
|                                                   | Divided by: Total assets               | <b>343,898,478</b>   | <b>–</b>             |
|                                                   | Return on assets                       | <b>0.01:1</b>        | <b>NA</b>            |
|                                                   |                                        |                      |                      |
| Return on equity                                  | Net income                             | <b>₱ 3,317,053</b>   | <b>₱ –</b>           |
|                                                   | Divided by: Total equity               | <b>338,292,673</b>   | <b>–</b>             |
|                                                   | Return on equity                       | <b>0.01:1</b>        | <b>NA</b>            |
|                                                   |                                        |                      |                      |
| Net profit margin                                 | Net income                             | <b>₱ 3,317,053</b>   | <b>₱ –</b>           |
|                                                   | Divided by: Total revenue              | <b>–</b>             | <b>–</b>             |
|                                                   | Net profit margin                      | <b>NA</b>            | <b>NA</b>            |
|                                                   |                                        |                      |                      |
| Gross profit margin                               | Total revenue                          | <b>₱ –</b>           | <b>₱ –</b>           |
|                                                   | Less: Cost of service                  | <b>–</b>             | <b>–</b>             |
|                                                   | Gross profit                           | <b>–</b>             | <b>–</b>             |
|                                                   | Divided by: Total revenue              | <b>–</b>             | <b>–</b>             |
|                                                   | Gross profit margin                    | <b>NA</b>            | <b>NA</b>            |
|                                                   |                                        |                      |                      |
| Solvency and liquidity ratios:<br>Current ratio   | Current assets                         | <b>₱ 333,880</b>     | <b>₱ 663,559</b>     |
|                                                   | Divided by: Current liabilities        | <b>1,367,259</b>     | <b>464,036</b>       |
|                                                   | Current ratio                          | <b>0.24:1</b>        | <b>1.43:1</b>        |
|                                                   |                                        |                      |                      |
| Debt to equity ratio                              | Total liabilities                      | <b>₱ 5,605,805</b>   | <b>₱ 4,534,074</b>   |
|                                                   | Divided by: Total shareholder's equity | <b>338,292,673</b>   | <b>330,708,912</b>   |
|                                                   | Debt to equity ratio                   | <b>0.02:1</b>        | <b>0.01:1</b>        |
|                                                   |                                        |                      |                      |
| Quick ratio                                       | Quick assets*                          | <b>₱ 295,667</b>     | <b>₱ 625,346</b>     |
|                                                   | Divided by: Current liabilities        | <b>1,367,259</b>     | <b>464,036</b>       |
|                                                   | Quick ratio                            | <b>0.22:1</b>        | <b>1.35:1</b>        |
|                                                   |                                        |                      |                      |
| Cashflow liquidity ratio                          | Cashflow from operations               | <b>(₱ 1,241,608)</b> | <b>(₱ 2,593,773)</b> |
|                                                   | Divided by: Current liabilities        | <b>1,367,259</b>     | <b>464,036</b>       |
|                                                   | Cashflow liquidity ratio               | <b>(0.91:1)</b>      | <b>(5.59:1)</b>      |
|                                                   |                                        |                      |                      |
| Financial leverage ratio<br>Asset to equity ratio | Total assets                           | <b>₱ 343,898,478</b> | <b>₱ 335,242,986</b> |
|                                                   | Divided by: Total shareholder's equity | <b>338,292,673</b>   | <b>330,708,912</b>   |
|                                                   | Asset to equity ratio                  | <b>1.02:1</b>        | <b>1.01:1</b>        |
|                                                   |                                        |                      |                      |
| Debt to asset ratio                               | Total liabilities                      | <b>₱ 5,605,805</b>   | <b>₱ 4,534,074</b>   |
|                                                   | Divided by: Total assets               | <b>343,898,478</b>   | <b>335,242,986</b>   |
|                                                   | Debt to asset ratio                    | <b>0.02:1</b>        | <b>0.01:1</b>        |
|                                                   |                                        |                      |                      |

\*Includes Cash

**Statement Required by Rule 68, Part I, Section 3.F,**  
**Revised Securities Regulation Code (SRC)**

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

We have audited the accompanying financial statements of **Forum Pacific, Inc.** (the 'Company'), as at and for the year ended December 31, 2021, on which we have rendered the attached report dated April 11, 2022. In connection with our audit, we obtained a certification from the Company's corporate secretary as to the number of stockholders and their corresponding shareholdings as at December 31, 2021. In relation to the certification issued by the corporate secretary, we conducted certain tests necessary to validate the related Company's entries and balances.

In compliance with Revised SRC Rule 68 and based on the certification received from the Company's corporate secretary and the results of the work performed, as at December 31, 2021, the Company has eight hundred fifty-four (854) stockholders owning one hundred (100) or more shares each.

**DIAZ MURILLO DALUPAN AND COMPANY**

Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until August 4, 2023

SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and  
valid in the audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:

  
Richard Noel M. Ponce  
Partner

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Tax Identification No. 257-600-228

PTR No. 8867323, January 17, 2022, Makati City

BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

April 11, 2022

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Website : [www.dmdcpa.com.ph](http://www.dmdcpa.com.ph)

**Statement Required by Rule 68, Part I, Section 5,**  
**Revised Securities Regulation Code (SRC)**

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **Forum Pacific, Inc.** (the 'Company') as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 11, 2022. The supplementary information shown in *List of Supplementary Information* are presented for the purpose of filing with the Securities and Exchange Commission and are not required part of basic financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audits of basic financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Revised Securities Regulation Code.

**DIAZ MURILLO DALUPAN AND COMPANY**

Tax Identification No. 003-294-822  
BOA/PRC No. 0234, effective until August 4, 2023  
SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and  
valid in the audit of 2021 to 2025 financial statements  
BIR Accreditation No. 08-001911-000-2022, effective until March 15, 2025

By:

  
Richard Noel M. Ponce  
Partner

CPA Certificate No. 120457  
SEC Accreditation No. 120457-SEC, Group A, issued on March 31, 2022 and  
valid in the audit of 2021 to 2025 financial statements  
Tax Identification No. 257-600-228  
PTR No. 8867323, January 17, 2022, Makati City  
BIR Accreditation No. 08-001911-012-2019, effective until September 29, 2022

April 11, 2022

**Global Reach, Global Quality**

Head Office : 7th Floor, Don Jacinto Building, De la Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines • Phone: +63(2) 894 5892 / 844 9421 / Fax: +63(2) 818 1872  
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Philippines • Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029  
Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636  
Palawan Office : 2F MRC Building, Pineda Road, Brgy. San Pedro, Puerto Princesa City, Palawan 5300 Philippines • Phone +63(48) 716 1580  
Website : [www.dmdcpa.com.ph](http://www.dmdcpa.com.ph)

**FORUM PACIFIC, INC.**  
List of Supplementary Information

**Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68**

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

**Other Required Information**

Reconciliation of Retained Earnings Available for Dividend Declaration

**FORUM PACIFIC, INC.**  
**Schedule A. Financial Asset at Fair Value through Other Comprehensive Income (FVOCI)**  
**December 31, 2021**

| Name of Issuing entity<br>and association of each<br>issue | Number of shares<br>or principal<br>amount of bonds<br>and notes | Amount shown in<br>the balance sheet | Valued based on<br>market quotation at<br>end of reporting<br>period | Income received<br>and accrued |
|------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------|----------------------------------------------------------------------|--------------------------------|
| <b>Financial assets at FVOCI</b>                           |                                                                  |                                      |                                                                      |                                |
| Philippine Estates Corporation                             | 50,196,553                                                       | ₱ 25,600,243                         | ₱ 25,600,243                                                         | ₱ —                            |
| Forum Exploration, Inc.                                    | 62,500,000                                                       | 53,211,573                           | —                                                                    | —                              |
| Taguig Lake City Development Corporation                   | 125,000                                                          | 12,500,000                           | —                                                                    | —                              |
| Total financial assets at FVOCI                            | 112,821,553                                                      | ₱ 91,311,816                         | ₱ 25,600,243                                                         | ₱ —                            |
| Cash in bank                                               | —                                                                | 295,667                              | 295,667                                                              | 315                            |
|                                                            |                                                                  | ₱ 91,607,483                         | ₱ 25,895,910                                                         | ₱ 315                          |

**FORUM PACIFIC, INC.**  
**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal**  
**Stockholders (Other than Affiliates).**  
**December 31, 2021**

|                                   |                                      |             | Deductions           |                        |         | Ending Balance |                             |
|-----------------------------------|--------------------------------------|-------------|----------------------|------------------------|---------|----------------|-----------------------------|
| Name and<br>Designation of debtor | Balance at<br>beginning of<br>period | Additions   | Amounts<br>collected | Amounts<br>written-off | Current | Not Current    | Balance at end<br>of period |
| The Wellex Group, Inc.            | ₱296,906,993                         | ₱ 5,933,195 | ₱1,061,929           | ₱ –                    | ₱ –     | ₱301,778,259   | ₱301,778,259                |
| Forum Exploration, Inc.           | 171,631,076                          | –           | –                    | –                      | –       | 171,631,076    | 171,631,076                 |
| Total                             | ₱468,538,069                         | ₱ 5,933,195 | ₱1,061,929           | ₱ –                    | ₱ –     | ₱473,409,335   | ₱473,409,335                |

**FORUM PACIFIC, INC.**

**Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation  
of Financial Statement  
December 31, 2021**

| Name and<br>Designation<br>of debtor | Balance at<br>beginning of<br>period | Additions | Amounts<br>collected | Amounts<br>written<br>off | Current | Not<br>Current | Balance<br>at end of<br>period |
|--------------------------------------|--------------------------------------|-----------|----------------------|---------------------------|---------|----------------|--------------------------------|
|--------------------------------------|--------------------------------------|-----------|----------------------|---------------------------|---------|----------------|--------------------------------|

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None

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**FORUM PACIFIC, INC.**  
**Schedule D. Long Term Debt**  
**December 31, 2021**

| 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 E. Indebtedness to Affiliates and Related Parties (Long-Term Loans**  
**from Related Companies)**  
**December 31, 2020**

| Name of Affiliates          | Balance at beginning of period | Balance at end of period |
|-----------------------------|--------------------------------|--------------------------|
| Forum Exploration Inc. Ltd. | ₱ 3,982,175                    | ₱ 4,228,951              |

**FORUM PACIFIC, INC.**  
**Schedule F. Guarantees of Securities of Other Issuers**  
**December 31, 2021**

| 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 G. Capital Stock**  
**December 31, 2021**

| Title of<br>Issue | Number of<br>Shares<br>authorized | Number of<br>shares issued<br>and outstanding<br>as shown under<br>related balance<br>sheet caption | Number of<br>shares reserved<br>for options,<br>warrants,<br>conversion and<br>other rights | Number of<br>shares held<br>by affiliates | Directors,<br>officers<br>and<br>employees | Others        |
|-------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------|---------------|
| Common<br>Stock   | 3,500,000,000                     | 1,171,486,871                                                                                       | –                                                                                           | –                                         | 420,802                                    | 1,171,066,068 |

# FORUM PACIFIC, INC.

## Schedule H. List of Top 20 Stockholders of Record December 31, 2021

| Name of Stockholders                | Citizenship | Tax Identification<br>No. | Amount<br>Subscribed  | Percentage<br>to total<br>Outstanding |
|-------------------------------------|-------------|---------------------------|-----------------------|---------------------------------------|
| International Polymer Corporation   | Filipino    | 210-000-232-426           | ₱ 496,887,494         | 26.501                                |
| PCD Nominee Corporation             | Filipino    | 004-774-849-000           | 427,975,374           | 22.825                                |
| The Wellex Group, Inc.              | Filipino    | 004-740-001-000           | 376,950,000           | 20.104                                |
| E.F. Durkee & Associates, Inc.      | Filipino    | 321-002-155-628           | 77,838,563            | 4.151                                 |
| Intra-Invest Sec., Inc.             | Filipino    | 000-162-545-000           | 48,159,000            | 2.568                                 |
| Metropolitan Management Corporation | Filipino    | 470-002-151-280           | 30,000,000            | 1.600                                 |
| Juanito C. Uy                       | Filipino    | 127-179-750-000           | 22,625,001            | 1.207                                 |
| Pacrim Energy N.L.                  | Others      | 324-668-750-000           | 21,000,000            | 1.120                                 |
| Sapphire Securities, Inc.           | Filipino    | 000-511-869-000           | 19,433,500            | 1.036                                 |
| Benito Ong and/or Zita Y. Ong       | Filipino    | 268-192-032-000           | 18,000,000            | 0.960                                 |
| Li Chih-Hui                         | Filipino    | 004-454-732-000           | 17,100,000            | 0.912                                 |
| Nestor S. Mangio                    | Filipino    | 003-754-123-000           | 12,500,000            | 0.667                                 |
| A & A Securities, Inc.              | Filipino    | 000-103-110-000           | 11,911,320            | 0.635                                 |
| Mark Securities Corporation         | Filipino    | 000-544-789-000           | 10,772,800            | 0.575                                 |
| PCD Nominnee Corp.                  | Others      | 004-774-849-000           | 10,470,050            | 0.558                                 |
| Globalinks Sec. & Stocks, Inc.      | Filipino    | 000-849-752-000           | 9,400,000             | 0.501                                 |
| Belson Securities, Inc.             | Filipino    | 000-154-219-000           | 9,200,000             | 0.491                                 |
| Wealth Securities, Inc.             | Filipino    | 000-330-678-000           | 8,240,000             | 0.439                                 |
| Ruben M. Gan                        | Filipino    | 174-154-039-000           | 7,610,000             | 0.406                                 |
| David Go Securities Corporation     | Filipino    | 000-320-855-000           | 6,880,000             | 0.367                                 |
|                                     |             |                           | <u>₱1,642,953,102</u> |                                       |

**FORUM PACIFIC, INC.**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2021**

|                                                                                                                                    |   |                   |
|------------------------------------------------------------------------------------------------------------------------------------|---|-------------------|
| Unappropriated Retained Earnings, as adjusted<br>to available for dividend distribution, beginning                                 | P | —                 |
| <b>Add: Net income actually earned/realized during the period</b>                                                                  |   | <u>—</u>          |
| Net income during the period closed to Retained Earnings                                                                           |   | —                 |
| Less: Non-actual/unrealized income net of tax                                                                                      |   | —                 |
| Equity in net income of associate/joint venture                                                                                    |   | —                 |
| Unrealized foreign exchange gain - net (except those<br>attributable to Cash and Cash Equivalents) Unrealized actuarial<br>gain    |   | —                 |
| Fair value adjustment (M2M gains)                                                                                                  |   | —                 |
| Fair value adjustment of Investment Property resulting to gain                                                                     |   | —                 |
| Adjustment due to deviation from PFRS/GAAP-gain                                                                                    |   | —                 |
| Other unrealized gains or adjustments to the retained earnings as a<br>result of certain transactions accounted for under the PFRS |   | <u>—</u>          |
| Sub-total                                                                                                                          |   | <u>—</u>          |
| <br>Add: Non-actual losses                                                                                                         |   | <br>—             |
| Depreciation on revaluation increment (after tax)                                                                                  |   | —                 |
| Adjustment due to deviation from PFRS/GAAP – loss                                                                                  |   | <u>—</u>          |
| Loss on fair value adjustment of investment property (after tax)                                                                   |   | <u>—</u>          |
| <br><b>Net income actually earned during the period</b>                                                                            |   | <br><b>P</b> —    |
| <br>Add (Less):                                                                                                                    |   |                   |
| Dividend declarations during the period                                                                                            |   | —                 |
| Appropriations of Retained Earnings during the period                                                                              |   | —                 |
| Reversals of appropriations                                                                                                        |   | —                 |
| Effects of prior period adjustments                                                                                                |   | <u>—</u>          |
| <br><b>TOTAL RETAINED EARNINGS</b>                                                                                                 |   | <br><u>—</u>      |
| <b>END AVAILABLE FOR DIVIDEND</b>                                                                                                  |   | <b>P</b> <u>—</u> |

Re: Forum Pacific Inc\_SEC Form 17-Q 2022 Q2\_12Jun2022

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From: ICTD Submission (ictdsubmission+canned.response@sec.gov.ph)

To: forumpacific010393@yahoo.com.ph

Date: Friday, August 12, 2022 at 02:30 PM GMT+8

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Your report/document has been SUCCESSFULLY ACCEPTED by ICTD. (Subject to Verification and Review of the Quality of the Attached Document) Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at [www.sec.gov.ph](http://www.sec.gov.ph)

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#### NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) Secondary Reports such as: 17-A, 17-C, 17-L, 17-Q, ICASR, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT, through email at

[ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph)

Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the ELECTRONIC FILING AND SUBMISSION TOOL (eFAST) such as: AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC\_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please go to SEC website:

<https://apps010.sec.gov.ph>

For your information and guidance.

Thank you and keep safe.

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## Certification

I, Annabelle T. Abunda, Compliance Officer of Forum Pacific, Inc., with SEC registration number AS93000120 with principal office at 35<sup>th</sup> Flr. One Corporate Center, Dona Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

- 1) That on behalf of Forum Pacific, Inc., I have caused this Second (2nd) Quarterly Report SEC Form 17-Q 2022 to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company, Forum Pacific, Inc., will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hands this AUG 12 2022 day of \_\_\_\_\_, 2022.

  
Affiant

TIN: 205-231-659

SUBSCRIBED AND SWORN to before me this AUG 12 2022 day of \_\_\_\_\_, 2022.

  
ATTY. JAMES K. ABUGAN  
NOTARY PUBLIC

Appt. No. 0447-21 Until Dec. 31, 2022  
IBP No. 175123 01/06/2022 Board Chapter  
Roll No. 26890 License  
MCLE No. VII-0020184 (Gen) 4/14/2025  
TIN No. 116-239-136  
PTR No. 4871351 01-480-7922  
Mandaluyong City Tel. No. 02-63452321

MANDALUYONG CITY

Doc No. 12  
Page No. 9  
Book No. 90  
Series of 2022

# COVER SHEET

A S 9 3 0 0 0 1 2 0

SEC Registration No.

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

(Company's Full Name)

3 5 F F L O O R O N E C O R P O R A T E C E N T R E

D O Ñ A J U L I A V A R G A S A V E. C O R.

M E R A L C O A V E. O R T I G A S, P A S I G

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

Atty. Arsenio A. Alfiler, Jr.

Contact Person

(632) 706-7888

Contact Telephone No.

1 2

Fiscal Year

3 1

1 7 - Q

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles  
Number/Section

Total Amount of Borrowings

860

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

2<sup>nd</sup> Quarter Report: FPI

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

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

1. For the Quarter Period ended **June 30, 2022**
2. SEC Identification Number **AS93000120**
3. BIR Tax Identification No. **002-155-598-000**
4. **FORUM PACIFIC, INC.**  
Exact name of registrant as specified in its charter
5. **Metro Manila, Philippines**  
(Province, country or other jurisdiction of incorporation or organization)
6. (SEC Use only)  
Industry Classification Code
7. **35/F One Corporate Centre, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig**  
Address of principal office
8. **Telephone No. 8706-7888**  
Registrant's telephone number, including area code
9. **NOT APPLICABLE**  
**Former name**, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA:

| <u>Title of Each Class</u>      | <u>No. of Shares of Common Stock Outstanding<br/>and Amount of Debt Outstanding</u> |
|---------------------------------|-------------------------------------------------------------------------------------|
| Common Shares – ₱1.00 par value | Issued – ₱1,838,943,246<br>(Partially paid subscription – ₱1,148,264,079)           |

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: ₱200,654,511

14. Not Applicable

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

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

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

#### ☐ Unaudited Income Statements

|                              | <b>April – June<br/>2022</b> | April – June<br>2021 | <b>January – June<br/>2022</b> | January – June<br>2021 |
|------------------------------|------------------------------|----------------------|--------------------------------|------------------------|
|                              | <b>P-</b>                    | <b>P-</b>            | <b>P-</b>                      | <b>P-</b>              |
| Revenues                     |                              |                      |                                |                        |
| Less: Costs and Expenses     | <b>391,890</b>               | 321,350              | <b>948,806</b>                 | 879,458                |
| Loss from Operation          | <b>(391,890)</b>             | (321,350)            | <b>(948,806)</b>               | (879,458)              |
| Add: Other Income/(Expenses) | <b>(299,418)</b>             | (42,980)             | <b>(468,110)</b>               | (160,081)              |
| Loss before Income Tax       | <b>(691,308)</b>             | (364,330)            | <b>(1,416,916)</b>             | (1,039,539)            |
| Income Tax Expense           | -                            | -                    | -                              | -                      |
| Net Loss for the quarter     | <b>(691,308)</b>             | (364,330)            | <b>(1,416,916)</b>             | (1,039,539)            |
| Loss per share               | <b>(P0.0006)</b>             | (P0.0003)            | <b>(P0.0012)</b>               | (P0.0009)              |

#### ☐ Unaudited Balance Sheets

|                                          | <b>As of<br/>June 30, 2022</b> | As of<br>June 30, 2021 | As of<br>December 31, 2021 |
|------------------------------------------|--------------------------------|------------------------|----------------------------|
| Assets                                   | <b>P335,728,215</b>            | P349,312,375           | P343,898,478               |
|                                          |                                |                        |                            |
| Liabilities                              | <b>5,378,011</b>               | 4,333,052              | 5,605,805                  |
| Stockholders' Equity                     | <b>330,350,204</b>             | 344,979,323            | 338,292,673                |
| Total Liabilities & Stockholders' Equity | <b>P335,728,215</b>            | P349,312,375           | P343,898,478               |

#### Interim quarter ended June 30, 2022 compared with quarter ended June 30, 2021

### RESULTS OF OPERATION

#### *Revenues and Loss per share*

Since the Company is exploring business opportunities given the volatile situation of metal and oil prices in the global market, the Company has no revenues for the 2nd quarter of 2022 and 2021.

The Company incurred losses of P0.7 million and P0.4 million for quarters ended June 30, 2022 and 2021, respectively. Loss per share for the 2nd quarter of 2022 and 2021 were P0.0006 and P0.0003, respectively. In line with the plan for the next twelve months, the Board continue to explore business opportunities to aspire for maximized potential earnings.

#### *Costs and Expenses*

Costs and expenses as of 2nd Quarter consisted primarily of donations, dues and subscriptions, miscellaneous, office supplies, professional fees, rental, storage, taxes and licenses and transportation expenses.

Costs and expenses recorded for the 2nd quarter of 2022 and 2021 were P391,890 and P321,350, respectively. Increased of P70,540 or 21.95% in the quarter ended June 30, 2022 versus June 30, 2021 was mainly due to the increase in donations by P26,756, decrease in dues and subscriptions by P2,600, increase in miscellaneous by P2,317, increase in office supplies by P4,464, decrease in professional fee by P20,000, increase in taxes and licenses by P58,074 and increase in transportation by P1,980.

The Company has incurred other expenses amounting to P299,460 and other income amounting to P41.77 in the 2nd Quarter of 2022 and 2021, respectively. Increase in other expenses was due to unrealized forex loss in 2022 as compared in 2021.

## FINANCIAL CONDITION

### Current Assets

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

Balance of cash in bank as of June 30, 2022 and 2021 were ₱268,351 and ₱312,559, respectively. The Company provided full valuation on its input tax as of June 30, 2022 amounting to ₱2,555,655.

### Non-Current Assets

#### Related Party Transaction Account

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

| Related Parties         | Relationship          | Outstanding Balance |               |
|-------------------------|-----------------------|---------------------|---------------|
|                         |                       | June 30, 2022       | June 30, 2021 |
| The Wellex Group, Inc.  | Common key management | <b>₱138,955,480</b> | ₱134,767,336  |
| Forum Exploration, Inc. | Common key management | <b>111,631,076</b>  | 111,631,076   |
| Forum Exploration, Ltd. | Common key management | <b>(4,558,236)</b>  | (4,025,045)   |

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

On December 16, 2020, TWGI issued a new promissory note amounting to ₱296,659,777 in favor of the Company. The term of the loan is five years maturing on December 15, 2025, bearing an interest of 2% per annum. Accrued interest receivable for this promissory note amounted to ₱6,180,411 and ₱247,216 as at June 30, 2022 and 2021, respectively.

To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

The Company leases an office space in May 2014 from The Wellex Group, Inc. (TWGI) located at the 35<sup>th</sup> Floor One Corporate Centre, Doña Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City. The lease is for a period of two years but renewable thereafter upon mutual agreement of both parties. The contract has been rented fourth time since then and is currently valid until April 30, 2024. Office space quarterly rental including storage room usage and utilities is ₱55,500, exclusive of VAT and withholding tax for both periods ended June 30, 2022 and 2021.

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. The contract has been renewed fifth time since then and is currently valid until April 30, 2024. Total management fee charged to operations amounted to ₱120,000 for both periods ended June 30, 2022 and 2021.

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

|                               | 2022                 | 2021          |
|-------------------------------|----------------------|---------------|
| Advances                      | <b>₱300,160,863</b>  | ₱295,972,720  |
| Allowance for impairment loss | <b>(161,205,384)</b> | (161,205,384) |
| Net carrying amount           | <b>₱138,955,480</b>  | ₱134,767,336  |

The Company originally provides allowance for impairment amounting to ₱161,205,384 and ₱161,205,384 as at June 30, 2022 and 2021, respectively, on advances to TWGI prior to agreements entered to settle the outstanding advances. Allowance for impairment will be reversed once the unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

*B. Advances to Forum Exploration Inc. (FEI)*

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company. No transaction in the account balance was recognized for the quarters ended June 30, 2022 and 2021.

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

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

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

|                               | 2022                | 2021         |
|-------------------------------|---------------------|--------------|
| Advances                      | <b>₱171,631,076</b> | ₱171,631,076 |
| Allowance for impairment loss | <b>(60,000,000)</b> | (60,000,000) |
| Net carrying amount           | <b>₱111,631,076</b> | ₱111,631,076 |

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

As at June 30, 2022 and 2021, FEI has not yet returned the value of the exploration assets that the Company transferred.

*C. Advances from Forum (FEI), Ltd.*

The Company received USD denominated cash advances from Forum (FEI), Ltd. with no definite terms of payment. Outstanding balance as at June 30, 2022 and 2021 amounted to ₱4,558,236 and ₱4,025,045, respectively.

*Financial Assets at FVOCI (net)*

*Financial Assets at FVOCI* as at June 30 consist of:

|                                | 2022                | 2021         |
|--------------------------------|---------------------|--------------|
| <b>Unquoted shares</b>         |                     |              |
| Cost                           | <b>₱85,711,574</b>  | ₱85,711,574  |
| Impairment loss                | <b>(20,000,000)</b> | (20,000,000) |
|                                | <b>65,711,574</b>   | 65,711,574   |
| <b>Quoted shares</b>           |                     |              |
| Cost                           | <b>7,529,480</b>    | 7,529,480    |
| Net unrealized fair value gain | <b>11,545,210</b>   | 29,114,003   |
|                                | <b>19,074,690</b>   | 36,643,483   |
|                                | <b>₱84,786,264</b>  | ₱102,355,057 |

Investment in unquoted shares of stock represents ownership of the Company in Forum Exploration, Inc. (FEI) and Taguig Lake City Development Corporation (TLCDC). These investments are classified as financial assets at FVOCI as the Company does not participate in the financial and operating policy of the investee which manifests control, joint control or significant influence. The Company believes that the carrying amount of these quoted shares of stock approximates fair value.

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

The Company's financial assets at FVOCI as at June 30, 2022 and 2021 are not held as collateral for its financial liabilities.

#### *Right-Of-Use Asset (net)*

Right-of-use asset are the asset that represents lessee's right to use an asset over the lease term. The carrying amount of right-of-use is ₱38,380 and ₱153,522 as of June 30, 2022 and 2021, respectively or a decrease by ₱115,141.

The recognition of right-of-use asset has a corresponding lease liability. The present value of the lease liability – current amounted to ₱41,806 and ₱118,567 in 2nd quarters of 2022 and 2021, respectively, with a decrease of ₱76,761 or 64.74% and lease liability – noncurrent amounting to nil and ₱41,806 in 2nd quarters of 2022 and 2021, respectively.

Based in the impairment review of the Company's right-of-use asset, the Company believes that there is no indication of impairment on its right-of-use asset as at June 30, 2022 and 2021.

#### *Remuneration to key management personnel*

With the Company's tight cash position, management decided to suspend any form of compensation given to key management personnel for the periods ended June 30, 2022 and 2021.

#### *Others*

The administrative function of the Company is performed by its related party, TWGI.

#### ***Current liabilities***

This is primarily consisting of accounts payable and other current liabilities (including payable for retainer fees of legal counsels and stock transfer agent, accrued expenses, withholding taxes payable and deferred output VAT), lease liability – current and income tax payable. Total outstanding balance as at June 30, 2022 and 2021 amounted to ₱810,180 and ₱220,144, respectively or an increase by ₱590,036 or 268.02%. This is mainly due to increase in accounts payable and other current liabilities by ₱668,033, decrease in current lease liability by ₱76,761 and decrease in income tax payable by ₱1,236.

#### **The Top five (5) Key Performance Indicators are:**

1. Advances to Related Parties – currently, TWGI is funding all operational expenses of the Company.
2. Current Ratios – current assets against the current liabilities of the Company. It measures the Company's ability to pay short-term obligations. Current Ratio for the 2nd quarter of 2022 and 2021 are 37.84% and 162.29%, respectively.
3. Cash Ratio – the most conservative liquidity ratio. It excludes all current assets except the most liquid – cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities. The cash ratio of the company for the 2nd quarter of 2022 and 2021 are 33.12% and 141.98%, respectively.
4. Debt ratio - it is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the 2nd quarter of 2022 and 2021 are 1.60% and 1.24%, respectively.
5. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the Company is using to finance its assets. The debt to equity ratio for the 2nd quarter of 2022 and 2021 are 1.63% and 1.26%, respectively.

## **(i) Summary of Material Trends, Events and Uncertainties**

The shares of Forum Pacific, Inc. 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.

### ***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 in order to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

The Company has been reviewing outstanding receivables and advances to affiliates and has designed collection programs to improve the Company's financial status. The board continues to evaluate calling for the remaining stock subscription as source of funds for future projects, with the aim of utilizing this process as a tool to fund capital intensive endeavors. The officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization and approval of such business project plans.

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

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

Since the Company is affiliated with group of mining companies, projects in the mining sector are being re-evaluated at the moment. Despite the stringent evaluations being conducted by the Department of Environment and Natural Resources (DENR) for new mining applications, the government has also indicated that a revival of the industry is forthcoming, especially as a means to address the economic slowdown caused by the pandemic.

### ***Business Focus for the Coming Year***

The investment made during 2017 in Taguig Lake City Development Corporation – a corporation engaged in the real estate industry, is starting to show some results, now that the Laguna Lake Development Authority has responded positively to this Company's proposals to rehabilitate the Laguna de Bay. The Company will support the progress of Taguig Lake City Development Corporation in this regard. The Company will further scan for business target projects, and welcome other business opportunities from different industries apart from oil and gas and mineral exploration. As mentioned above, the management is currently discussing on how the Company will proceed with its remaining 33.33% capital stock investment in Forum Exploration, Inc., specifically whether to sell its interest or enter into partnership with potential buyers.

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

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

investment hurdles, given that renewable energy projects produce power at higher pricing levels as compared to traditional energy sources.

The COVID-19 pandemic and the ensuing home quarantine has triggered an economic slowdown for the country. Despite the curtailment of worldwide travel and the hesitancy of global investors to venture into new projects, the company is hopeful that the business environment will recover over the coming year, now that the vaccination efforts of the government are bearing fruit.

The Company's management believes that such financial support and the discussed 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.

## **(ii) Events that will Trigger Direct of Contingent Financial Obligation**

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

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

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

## **(iv) Any Known Trends, Events of Uncertainties (Material Impact on Liquidity)**

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

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

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

| <b>June 30, 2022</b>                           | <b>Total</b>      | <b>On demand</b> | <b>Less than 3 months</b> | <b>3-12 months</b> | <b>1-5 years</b>  |
|------------------------------------------------|-------------------|------------------|---------------------------|--------------------|-------------------|
| <b>Advances from related parties</b>           | <b>₱4,558,236</b> | <b>₱-</b>        | <b>₱-</b>                 | <b>₱-</b>          | <b>₱4,558,236</b> |
| <b>Lease Liability</b>                         | <b>41,806</b>     | <b>-</b>         | <b>-</b>                  | <b>41,806</b>      | <b>-</b>          |
| <b>Accounts payable and other Liabilities*</b> | <b>18,100</b>     | <b>-</b>         | <b>-</b>                  | <b>18,100</b>      | <b>-</b>          |
|                                                | <b>₱4,618,142</b> | <b>₱-</b>        | <b>₱-</b>                 | <b>₱59,906</b>     | <b>₱-</b>         |

*\*excluding government liabilities*

| <b>June 30, 2021</b>                           | <b>Total</b>      | <b>On demand</b> | <b>Less than 3 months</b> | <b>3-12 months</b> | <b>1-5 years</b>  |
|------------------------------------------------|-------------------|------------------|---------------------------|--------------------|-------------------|
| <b>Advances from related parties</b>           | <b>₱4,025,045</b> | <b>₱-</b>        | <b>₱-</b>                 | <b>₱-</b>          | <b>₱4,025,045</b> |
| <b>Lease Liability</b>                         | <b>160,373</b>    | <b>-</b>         | <b>-</b>                  | <b>118,567</b>     | <b>41,806</b>     |
| <b>Accounts payable and other Liabilities*</b> | <b>89,716</b>     | <b>-</b>         | <b>-</b>                  | <b>89,716</b>      | <b>-</b>          |
|                                                | <b>₱4,275,134</b> | <b>₱-</b>        | <b>₱-</b>                 | <b>₱208,283</b>    | <b>₱4,066,851</b> |

*\*excluding government liabilities*

## **(v) Significant Element of Income or Loss That Did Not Arise from Continuing Operation**

**PFRS 16, Leases.** This new standard introduces a single lessee accounting model to be applied to all leases, whilst substantially carries forward the lessor accounting requirements in PAS 17 *Leases*. Lessees recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value. Whereas, lessors continue to classify

leases as operating leases or finance leases, and to account for those two types of leases differently. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

The Company adopted PFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on deficit as at January 1, 2019, without restatement of comparative figures.

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

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

On December 16, 2020, TWGI issued a new promissory note amounting to ₱296,659,777 which superseded the previous promissory note. The term of the loan is five years maturing on December 15, 2025, bearing an interest of 2% per annum. Accrued interest receivable for this promissory note amounted to ₱6,180,411 and ₱247,216 as at June 30, 2022 and 2021, respectively.

#### **(vi) Material Changes on Line Items in Financial Statements**

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

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

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

## PART II - OTHER INFORMATION

### Market Information

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

|      |                | High  | Low   |
|------|----------------|-------|-------|
| 2022 | First Quarter  | 0.290 | 0.206 |
|      | Second Quarter | 0.208 | 0.206 |
| 2021 | First Quarter  | 0.330 | 0.206 |
|      | Second Quarter | 0.320 | 0.241 |
|      | Third Quarter  | 0.340 | 0.275 |
|      | Fourth Quarter | 0.325 | 0.270 |
| 2020 | First Quarter  | 0.275 | 0.180 |
|      | Second Quarter | 0.200 | 0.152 |
|      | Third Quarter  | 0.210 | 0.160 |
|      | Fourth Quarter | 0.242 | 0.175 |
| 2019 | First Quarter  | 0.340 | 0.203 |
|      | Second Quarter | 0.280 | 0.224 |
|      | Third Quarter  | 0.295 | 0.220 |
|      | Fourth Quarter | 0.229 | 0.201 |

The high, low and close market price is ₱0.250 per share as of August 5, 2022, respectively.

### Holders

The number of shareholders of record as of June 30, 2022 was 860. Common shares issued and subscribed were 1,838,943,246.

#### List of Top 20 Stockholders June 30, 2022

|    | NAME                                         | NO. OF<br>SHARES HELD | % TO TOTAL |
|----|----------------------------------------------|-----------------------|------------|
| 1  | INTERNATIONAL POLYMER CORPORATION            | 496,887,494           | 26.501     |
| 2  | PCD NOMINEE CORPORATION                      | 428,185,374           | 22.837     |
| 3  | THE WELLEX GROUP, INC.                       | 376,950,000           | 20.104     |
| 4  | E.F. DURKEE & ASSOCIATES, INC.               | 77,838,563            | 4.151      |
| 5  | INTRA-INVEST SEC., INC.                      | 48,159,000            | 2.568      |
| 6  | METROPOLITAN MANAGEMENT CORPORATION          | 30,000,000            | 1.600      |
| 7  | JUANITO C. UY                                | 22,625,001            | 1.207      |
| 8  | PACRIM ENERGY N.L.                           | 21,000,000            | 1.120      |
| 9  | SAPPHIRE SECURITIES INC.                     | 19,433,500            | 1.036      |
| 10 | BENITO ONG AND/OR ZITA Y. ONG                | 18,000,000            | 0.960      |
| 11 | LI CHIH-HUI                                  | 17,100,000            | 0.912      |
| 12 | NESTOR S. MANGIO                             | 12,500,000            | 0.667      |
| 13 | A & A SECURITIES, INC.                       | 11,911,320            | 0.635      |
| 14 | MARK SECURITIES CORPORATION                  | 10,772,800            | 0.575      |
| 15 | PCD NOMINEE CORP. (NON-FILIPINO)             | 10,470,050            | 0.558      |
| 16 | GLOBALINKS SEC & STOCKS, INC. A/C # CWUSO001 | 9,400,000             | 0.501      |
| 17 | BELSON SECURITIES, INC.                      | 9,200,000             | 0.491      |
| 18 | WEALTH SECURITIES, INC.                      | 8,240,000             | 0.439      |
| 19 | RUBEN M. GAN                                 | 7,610,000             | 0.406      |
| 20 | DAVID GO SECURITIES CORPORATION              | 6,880,000             | 0.367      |

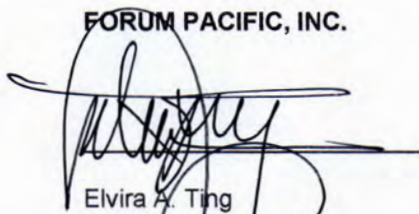
## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer

**FORUM PACIFIC, INC.**

Signature

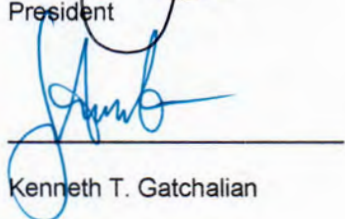


Elvira A. Ting

Title

President

Signature



Kenneth T. Gatchalian

Title

Treasurer

Date

August 11, 2022

**FORUM PACIFIC, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

**Annex A.1**

|                                                         |    | <b>Unaudited<br/>June 30,<br/>2022</b> | Unaudited<br>June 30,<br>2021 | Audited<br>December 31,<br>2021 |
|---------------------------------------------------------|----|----------------------------------------|-------------------------------|---------------------------------|
| <b>Current Assets</b>                                   |    |                                        |                               |                                 |
| Cash                                                    | 5  | <b>₱268,351</b>                        | ₱312,559                      | ₱295,667                        |
| Prepayments and other current assets                    | 6  | <b>38,213</b>                          | 44,713                        | 38,213                          |
|                                                         |    | <b>306,564</b>                         | 357,272                       | 333,880                         |
| <b>Non-current Assets</b>                               |    |                                        |                               |                                 |
| Advances to related parties – net                       | 11 | <b>250,586,556</b>                     | 246,398,412                   | 252,203,951                     |
| Financial asset at FVOCI                                | 7  | <b>84,786,264</b>                      | 102,355,057                   | 91,311,816                      |
| Right-of-Use Asset (net)                                | 8  | <b>38,380</b>                          | 153,522                       | 38,380                          |
| Deferred Tax Asset (net)                                |    | <b>10,451</b>                          | 48,112                        | 10,451                          |
|                                                         |    | <b>335,421,651</b>                     | 348,955,103                   | 343,564,598                     |
| <b>TOTAL ASSETS</b>                                     |    | <b>335,728,215</b>                     | 349,312,375                   | 343,898,478                     |
| <b>Current Liabilities</b>                              |    |                                        |                               |                                 |
| Accounts payable and other current liabilities          | 9  | <b>768,374</b>                         | 100,341                       | 1,266,121                       |
| Lease Liability                                         |    | <b>41,806</b>                          | 118,567                       | 41,806                          |
| Income Tax Payable                                      |    | -                                      | 1,236                         | 59,332                          |
|                                                         |    | <b>810,180</b>                         | 220,144                       | 1,367,259                       |
| <b>Non-current Liabilities</b>                          |    |                                        |                               |                                 |
| Advances from related parties                           | 11 | <b>4,558,236</b>                       | 4,025,045                     | 4,228,951                       |
| Lease Liability (net of current portion)                |    | -                                      | 41,806                        | -                               |
| Deferred Tax Liability                                  |    | <b>9,595</b>                           | 46,057                        | 9,595                           |
|                                                         |    | <b>4,567,831</b>                       | 4,112,908                     | 4,238,546                       |
| <b>TOTAL LIABILITIES</b>                                |    | <b>5,378,011</b>                       | 4,333,052                     | 5,605,805                       |
| <b>EQUITY</b>                                           |    |                                        |                               |                                 |
| Capital stock                                           |    | <b>1,207,543,621</b>                   | 1,207,543,621                 | 1,207,543,621                   |
| Treasury shares                                         |    | <b>(36,056,750)</b>                    | (36,056,750)                  | (36,056,750)                    |
| Unrealized fair value gain on financial assets at FVOCI |    | <b>11,545,210</b>                      | 29,114,004                    | 18,070,763                      |
| Deficit                                                 |    | <b>(852,681,877)</b>                   | (855,621,552)                 | (851,264,961)                   |
| <b>TOTAL EQUITY</b>                                     |    | <b>330,350,204</b>                     | 344,979,323                   | 338,292,673                     |
| <b>TOTAL LIABILITIES AND EQUITY</b>                     |    | <b>₱335,728,215</b>                    | ₱349,312,375                  | ₱343,898,478                    |

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

**FORUM PACIFIC, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**

**Annex A.2**

|                                | <b>Unaudited<br/>April-June<br/>2022</b> | Unaudited<br>April-June<br>2021 | <b>Unaudited<br/>January – June<br/>2022</b> | Unaudited<br>January – June<br>2021 |
|--------------------------------|------------------------------------------|---------------------------------|----------------------------------------------|-------------------------------------|
| <b>Revenues</b>                | <b>₱-</b>                                | <b>₱-</b>                       | <b>₱-</b>                                    | <b>₱-</b>                           |
| <b>Costs and expenses (12)</b> | <b>391,890</b>                           | 321,350                         | <b>948,806</b>                               | 879,458                             |
| <b>Operating loss</b>          | <b>(391,890)</b>                         | (321,350)                       | <b>(948,806)</b>                             | (879,458)                           |
| <b>Other income/(expenses)</b> | <b>(299,418)</b>                         | (42,980)                        | <b>(468,110)</b>                             | (160,081)                           |
| <b>NET LOSS FOR THE PERIOD</b> | <b>(691,308)</b>                         | (364,330)                       | <b>(1,416,916)</b>                           | (1,039,539)                         |
| <b>LOSS PER SHARE (15)</b>     | <b>(₱0.0006)</b>                         | (₱0.0003)                       | <b>(₱0.0012)</b>                             | (₱0.0009)                           |

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

**FORUM PACIFIC, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**

**Annex A.3**

|                                                            | <b>Unaudited<br/>January - June<br/>2022</b> | <b>Unaudited<br/>January-June<br/>2021</b> | <b>Audited<br/>December 31,<br/>2021</b> |
|------------------------------------------------------------|----------------------------------------------|--------------------------------------------|------------------------------------------|
| Capital stock                                              | <b>₱1,207,543,621</b>                        | ₱1,207,543,621                             | ₱1,207,543,621                           |
| Treasury shares                                            | <b>(36,056,750)</b>                          | (36,056,750)                               | (36,056,750)                             |
| Unrealized fair value gain on<br>financial assets at FVOCI | <b>11,545,210</b>                            | 29,114,004                                 | 18,070,763                               |
| Deficit - beginning                                        | <b>(851,264,961)</b>                         | (854,582,013)                              | (854,582,014)                            |
| Net loss for the period                                    | <b>(1,416,916)</b>                           | (1,039,539)                                | 3,317,053                                |
| Deficit - ending                                           | <b>(852,681,877)</b>                         | (855,621,552)                              | (851,264,961)                            |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>                          | <b>₱330,350,204</b>                          | ₱344,979,323                               | ₱338,292,673                             |

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

**FORUM PACIFIC, INC.**  
**STATEMENTS OF CASH FLOWS**

**Annex A.4**

|                                                               |    | <b>Unaudited<br/>January-<br/>June<br/>2022</b> | <b>Unaudited<br/>January-<br/>June<br/>2021</b> | <b>Audited<br/>December<br/>31,<br/>2021</b> |
|---------------------------------------------------------------|----|-------------------------------------------------|-------------------------------------------------|----------------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |    |                                                 |                                                 |                                              |
| Income (Loss) before tax                                      |    | <b>(P1,416,916)</b>                             | <b>(P1,039,539)</b>                             | <b>P3,376,348</b>                            |
| Adjustments for:                                              |    |                                                 |                                                 |                                              |
| Provision for impairment of input tax                         | 6  | <b>138,910</b>                                  | 117,384                                         | 180,199                                      |
| Provision for impairment on advances to related parties       | 11 | -                                               | -                                               | -                                            |
| Provision for impairment of financial assets at FVOCI         | 7  | -                                               | -                                               | -                                            |
| Depreciation                                                  | 12 | -                                               | -                                               | 115,142                                      |
| Finance Cost                                                  | 11 | -                                               | -                                               | 31,433                                       |
| Unrealized foreign exchange loss                              | 11 | <b>329,284</b>                                  | 42,871                                          | 246,776                                      |
| Interest Income                                               | 5  | <b>(84)</b>                                     | <b>(173)</b>                                    | <b>(5,933,510)</b>                           |
| Operating loss before working capital changes                 |    | <b>(948,806)</b>                                | <b>(879,457)</b>                                | <b>(1,983,612)</b>                           |
| Increase (Decrease) in prepayments and other current assets   |    | <b>(138,910)</b>                                | <b>(123,884)</b>                                | <b>(180,199)</b>                             |
| Increase (Decrease) in accounts payable and other liabilities |    | <b>(557,079)</b>                                | <b>(243,892)</b>                                | <b>925,596</b>                               |
| Cash generated from (used in) operations                      |    | <b>(1,644,795)</b>                              | <b>(1,247,233)</b>                              | <b>(1,238,215)</b>                           |
| Interest Received                                             |    | <b>84</b>                                       | <b>173</b>                                      | <b>315</b>                                   |
| Net cash used in operating activities                         |    | <b>(1,644,711)</b>                              | <b>(1,247,060)</b>                              | <b>(1,241,608)</b>                           |
| <b>CASH FLOWS FROM INVESTING ACTIVITY</b>                     |    |                                                 |                                                 |                                              |
| Collection on advances of related parties                     | 11 | <b>1,617,396</b>                                | 934,273                                         | 1,061,929                                    |
| Additional advances to related parties                        | 11 | -                                               | -                                               | -                                            |
| Additions to financial assets at FVOCI                        | 7  | -                                               | -                                               | -                                            |
| Net cash provided by investing activity                       |    | <b>1,617,396</b>                                | <b>934,273</b>                                  | <b>1,061,929</b>                             |
| <b>CASH FLOW FROM FINANCING ACTIVITY</b>                      |    |                                                 |                                                 |                                              |
| Payment of lease liability                                    |    | -                                               | -                                               | <b>(150,000)</b>                             |
| Finance cost paid                                             |    | -                                               | -                                               | -                                            |
| Net cash used in financing activity                           |    | -                                               | -                                               | <b>(150,000)</b>                             |
| <b>NET INCREASE (DECREASE) IN CASH CASH</b>                   |    | <b>(27,316)</b>                                 | <b>(312,787)</b>                                | <b>(329,679)</b>                             |
| At beginning of year                                          | 5  | <b>295,667</b>                                  | 625,346                                         | 625,346                                      |
| At end of quarter                                             |    | <b>P268,351</b>                                 | <b>P312,559</b>                                 | <b>P295,667</b>                              |

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

**FORUM PACIFIC, INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**June 30, 2022**

**1. CORPORATE INFORMATION**

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

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

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

*Management's Assessment of the Going Concern Assumption*

The nature of the Company's operations requires it to spend significant amount of funds to support exploration programs and operating expenses for it to operate profitably in the future. The Company incurred losses amounting to ₱1,416,916 and ₱1,039,539 on June 30, 2022 and 2021, respectively. The Company had accumulated a deficit of ₱852,681,877 and ₱855,621,552 as at June 30, 2022 and 2021 respectively.

To continue as going concern, the officers and major stockholders of the Company has committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

*Business Plans*

The COVID-19 pandemic and the ensuing home quarantine has triggered an economic slowdown for the country. Despite the curtailment of worldwide travel and the hesitancy of global investors to venture into new projects, the company is hopeful that the business environment will recover over the coming year, now that the vaccination efforts of the government are bearing fruit. For 2022, the Company plans to undertake the following:

- The investment made during 2017 in Taguig Lake City Development Corporation (TLCDC), a corporation engaged in the real estate industry, is starting to show some results, now that the Laguna Lake Development Authority has responded positively to the Company's proposals to rehabilitate the Laguna de Bay. The Company will continue to support the progress of TLCDC in this regard.
- Further scan for business target projects, and welcome other business opportunities from different industries apart from oil and gas and mineral exploration.
- Evaluate potential buyers to buy out investment with Forum Exploration Inc. or enter into partnership with potential buyers
- Actively looking into the traditional energy business, concentrating on cheap and consistent coal power for the country's base loads.
- Consider investing into potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy.
- Continue research on mines mine with potential mineral deposits using affiliated Group's geologists and engineers.
- Evaluate advances to affiliates and design collection program to improve the Company's financial status. As at June 30, 2022 and 2021, the Company has existing contracts with TWGI to collect outstanding advances (Note 11).
- Evaluate calling for the remaining stock subscription as source of fund for future projects. The Company has outstanding ₱667,456,379 subscription receivable (Note 10).

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **Statement of Compliance**

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

#### **Basis of Preparation**

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

#### **Functional and Presentation Currency**

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

#### **Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2021.

*COVID-19-related Rent Concessions beyond June 30, 2021 (Amendments to PFRS 16).* The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria: (a) the rent concession is a direct consequence of COVID-19; (b) the change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change; (c) any reduction in lease payments affect only payments originally due on or before June 30, 2022; and (d) there is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Company adopted the amendments beginning April 1, 2021. As there are no rent concessions granted to the Company as a lessee, these amendments had no impact on the financial statements.

*Interest Rate Benchmark Reform – Phase 2 (Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16).* The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Company shall also disclose information about: (a) the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and (b) their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively. These amendments had no impact on the financial statements of the Company.

### **New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2021**

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

*Reference to the Conceptual Framework (Amendments to PFRS 3).* Minor amendments were made to PFRS 3, Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets and Philippine Interpretation IFRIC 21, Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022.

*Property, Plant and Equipment: Proceeds before Intended Use (Amendments to PAS 16).* The amendments to PAS 16, Property, Plant and Equipment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The amendments are effective for annual periods beginning on or after January 1, 2022.

*Onerous Contracts – Cost of Fulfilling a Contract (Amendments to PAS 37).* The amendment to PAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

The above amendments are effective for annual periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

### *Annual Improvements to PFRS Standards 2018–2020*

- PFRS 9, *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- PFRS 16, *Leases – Lease Incentives* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* – allows subsidiaries that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This

amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.

- PAS 41, *Agriculture, Taxation in Fair Value Measurements* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under PAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The annual improvements are effective for annual periods beginning on or after January 1, 2022.

*Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12)*. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The annual improvements are effective for annual periods beginning on or after January 1, 2023.

An entity intends to apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Company.

*Definition of Accounting Estimates (Amendments to PAS 8)*. The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

*Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2)*. The narrow-scope amendments PAS 1, *Presentation of Financial Statements* require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also clarify the following: (1) accounting policy information may be material because of its nature, even if the related amounts are immaterial; (2) accounting policy is material if users of an entity's financial statements would need it to understand other material information in the statements; and (3) if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Further, the amendment provides several paragraphs to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

The amendment is applied prospectively. The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2.

*Classification of Liabilities as Current or Non-current (Amendments to PAS 1)*. The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards

Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice.

**PFRS 17, Insurance Contracts.** PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. The new standard is not applicable to the Company since it has no activities that are predominantly connected with insurance or issue insurance contracts.

#### *Deferred Effectivity*

**PFRS 10, Consolidated Financial Statements and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments).** The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the FRSC deferred the original effective date of April 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Company has not early adopted the previously mentioned new, amended and improved accounting standards and interpretations. The Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to January 1, 2021 on its financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Company's financial statements when these amendments are adopted.

#### **Determination of Fair Value and Fair Value Hierarchy**

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

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

Fair value measurement disclosures of financial and non-financial assets are presented in Note 18 to the financial statements.

### **“Day 1” difference**

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

### **Financial Instruments**

#### *Initial recognition, measurement and classification*

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

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

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

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

#### *Financial assets at amortized cost*

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

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

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

As at June 30, 2022 and 2021, included under financial assets at amortized cost are the Company's cash and advances to related parties (see Notes 5 and 11).

#### *Cash*

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

#### *Advances to related parties*

Advances to related parties represent promissory notes from TWGI and Forum Exploration Inc. (FEI) which represents cash advance for working capital and value of exploration of assets transferred to the Company.

#### *Equity instruments designated at FVOCI*

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

As at June 30, 2022 and 2021, the Company elected to classify irrevocably its quoted and unquoted equity investments under this category (see Note 7).

#### *Financial liabilities at amortized cost*

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

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

As at June 30, 2022 and 2021, included in financial liabilities at amortized cost are the Company's accounts payable and other liabilities (excluding government liabilities), lease liability and advances from a related party (see Notes 9 and 11).

#### *Accounts payable and other liabilities*

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

#### *Lease liability*

Lease liability represents the Company's obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value is effectively treated as a financial liability which is measured at amortized cost, using the incremental borrowing rate of the Company.

#### *Advances from a related party*

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

### **Offsetting of Financial Instruments**

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

### **Derecognition of Financial Instruments**

#### *Financial assets*

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

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

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

#### *Financial liabilities*

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

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

### **Impairment of Financial Assets**

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

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

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

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

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

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

#### *Significant increase in credit risk*

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

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

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

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

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

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

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

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

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

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

#### *Definition of default*

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

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

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

### *Credit-impaired financial assets*

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

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

### *Write-off policy*

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

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

### **Input Tax**

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

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

### **Right-of-use Asset**

Right-of-use asset represents lessee's right to use an asset over the lease term. The Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is initially measured at cost which includes the amount of lease liability recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use asset is depreciated on a straight-line basis over the lease term of two years which is shorter than its estimated useful life.

When right-of-use are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

### **Impairment of Non-Financial Assets**

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

they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

### **Retirement Benefits**

The Company does not provide any retirement benefits because it does not have any employee. The Company's administrative functions are performed by TWGI.

### **Income Taxes**

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

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

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

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

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

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

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

## **Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined generally, the Company uses its incremental borrowing rate as the discount rate. The weighted average rate applied is 19.6%.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company elects to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight line basis over the lease term.

## **Related Parties and Related Party Transactions**

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

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

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

## **Equity**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are measured (initial and subsequent) at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and time value of money is material, the initial measurement is on a present value basis.

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

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

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

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

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

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

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

## **Revenue Recognition**

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

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

## **Cost and Expense Recognition**

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

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

## **Foreign Currency Denominated Transactions**

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

## **Basic Income (Loss) Per Share**

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

## **Provisions and Contingencies**

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

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

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

## **Events after the Reporting Date**

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

## **4. SIGNIFICANT ACCOUNTING JUDGMENTS, AND 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**

#### *Leases*

The Company has entered into contracts of lease for its office space it occupies. The Company determines the contract if there is a substance of lease. In determining the substance of the lease, the Company considered, among others, whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Based on management judgment, the Company's lease for its office space has substance of lease, thus, the Company recognized right-of-use asset representing the right to use the leased asset and lease liability representing its obligation to make lease payments.

### **Significant Accounting Estimates and Assumptions**

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

### *Impairment of input tax*

Management believes that the recoverability of input tax is doubtful since the Company is not expecting income subject to output tax in the near future. Consequently, the Company has provided full valuation allowance of its input tax in the 2nd Quarter 2022 and 2021.

The Company's input tax amounted to ₱2,555,655 and ₱2,353,930 as at June 30, 2022 and 2021, respectively (see Note 6).

### *Deferred tax assets*

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Due to non-operation of the Company, management expects that the Company will continue to incur losses and the related deferred tax assets will not be utilized in the near future. The Company's unrecognized deferred tax assets are fully disclosed in Note 14.

The Company's unrecognized deferred tax assets amounted to ₱6,849,279 and ₱9,167,731 as at June 30, 2022 and 2021, respectively (see Note 14).

### *Allowance for impairment of advances to related parties*

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

Advances to related parties amounted to ₱250,586,555 and ₱246,398,412, net of allowance for impairment loss of ₱221,205,384 as at June 30, 2022 and 2021, respectively (see Note 11).

### *Allowance for impairment on financial assets at FVOCI*

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

The Company's financial assets at FVOCI amounted to ₱84,786,264 and ₱102,355,057 net of allowance amounted to ₱20,000,000 as at June 30, 2022 and 2021, respectively (see Note 7).

## **5. CASH**

Cash represents cash in bank with outstanding balance of ₱268,351 and ₱312,559 as at June 30, 2022 and 2021, respectively. Interest income earned from bank deposits were ₱84 and ₱173 as of June 30, 2022 and 2021, respectively.

Cash in bank generally earns interest at annual rates based on daily bank deposit rates ranging from 0.125% to 0.25% per annum in 2022 and 2021.

There is no restriction on the Company's cash as at June 30, 2022 and 2021.

## **6. PREPAYMENTS AND OTHER CURRENT ASSETS**

Prepayments and other current assets as at June 30 consist of:

|                                        | 2022               | 2021        |
|----------------------------------------|--------------------|-------------|
| Input tax                              | <b>₱2,555,655</b>  | ₱2,353,931  |
| Other current assets                   | <b>38,213</b>      | 44,713      |
|                                        | <b>2,593,868</b>   | 2,398,643   |
| Less: Valuation allowance on input tax | <b>(2,555,655)</b> | (2,353,931) |
|                                        | <b>₱38,213</b>     | ₱44,713     |

Movements in the allowance on input tax are as follows:

|                                 | 2022              | 2021       |
|---------------------------------|-------------------|------------|
| Balance at beginning of year    | <b>₱2,416,745</b> | ₱2,236,547 |
| Provision during the period –13 | <b>138,910</b>    | 117,384    |
| Balance at end of period        | <b>₱2,555,655</b> | ₱2,353,931 |

Other current assets represent mainly cash in bank subject to garnishment.

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

## **7. FINANCIAL ASSETS AT FVOCI (net)**

Financial Assets at FVOCI as at June 30 consist of:

|                                  | 2022                | 2021         |
|----------------------------------|---------------------|--------------|
| <b>Unquoted shares</b>           |                     |              |
| Balance at beginning of the year | <b>₱85,711,574</b>  | ₱85,711,574  |
| Impairment loss                  | <b>(20,000,000)</b> | (20,000,000) |
|                                  | <b>65,711,574</b>   | 65,711,574   |
| <b>Quoted shares</b>             |                     |              |
| Cost                             | <b>7,529,480</b>    | 7,529,480    |
| Net unrealized fair value gain   | <b>11,545,210</b>   | 29,114,003   |
|                                  | <b>19,074,690</b>   | 36,643,483   |
|                                  | <b>₱84,786,264</b>  | ₱102,355,057 |

Investment in unquoted shares of stock represents ownership of the Company in Forum Exploration, Inc. (FEI) and Taguig Lake City Development Corporation (TLCDC). These investments are classified as financial assets at FVOCI as the Company does not participate in the financial and operating policy of the investee which manifest control, joint control or significant influence. The Company believes that the carrying amount of these unquoted shares of stock approximates fair value.

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

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

|                                      | 2022               | 2021        |
|--------------------------------------|--------------------|-------------|
| At beginning of year                 | <b>₱18,070,762</b> | ₱13,804,055 |
| Fair value changes during the period | <b>6,525,552</b>   | 15,309,949  |
|                                      | <b>₱11,545,210</b> | ₱29,114,004 |

The Company's financial assets at FVOCI as at June 30, 2022 and 2021 are not held as collateral for its financial liabilities.

## **8. RIGHT-OF-USE ASSET (net)**

During 2019, the Company recognized a right-of-use asset as a result of adoption of PFRS 16. The carrying amount as of June 30, 2022 and 2021 is ₱38,380 and ₱153,522, respectively.

Based on the impairment review of the Company's right-of-use asset, the Company believes that there is no indication of impairment on its right-of-use asset as at June 30, 2022 and 2021.

## **9. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

Accounts payable and other liabilities as at June 30 consist of:

|                     | 2022            | 2021            |
|---------------------|-----------------|-----------------|
| Accounts payable    | <b>₱-</b>       | ₱71,616         |
| Accrued expense     | <b>18,100</b>   | 18,100          |
| Taxes payable       | <b>8,625</b>    | 10,625          |
| Deferred Output VAT | <b>741,649</b>  | -               |
|                     | <b>₱768,374</b> | <b>₱100,341</b> |

Accrued expenses pertain to unpaid professional fees.

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

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

## **10. CAPITAL STOCK**

Details of the Company's capital stock as at June 30, 2022 and 2021 are as follows:

| Authorized Capital Stock | No. Shares<br>3,500,000,000 | Par value<br>₱1 | Total<br>₱3,500,000,000 |
|--------------------------|-----------------------------|-----------------|-------------------------|
| Subscribed               | <b>1,875,000,000</b>        | <b>1</b>        | <b>1,875,000,000</b>    |
| Subscription receivable  | <b>(667,456,379)</b>        | <b>1</b>        | <b>(667,456,379)</b>    |
| Subscribed and paid up   | <b>1,207,543,621</b>        | <b>1</b>        | <b>1,207,543,621</b>    |
| Treasury shares          | <b>(36,056,750)</b>         | <b>1</b>        | <b>(36,056,750)</b>     |
| Issued and outstanding   | <b>1,171,486,871</b>        | <b>₱1</b>       | <b>₱1,171,486,871</b>   |

The Company has one class of common shares which carry no right to fixed income. No movement in the capital stock of the Company in the 2nd quarter of 2022 and 2021. There were no shares of the Company reserved for issue under options and contracts for the sale of shares as at June 30, 2022 and 2021.

### *Track record of registration of securities*

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

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

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

The Company has 1.5 billion shares listed and traded in the PSE as at June 30, 2022 and 2021.

## **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. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting arrangement.

Details of related party relationships, transactions and balances as follows as of June 30:

| Related parties<br>and relationships | Nature of<br>transactions | Volume of transactions |            | Outstanding receivable |               | Terms/<br>Conditions |
|--------------------------------------|---------------------------|------------------------|------------|------------------------|---------------|----------------------|
|                                      |                           | 2022                   | 2021       | 2022                   | 2021          |                      |
| With common key management           |                           |                        |            |                        |               |                      |
| The Wellex Group, Inc. (TWGI)        | Cash advance              | (P1,266,396)           | (P583,273) | P300,160,863           | P295,972,720  | (a)                  |
|                                      | Consultancy fee           | (240,000)              | (240,000)  |                        |               |                      |
|                                      | Rental expense            | (111,000)              | (111,000)  |                        |               |                      |
| Forum Exploration, Inc. (FEI)        | Transfer of assets        | -                      | -          | 171,631,076            | 171,631,076   | (b)                  |
|                                      |                           | (1,617,396)            | (934,273)  | 471,791,939            | 467,603,796   |                      |
| Impairment loss                      |                           | -                      | -          | (221,205,384)          | (221,205,384) | (c)                  |
|                                      |                           | (P1,617,396)           | (P934,273) | 250,586,555            | P246,398,412  |                      |
|                                      |                           |                        |            |                        |               |                      |
| Related parties<br>and relationships | Nature of<br>transactions | Volume of transactions |            | Outstanding receivable |               | Terms/<br>Conditions |
|                                      |                           | 2022                   | 2021       | 2022                   | 2021          |                      |
| With common key management           |                           |                        |            |                        |               |                      |
| Forum Exploration, Ltd.(FEL)         | Cash advance              | P329,284               | P42,870    | P4,558,236             | P4,025,045    | (d)                  |

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

On December 16, 2020, TWGI issued a new promissory note amounting to P296,659,777 in favor of the Company. The term of the loan is five years maturing on December 15, 2025, bearing an interest of 2% per annum. Accrued interest receivable for this promissory note amounted to P6,180,411 and P247,216 as at June 30, 2022 and 2021, respectively.

To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

The Company leases an office space in May 2014 from The Wellex Group, Inc. (TWGI) located at the 35<sup>th</sup> Floor One Corporate Centre, Doña Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City. The lease is for a period of two years but renewable thereafter upon mutual agreement of both parties. The contract has been rented fourth time since then and is currently valid until April 30, 2024. Office space quarterly rental including storage room usage and utilities is P55,500, exclusive of VAT and withholding tax for both periods ended June 30, 2022 and 2021.

Total rental and utilities expense charged to operations for the quarters ended June 30 as follows (Note 12):

|           | 2022           | 2021    |
|-----------|----------------|---------|
| Rent      | <b>P37,500</b> | P37,500 |
| Utilities | <b>18,000</b>  | 18,000  |
|           | <b>P55,500</b> | P55,500 |

The net carrying amount of the right-of-use asset recognized as at June 30, 2021 is disclosed in Note 8.

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. The contract has been renewed fifth time since then and is currently valid until April 30, 2024. Total management fee charged to operations amounted to P120,000 for both periods ended June 30, 2022 and 2021.

The Company originally provides allowance for impairment amounting to P161,205,384 and P161,205,384 as at June 30, 2022 and 2021, respectively, on advances to TWGI prior to agreements entered to settle the outstanding advances. Allowance for impairment will be reversed once the unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

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

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

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

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

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

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

As at June 30, 2022 and 2021, FEI has not yet returned the value of the exploration assets that the Company transferred.

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

The Company received USD denominated cash advances from FEI - Ltd. amounted to \$82,922 with no definite terms of payment and will be settled in USD. Balance as at June 30, 2022 and 2021 as follows:

|                                  | 2022              | 2021       |
|----------------------------------|-------------------|------------|
| At beginning of year             | <b>₱4,228,952</b> | ₱3,982,175 |
| Unrealized foreign exchange loss | <b>329,284</b>    | 42,870     |
| At end of year                   | <b>₱4,558,236</b> | ₱4,025,045 |

*(d) Remuneration to key management personnel*

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

*(e) Others*

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

## **12. COSTS AND EXPENSES**

Cost and expenses for the quarters ended June 30 consists of:

|                           | 2022            | 2021     | 2020     |
|---------------------------|-----------------|----------|----------|
| Professional fees         | <b>₱105,000</b> | ₱125,000 | ₱75,000  |
| Membership fees and dues  | <b>12,250</b>   | 14,850   | 11,699   |
| Management fees           | <b>120,000</b>  | 120,000  | 120,000  |
| Rent and utilities        | <b>55,500</b>   | 55,500   | 55,500   |
| Travel and transportation | <b>4,380</b>    | 2,400    | -        |
| Donations                 | <b>26,756</b>   | -        | 25,000   |
| Taxes and Licenses        | <b>58,074</b>   | -        | -        |
| Office supplies           | <b>4,464</b>    | -        | 2,745    |
| Miscellaneous             | <b>5,467</b>    | 3,600    | 6,250    |
|                           | <b>₱391,891</b> | ₱321,350 | ₱296,194 |

Membership fees and dues include annual PSE listing and registration.

Miscellaneous expense mainly consists of website maintenance fees.

## **13. OTHER INCOME/(EXPENSES) – net**

Other expenses for the quarters ended June 30 consists of:

|                                  | 2022       | 2021      | 2020      |
|----------------------------------|------------|-----------|-----------|
| Provision for impairment on:     |            |           |           |
| Input tax                        | (P49,864)  | (P44,388) | (P43,740) |
| Unrealized foreign exchange loss | (249,596)  | 1,327     | 98,926    |
| Interest income                  | 42         | 81        | 276       |
|                                  | (P299,418) | (P42,980) | P55,462   |

#### **14. INCOME TAXES**

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE Act), was passed into law. The salient provisions of the CREATE Act applicable to the Company are as follow:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023;
3. The imposition of improperly accumulated earnings is repealed.

#### **15. INCOME (LOSS) PER SHARE**

The following table presents information necessary to calculate the loss per share as of June 30:

|                                                                        | 2022          | 2021          | 2020          |
|------------------------------------------------------------------------|---------------|---------------|---------------|
| Net loss for the period                                                | (P1,416,916)  | (P1,039,539)  | (P883,658)    |
| Weighted average number of common shares outstanding during the period | 1,171,486,871 | 1,171,486,871 | 1,171,486,871 |
|                                                                        | (P0.0012)     | (P0.0009)     | (P0.0008)     |

#### **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 BOD and focuses on actively securing the short-term cash flows to finance its operation.

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

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

##### ***Credit risk***

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

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

The Company current credit risk grading framework is as follows:

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

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

| June 30, 2022               |     |                           |                       |                |                     |
|-----------------------------|-----|---------------------------|-----------------------|----------------|---------------------|
|                             |     | Basis for recognizing ECL | Gross carrying amount | Loss Allowance | Net carrying amount |
| Cash in bank                | (a) |                           | ₱295,667              | ₱-             | ₱295,667            |
| Advances to related parties | (b) | Lifetime ECL              | 471,791,939           | (221,205,384)  | 250,586,555         |
|                             |     |                           | ₱472,087,606          | (₱221,205,384) | ₱250,882,222        |
| June 30, 2021               |     |                           |                       |                |                     |
|                             |     | Basis for recognizing ECL | Gross carrying amount | Loss Allowance | Net carrying amount |
| Cash in bank                | (a) |                           | ₱312,559              | ₱-             | ₱312,559            |
| Advances to related parties | (b) | Lifetime ECL              | 467,603,796           | (221,205,384)  | 246,398,412         |
|                             |     |                           | ₱467,916,355          | (₱221,205,384) | ₱246,710,971        |

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

*(a) Cash in banks*

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

*(b) Advances to related parties*

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

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

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

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

As at June 30, 2022 and 2021, the Company has entered into an agreement with its related party to settle the advances (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 through continuous collection of advances to related parties which is considered as cash inflow to finance its operation. The Company continuously monitoring forecast and actual cash flows and matching the maturity profiles of liabilities.

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

| June 30, 2022                          | Total      | On Demand | Less than 3 months | 3 to 12 months | 1 to 5 years |
|----------------------------------------|------------|-----------|--------------------|----------------|--------------|
| Accounts payable and other liabilities | ₱759,749   | ₱-        | ₱-                 | ₱759,749       | ₱-           |
| Lease Liability                        | 41,806     | -         | -                  | 41,806         | -            |
| Advances from related parties          | 4,558,236  | -         | -                  | -              | 4,558,236    |
|                                        | ₱5,359,791 | ₱-        | ₱-                 | ₱801,555       | ₱4,558,236   |

*\*excluding government liabilities*

| June 30, 2021                          | Total      | On Demand | Less than 3 months | 3 to 12 months | 1 to 5 years |
|----------------------------------------|------------|-----------|--------------------|----------------|--------------|
| Accounts payable and other liabilities | ₱89,716    | ₱-        | ₱-                 | ₱89,716        | ₱-           |
| Lease Liability                        | 160,373    | -         | -                  | 118,567        | 41,806       |
| Advances from related parties          | 4,025,045  | -         | -                  | -              | 4,025,045    |
|                                        | ₱4,275,134 | ₱-        | ₱-                 | ₱208,283       | ₱4,066,851   |

*\*excluding government liabilities*

**Equity price risk**

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

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

### **Foreign currency risk**

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

The Company is mainly exposed to foreign currency risk through its advances from related party \$82,922 which amounted to ₱4,558,236 and ₱4,025,045 as at June 30, 2022 and 2021, respectively.

The sensitivity rate used on reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% in foreign exchange rates. A positive number indicates an increase in net income when the Philippine peso strengthens at 10% against the relevant currency. For 10% weakening of the Philippine peso against the relevant currency, there would be an equal and opposite impact on the net income.

### **Capital Risk Objective and Management**

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

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

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

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

The gearing ratios as at June 30, 2022 and 2021 were as follows:

|               | <b>2022</b>        | 2021        |
|---------------|--------------------|-------------|
| Debt          | <b>₱5,378,011</b>  | ₱4,333,052  |
| Less: Cash    | <b>268,351</b>     | 312,559     |
| Net debt      | <b>5,646,362</b>   | 4,020,493   |
| Equity        | <b>330,350,204</b> | 344,979,323 |
| Gearing ratio | <b>1.71%</b>       | 1.17%       |

The Company is subject to externally imposed capital requirement amounting to ₱6,250,000 which is the minimum paid-up capital requirement of SEC for mining companies. As June 30, 2022 and 2021, the Company is in compliance with this externally imposed capital requirement.

## **17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The reconciliation about the changes in the Company's liabilities arising from financing activities including both cash and non-cash changes for the years ended June 30, 2022 and 2021 as follows:

|                                  | Balance as at<br>January 1, 2022 | Effect of foreign<br>exchange rates | New<br>Leases | Changes from<br>financing cash flow | Balance as at<br>June 30, 2022 |
|----------------------------------|----------------------------------|-------------------------------------|---------------|-------------------------------------|--------------------------------|
| Advances from<br>a related party | ₱4,228,952                       | ₱329,284                            | ₱-            | ₱-                                  | ₱4,558,236                     |
| Lease liability                  | 41,806                           | -                                   | -             | -                                   | 41,806                         |
|                                  | <b>₱4,270,758</b>                | <b>₱329,284</b>                     | <b>₱-</b>     | <b>₱-</b>                           | <b>₱4,600,042</b>              |

|                                  | Balance as at<br>January 1, 2021 | Effect of foreign<br>exchange rates | New<br>Leases | Changes from<br>financing cash flow | Balance as at<br>June 30, 2021 |
|----------------------------------|----------------------------------|-------------------------------------|---------------|-------------------------------------|--------------------------------|
| Advances from<br>a related party | ₱3,982,175                       | ₱42,870                             | ₱-            | ₱-                                  | ₱4,025,045                     |
| Lease liability                  | 160,373                          | -                                   | -             | -                                   | 160,373                        |
|                                  | <b>₱4,142,548</b>                | <b>₱42,870</b>                      | <b>₱-</b>     | <b>₱-</b>                           | <b>₱4,185,418</b>              |

## 18. FAIR VALUE INFORMATION

### *Assets measured at fair value*

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

|                           | Fair Value as at June 30,<br>2022 |             | Fair Value<br>at hierarchy | Valuation<br>techniques              |
|---------------------------|-----------------------------------|-------------|----------------------------|--------------------------------------|
| Financial Assets at FVOCI | <b>₱19,074,690</b>                | ₱36,643,484 | Level 1                    | Quoted prices in<br>an active market |

### *Assets and liabilities not measured at fair value*

For the long-term financial assets and liabilities, the fair value of the non-interest bearing noncurrent assets and liabilities are determined based on the discounted value of future cash flows using the prevailing credit adjusted PH BVAL that are specific to the tenor of the instruments' cash flow as at reporting date.

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

Certain financial assets at FVOCI amounting to ₱65,711,574 as at June 30, 2022 and 2021 are carried at cost less impairment loss since there was no reliable basis for the measurement of the fair value.

## 19. SUPPLEMENTARY INFORMATION REQUIRED BY BUREAU OF INTERNAL REVENUE

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

### *a) Output value-added tax*

The Company has no output VAT since it does not have any income subject to VAT for the quarters ended June 30, 2022 and 2021.

### *b) Input value-added tax*

The Company has input VAT as at June 30:

|                                                          | <b>2022</b>       | <b>2021</b> |
|----------------------------------------------------------|-------------------|-------------|
| At beginning of year                                     | <b>₱2,416,745</b> | ₱2,236,547  |
| Current purchases and payments for<br>Goods and Services | <b>138,910</b>    | 117,384     |
|                                                          | <b>₱2,555,655</b> | ₱2,353,931  |

*c) Importation*

The Company has no import transactions for the quarters ended June 30, 2022 and 2021.

*d) Excise Tax*

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

*e) Documentary stamp tax*

There is no documentary stamp tax paid by the Company for the quarters ended June 30, 2022 and 2021.

*f) Taxes and licenses*

The Company does not have taxes and licenses expenses for the quarters ended June 30, 2022 and 2021.

*g) Withholding taxes*

The details of total withholding taxes for the quarters ended June 30 are shown below:

|                                 | <b>2022</b>    | <b>2021</b> |
|---------------------------------|----------------|-------------|
| Withholding tax on compensation | <b>₱-</b>      | ₱-          |
| Expanded withholding tax        | <b>25,875</b>  | 25,875      |
| Final withholding tax           | <b>-</b>       | -           |
|                                 | <b>₱25,875</b> | ₱25,875     |

*h) Deficiency tax assessment and tax cases*

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

**FORUM PACIFIC, INC.**  
**APPENDIX A – FINANCIAL SOUNDNESS**

|                                       | June 30,<br>2022 | June 30,<br>2021 | December 31,<br>2021 |
|---------------------------------------|------------------|------------------|----------------------|
| <b>Profitability ratios:</b>          |                  |                  |                      |
| Return on asset                       | N/A              | N/A              | 0.01:1               |
| Return on equity                      | N/A              | N/A              | 0.01:1               |
| Net profit margin                     | N/A              | N/A              | N/A                  |
| <b>Solvency and liquidity ratios:</b> |                  |                  |                      |
| Current ratio                         | 0.38:1           | 1.62:1           | 0.24:1               |
| Debt to equity ratio                  | 0.02:1           | 0.01:1           | 0.02:1               |
| Quick ratio                           | 0.33:1           | 1.42:1           | 0.22:1               |
| Cash-flow liquidity ratio             | (2.03)           | (5.66)           | (5:59)               |
| <b>Financial leverage ratio:</b>      |                  |                  |                      |
| Asset to equity ratio                 | 1.02:1           | 1.01:1           | 1.02:1               |
| Debt to asset ratio                   | 0.02:1           | 0.01:1           | 0.02:1               |
| Interest rate coverage ratio          | N/A              | N/A              | N/A                  |