COVER SHEET

AS93000120

SEC Registration No.

FORUM PACIFIC, INC.

(Company's Full Name)

35F FLOOR ONE CORPORATE CENTRE

DOÑA JULIA VARGAS AVE. COR.

MERALCO AVE. ORTIGAS, PASIG

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

Atty. Arsenio A. Alfiler, Jr.

Contact Person

(632) 706-7888

Contact Telephone No.

12 31

Fiscal Year

17-Q

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

866

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the Quarter Period ended **June 30, 2019**

2. SEC Identification Number **AS93000120**

3. BIR Tax Identification No. **002-155-598-000**

4. **FORUM PACIFIC, INC.**
   Exact name of registrant as specified in its charter

5. **Metro Manila, Philippines**
   (Province, country or other jurisdiction of incorporation or organization

6. (SEC Use only)
   Industry Classification Code

7. **35/F One Corporate Centre, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig**
   Address of principal office

8. **Telephone No. 706-7888**
   Registrant's telephone number, including area code

9. **NOT APPLICABLE**
   Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	No. of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares – ₱1.00 par value	Issued – ₱1,838,943,246 (Partially paid subscription – ₱1,148,264,079)

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

    Yes [x]   No. [ ]

12. Check whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

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

14. Not Applicable

PART I - FINANCIAL INFORMATION

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

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

- Unaudited Income Statements

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

- Unaudited Balance Sheets

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

Interim quarter ended June 30, 2019 compared with quarter ended June 30, 2018

RESULTS OF OPERATION
Revenues and Loss per share
Since the Company is still exploring new business opportunities given the volatile situation of metal and oil prices in the global market, the Company has no revenues for the second quarter of 2019 and 2018.

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

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

Costs and expenses recorded for the 2nd quarter of 2019 and 2018 were ₱321,771.33 and ₱272,341, respectively. Increase of ₱49,431 or 18.15% is mostly attributed to the professional fees paid for audit fee.

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

designed to identify those that may require provision for impairment losses. Balance of cash in bank as of June 30, 2019 and 2018 were ₱268,949 and ₱179,508, respectively. The Company provided full valuation on its input tax as of June 30, 2019 amounting to ₱1,956,744.

Financial Assets at FVOCI (net)

Financial Assets at FVOCI as at June 30 consist of:

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

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

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

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

Related Party Transaction Account

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

Relationships, Transactions and Account Balances

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

Advances to The Wellex Group, Inc. (TWGI)

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

On December 15, 2012, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱330,495,385 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018. During 2018, the Company renewed the promissory note amounting to ₱301,996,932 for another five (5) years maturing on December 16, 2023.

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

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

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

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

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

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

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

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

Advances to Forum Exploration Inc. (FEI)
Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company. No transaction in the account balance was recognized for the quarters ended June 30, 2019 and 2018.

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

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

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

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

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

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

Remuneration to key management personnel
With the Company's tight cash position, management decided to suspend any form of compensation

given to key management personnel for the periods ended June 30, 2019 and 2018.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Writing-Off of Investments

Express Savings Bank, Inc. (ESBI)

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

On June 3, 2009, the Company executed a deed of absolute sale for its 127,415 shares in ESBI for ₱179.63 per share or equivalent to ₱22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to ₱122,592,758 or ₱423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of December 31, 2008 was recognized as impairment loss in 2008.

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

The fair value of ESBI investment as of December31, 2009 was based on the actual partial sale that occurred on July 13, 2010 in which 46,602 shares were sold for ₱4,660,200 at ₱100 per share.

On August 12, 2010, the Company executed a deed of absolute sale for its 115,789 shares in ESBI at ₱100 per share or equivalent to ₱11,578,900 which is equal to the carrying value as of December 31, 2009 of ₱11,578,900. The Company reclassified the corresponding unrealized fair value loss amounting to ₱9,220,278 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

On July 8, 2011, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas placed Express Savings Bank, Inc. under receivership of the Philippine Deposit Insurance Corporation (PDIC) by virtue of MB resolution No. 987.B. As receiver, PDIC took over the bank on July 8, 2011. The remaining book value of investment in Express Savings Bank amounting to ₱4,660,200 was recognized as impairment loss for the year 2011.

Forum Coal Cebu Holdings, Inc. (FCCHI)

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

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

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

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

(ii) Events that will Trigger Direct of Contingent Financial Obligation

Since the Forum Pacific, Inc. are still looking a strategic partner to enhance the development of the

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

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

(iv) Any Known Trends, Events of Uncertainties (Material Impact on Liquidity)
The Company is mainly exposed to liquidity risk through its maturing liabilities. The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met. Liquidity refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

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

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

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

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

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

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

(vi) Material Changes on Line Items in Financial Statements
Material changes on line items in financial statements are presented under the captions "Financial Condition" and "Results of Operation" above, and see attached Notes to Financial Statements.

(vii) Effect of Seasonal Changes in the Financial Condition or Results of Operations
The financial condition or results of operations is not affected by any seasonal change.

PART II - OTHER INFORMATION

Market Information

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

"CLASS A"

		High	Low
2019	First Quarter	0.244	0.228
	Second Quarter	0.245	0.234
2018	First Quarter	0.209	0.204
	Second Quarter	0.197	0.195
	Third Quarter	0.205	0.201
	Fourth Quarter	0.219	0.202
2017	First Quarter	0.190	0.189
	Second Quarter	0.207	0.205
	Third Quarter	0.201	0.200
	Fourth Quarter	0.183	0.182

The high, low and close market price is ₱0.245, ₱0.234, and ₱0.234 per share as of June 28, 2019, respectively. The Corporation has only one class of registered security, "Class A – Common Shares".

Holders

The number of shareholders of record as of June 30, 2019 was 866. Common shares issued and subscribed were 1,838,943,246.

List of Top 20 Stockholders
June 30, 2019

	NAME	CLASS A NO. OF SHARES HELD	% to TOTAL
1	INTERNATIONAL POLYMER CORPORATION	496,887,494	27.020
2	PCD NOMINEE CORPORATION	417,147,574	22.684
3	THE WELLEX GROUP, INC.	376,950,000	20.498
4	E.F. DURKEE & ASSOCIATES, INC.	77,838,563	4.233
5	INTRA-INVEST SEC., INC.	48,159,000	2.619
6	METROPOLITAN MANAGEMENT CORPORATION	30,000,000	1.631
7	JUANITO C. UY	22,625,001	1.230
8	PACRIM ENERGY N.L.	21,000,000	1.142
9	PCD NOMINEE CORP. (NON-FILIPINO)	20,890,050	1.136
10	SAPPHIRE SECURITIES INC.	19,433,500	1.057
11	BENITO ONG AND/OR ZITA Y. ONG	18,000,000	0.979
12	LI CHIH-HUI	17,100,000	0.930
13	NESTOR S. MANGIO	12,500,000	0.680
14	A & A SECURITIES, INC.	11,911,320	0.648
15	MARK SECURITIES CORPORATION	10,772,800	0.586
16	GLOBALINKS SEC & STOCKS, INC. A/C #	9,400,000	0.511
17	BELSON SECURITIES, INC.	9,200,000	0.500
18	WEALTH SECURITIES, INC.	8,240,000	0.448
19	RUBEN M. GAN	7,610,000	0.414
20	DAVID GO SECURITIES CORPORATION	6,880,000	0.374

Annex A.1

FORUM PACIFIC, INC.
STATEMENTS OF FINANCIAL POSITION

		Unaudited June 30, 2019	Unaudited June 30, 2018	Audited December 31, 2018
Current Assets				
Cash	5	**₱268,949**	₱179,508	₱287,913
Prepayments and other current assets	6	**41,213**	41,027	44,889
		310,162	220,535	332,802
Non-current Assets				
Advances to related parties – net	10	**251,159,905**	252,371,283	252,422,623
Financial asset at FVOCI	7	**89,303,954**	86,543,144	89,303,953
		340,463,859	338,914,427	341,726,576
TOTAL ASSETS		**₱340,774,021**	₱339,134,962	₱342,059,378
Current Liabilities				
Accounts payable and other current liabilities	8	**₱32,540**	₱39,873	₱357,181
Non-current Liabilities				
Advances from related parties	10	**4,258,720**	4,438,164	4,360,051
TOTAL LIABILITIES		**₱4,291,260**	₱4,478,037	₱4,717,232
EQUITY				
Capital stock		**₱1,207,543,621**	₱1,207,543,621	1,207,543,621
Treasury shares		**(36,056,750)**	(36,056,750)	(36,056,750)
Unrealized fair value gain on financial Assets at FVOCI		**16,062,900**	13,302,090	16,062,900
Deficit		**(851,067,010)**	(850,132,036)	(850,207,625)
TOTAL EQUITY		**₱336,482,761**	₱334,656,925	₱337,342,146
TOTAL LIABILITIES AND EQUITY		**₱340,774,021**	₱339,134,962	₱342,059,378

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

Annex A.2

FORUM PACIFIC, INC.
STATEMENTS OF
COMPREHENSIVE INCOME

	Unaudited April-June 2019	Unaudited April-June 2018	**Unaudited January – June 2019**	Unaudited January – June 2018
Revenues	**₱–**	₱–	**₱–**	₱–
Costs and expenses (Note 11)	**321,771**	272,341	**846,101**	1,048,302
Operating loss	**(321,771)**	(272,341)	**(846,101)**	(1,048,302)
Other income/(expenses)	**74,352**	(152,072)	**(13,285)**	(456,328)
NET LOSS FOR THE PERIOD	**(₱247,419)**	(₱424,413)	**(₱859,386)**	(₱1,504,630)
LOSS PER SHARE (Note 14)	**(₱0.0002)**	(₱0.0004)	**(₱0.0007)**	(₱0.0013)

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

Annex A.3

FORUM PACIFIC, INC.
STATEMENTS OF CHANGES IN EQUITY

	Unaudited January-June 2019	Unaudited January-June 2018	Audited December 31, 2018
Capital stock	**₱1,207,543,621**	₱1,207,543,621	₱1,207,543,621
Treasury shares	**(36,056,750)**	(36,056,750)	(36,056,750)
Unrealized fair value gain on available-for-sale financial assets	**16,062,900**	13,302,090	16,062,900
Deficit - beginning	**(850,207,624)**	(848,627,407)	(847,579,081)
Net loss for the period	**(859,386)**	(1,504,630)	(2,628,544)
Deficit - ending	**(851,067,010)**	(850,132,037)	(850,207,625)
TOTAL STOCKHOLDERS' EQUITY	**₱336,482,761**	₱334,656,924	₱337,342,146

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

Annex A.4

FORUM PACIFIC, INC.
STATEMENTS OF CASH FLOWS

	Unaudited January-June 2019	Unaudited January – June 2018	Audited December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	**(₱859,386)**	(₱1,504,630)	(₱2,628,544)
Adjustments for:			
Provision for impairment of input tax – note 6	**114,877**	158,126	235,433
Provision for impairment on advances to related parties – notes12	**-**	-	-
Provision for impairment of financial assets at FVOCI – note 12	**-**	-	-
Unrealized foreign exchange loss – note 12	**(101,331)**	298,437	220,324
Operating loss before working capital changes	**(845,840)**	(1,048,067)	(2,172,787)
Increase in prepayments and other current assets	**(111,202)**	(159,855)	(241,023)
Decrease in accounts payable and other liabilities	**(324,641)**	(451,990)	(134,682)
Net cash used in operating activities	**(1,281,683)**	(1,659,912)	(2,548,492)
CASH FLOWS FROM INVESTING ACTIVITY			
Collection on advances of related parties	**1,262,719**	1,706,999	2,753,984
Additional advances to related parties – note 10	**-**	-	(50,000)
Net cash provided by investing activity	**1,262,719**	1,706,999	2,703,984
CASH FLOW FROM FINANCING ACTIVITY			
Additions to financial assets at FVOCI	**-**	-	-
Net cash used in financing activity	**-**	-	-
NET INCREASE (DECREASE) IN CASH	**(18,964)**	47,087	155,492
CASH			
At beginning of year	**287,913**	132,421	132,421
At end of quarter	**₱268,949**	₱179,508	₱287,913

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

Annex A.5

FORUM PACIFIC, INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
June 30, 2019

1. CORPORATE INFORMATION

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

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

2. MANAGEMENT ASSESSMENT OF GOING CONCERN ASSUMPTION AND BUSINESS PLANS

Management's Assessment of the Going Concern Assumption

The nature of the Company's operations requires it to spend significant amount of funds to support exploration programs and operating expenses for it to operate profitably in the future. The Company incurred losses amounting to ₱859,386 and ₱1,504,630 on June 30, 2019 and 2018, respectively. The Company had accumulated a deficit of ₱851,067,010 and ₱850,132,036 as at June 30, 2019 and 2018 respectively.

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

Business Plans

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

- Aside from the new investment in Taguig Lake City Development Corporation, the Company will further outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mineral exploration.
- Continue research for areas and land mine with potential mineral deposits using affiliated Group's geologists and engineers.
- Consider investing into potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy.
- Evaluate potential buyers to buy out investment with Forum Exploration Inc.
- Evaluate advances to affiliates and design collection program to improve the Company's financial status. As at June 30, 2019 and 2018, the Company has existing contracts with TWGI to collect outstanding advances (see Note 10).
- Evaluate calling for the remaining stock subscription as source of fund for future projects. The Company has outstanding ₱667,456,379 subscription receivable (see Note 9).

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

Basis of Preparation of Interim Financial Statement

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments, in accordance with applicable Philippine Accounting Standards and in accordance with reporting practices applicable to the subsidiary bank.

The financial statements are presented in Philippine pesos, which is the Company's functional currency.

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS), which are accounting principles generally accepted in the Philippines. These are the Company's first PFRS financial statements where PRFS 1, "First Time Adoption of the Philippine Financial Reporting Standards", has been applied.

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance

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

Basis of Preparation

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

Functional and Presentation Currency

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

Impact of the Revised Code

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

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

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

The Revised Code will have no impact on the preparation and submission of the Company's financial statements. The Company's total assets and liabilities as at June 2019 exceed ₱600,000.

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

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

The Company has applied the PFRS for the first time.

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

The nature of the adjustments is as follows:

(a) *Classification and measurement of financial instruments*
The changes in the classification and measurement of the Company's financial instruments are as follows:

		Classification	
		PAS 39	PFRS 9
Cash	(1)	Loans and receivable	Amortized Cost
Advances to related parties (net)	(2)	Loans and receivable	Amortized Cost
Available for sale financial assets	(2)	AFS	Financial Asset as FVOCI

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2018

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

Annual Improvements to PFRS 2015-2017 Cycle

The annual improvements addressed the following issues:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

Fair value measurement disclosures of financial and non-financial assets are presented in Note 15 to the financial statements.

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

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

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

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

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

Financial assets at amortized cost
Financial assets are measured at amortized when both of the following conditions are met:
- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at June 30, 2019 and 2018, included under financial assets at amortized cost are the Company's cash and advances to related parties (see Notes 5 and 10).

Cash

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

Advances to related parties

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

Equity Instruments Designated at FVOCI

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

As at June 30, 2019 and 2018, the Company elected to classify irrevocably its quoted and unquoted equity investments under this category (see Note 7).

Financial Liabilities at Amortized Cost

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

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

As at June 30, 2019 and 2018, included in financial liabilities at amortized cost are the Company's accounts payable and other liabilities (excluding government liabilities), and advances from a related party (see Notes 8 and 10).

Accounts payable and other liabilities

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

Advances from a related party

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Definition of default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Parent Company, in full (without taking into account any collateral held by the Parent Company).

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

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concessions that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

Input Tax
Input tax pertains to indirect tax paid by the Company on its local purchase of goods and services from a VAT-registered person. Input tax is deducted against output tax in arriving at the VAT due and payable.
The Company's input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment loss.

Impairment of Non-Financial Assets
At each reporting date, the Company assesses whether there is any indication that any of its assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to

estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Retirement Benefits
The Company does not provide any retirement benefits because it does not have any employee as at June 30, 2019 and 2018. The Company's administrative functions are performed by its related party, The Wellex Group, Inc. (TWGI).

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

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

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

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

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

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

Leases

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

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

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

Related Parties and Related Party Transactions

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

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

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

Equity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, AND ESTIMARES AND ASSUMPTIONS

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

Significant Accounting Judgments in Applying the Company's Accounting Policies
Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed below.

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

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

As at June 30, 2019 and 2018, the Company has no outstanding liabilities in relation to the above-mentioned case.

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

Impairment of input tax
Management believes that the recoverability of input tax is doubtful since the Company is not expecting income subject to output tax in the near future. Consequently, the Company has provided full valuation allowance of its input tax in 2019 and 2018.

The Company's input tax amounted to ₱1,956,744 and ₱1,764,559 as at June 30, 2019 and 2018, respectively (see Note 6).

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

The Company's unrecognized deferred tax assets amounted to ₱9,473,672 and ₱9,331,306 as at June 30, 2019 and 2018, respectively.

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

Advances to related-parties amounted to ₱251,159,905 and ₱252,371,283, net of allowance for impairment loss of ₱221,205,384 and ₱221,205,384, as at June 30, 2019 and 2018 (see Note 10).

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

5. CASH
Cash represents cash in bank with outstanding balance of ₱268,949 and ₱179,508 as at June 30, 2019 and 2018, respectively. Interest income earned from bank deposits were ₱144 and ₱142 for the quarter ended June 30, 2019 and 2018.

There is no restriction on the Company's cash as at June 30, 2019 and 2018.

6. PREPAYMENTS AND OTHER CURRENT ASSETS
Prepayments and other current assets as at June 30 consist of:

	2019	2018
Input tax	**₱1,956,744**	₱1,764,559
Other current assets	**41,213**	41,027
	1,997,957	1,805,586
Less: Valuation allowance on input tax	**(1,956,744)**	(1,764,559)
	₱41,213	₱41,027

Movements in the allowance on input tax are as follows:

	2019	2018
Balance at beginning of year	**₱1,841,867**	₱1,606,434
Provision during the period – note 12	**114,877**	158,125
Balance at end of period	**₱1,956,744**	₱1,764,559

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

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

7. FINANCIAL ASSETS AT FVOCI (net)

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

	2019	2018
Unquoted shares		
Balance at beginning of the year	**₱85,711,573**	₱85,711,573
Impairment loss	**(20,000,000)**	(20,000,000)
	65,711,573	65,711,573
Quoted shares		
Cost	**7,529,480**	7,529,480
Net unrealized fair value gain	**16,062,900**	13,302,090
	23,592,380	20,831,570
	₱89,303,954	₱86,543,144

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

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

The movements in the net unrealized fair value gain on financial assets at FVOCI on June 30 are as follows:

	2019	2018
At beginning of year	**₱16,062,900**	₱10,290,297
Fair value changes during the period	**-**	3,011,793
	₱16,062,900	₱13,302,090

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

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at June 30 consist of:

	2019	2018
Accounts payable	**₱24,915**	₱32,248
Taxes payable	**7,625**	7,625
	₱32,540	₱39,873

Accrued expenses pertain to unpaid professional fees.

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

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

9. CAPITAL STOCK

Details of the Company's capital stock as at June 30, 2019 and 2018 are as follows:

Capital stock	**No. Shares**	**Par value**	**Total**
Authorized	**3,500,000,000**	**₱1**	**₱3,500,000,000**
Subscribed	**1,875,000,000**	**₱1**	**₱1,875,000,000**
Subscription receivable	**(667,456,379)**	**1**	**(667,456,379)**
Subscribed and paid up	**1,207,543,621**	**1**	**₱1,207,543,621**

Issued	**1,875,000,000**	**₱1**	**₱1,875,000,000**
Treasury shares	**(36,056,750)**	**1**	**(36,056,750)**
Issued and outstanding	**1,839,943,246**	**₱1**	**₱1,839,943,246**

The Company has one (1) class of common shares which carry no right to fixed income. No movement in the capital stock of the Company in 2019 and 2018 reporting periods. There were no shares of the Company reserved for issue under options and contracts for the sale of shares as at June 30, 2019 and 2018.

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

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

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

The Company has 1.5 billion shares listed and traded in the PSE as at June 30, 2019 and 2018.

10, RELATED PARTY TRANSACTIONS

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

Details of related party relationships, transactions and balances as follows as of June 30:

Related parties and relationships	Nature of transactions	Volume of transactions 2019	Volume of transactions 2018	Outstanding receivable 2019	Outstanding receivable 2018	Terms/ Conditions
With common key management						
The Wellex Group, Inc. (TWGI)	Cash advance	**(₱2,084,204)**	(₱14,957,426)	**₱300,734,213**	₱302,993,917	(a)
	Consultancy fee	**(120,000)**	(120,000)		–	
	Rental expense	**(55,500)**	(55,500)		–	
Forum Exploration, Inc. (FEI)	Transfer of assets	-	-	**171,631,076**	171,631,076	(b)
		(2,259,704)	(15,132,926)	**472,365,289**	474,624,993	
Impairment loss		-	(9,244,378)	**(221,205,384)**	(221,205,384)	(c)
		(₱2,259,704)	(₱24,377,304)	**₱251,159,905**	₱253,419,609	

Related parties and relationships	Nature of transactions	Volume of transactions 2019	Volume of transactions 2018	Outstanding receivable 2019	Outstanding receivable 2018	Terms/ Conditions
With common key management						
Forum Exploration, Ltd.(FEL)	Cash advance	**₱179,444**	₱307,558	**₱4,258,720**	₱4,438,164	(d)

(a) Advances to The Wellex Group, Inc. (TWGI)
On December 15, 2012, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱330,495,385 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018. During the year, the Company

renewed the promissory note amounting to ₱301,996,932 for another five (5) years maturing on December 16, 2023. To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

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

Total rental and utilities expense charged to operations for the quarters ended June 30 as follows (see Note 11):

	2019	2018
Rent	**₱37,500**	₱37,500
Utilities	**18,000**	18,000
	₱55,500	₱55,500

On April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. The contract was renewed on May 2016 for another two (2) years. On May 1, 2018, the Company renewed the contract for another two (2) years maturing on April 30, 2020. Total management fee charged to operations amounted to ₱120,000 for the years ended June 30, 2019 and 2018 (see Note 11).

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

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

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

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

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

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

	2019	2018
At beginning of year	**₱221,205,384**	₱221,205,384
Provisions during the period		–
At end of period	**₱221,205,384**	₱221,205,384

(d) Advances from Forum Exploration, Inc. Ltd. (FEL)
The Company received USD denominated cash advances from FEL, amounted to $82,922 with no definite terms of payment.

	2019	2018
At beginning of year	**₱4,360,051**	₱4,139,727
Unrealized foreign exchange loss – note 12	**(101,331)**	298,438
At end of year	**₱4,258,720**	₱4,438,164

(d) Remuneration to key management personnel
With the Company's tight cash position, management decided to suspend any form of compensation given to key management personnel.

(e) Others
The Company's administrative functions are performed by its related party, TWGI.

11. COSTS AND EXPENSES
Cost and expenses for the quarters ended June 30 consists of:

	2019	2018	2017
Professional fees	**₱127,000**	₱75,000	₱345,300
Membership fees and dues	**11,399**	11,399	11,049
Management fees – note 10	**120,000**	120,000	120,000
Rent and utilities – note 10	**55,500**	55,500	55,500
Taxes and licenses	**-**	-	825
Travel and transportation	**850**	2,447	1,313
Meal Expense	**-**	360	159
Office supplies	**3,923**	3,805	3,050
Miscellaneous	**3,100**	3,830	7,326
	₱321,772	₱272,341	₱544,522

Membership fees and dues include annual PSE listing and registration.

Miscellaneous expense mainly consists of website maintenance fees.

12. OTHER INCOME/(EXPENSES) - net
Other expenses for the quarters ended June 30 consists of:

	2019	2018	2017
Provision for impairment on:			
Input tax – note 6	**₱118,081**	(₱109,043)	–
Unrealized foreign exchange loss – note 10	**(43,873)**	(43,171)	–
Interest income – note 5	**144**	142	128
	₱74,352	(₱152,072)	(₱128)

13. INCOME TAXES
Current and deferred tax
On May 24, 2005, Republic Act (RA) No. 9337 changed the normal corporate income tax rate from 32% to 35% effective November 1, 2005 and from 35% to 30% effective January 1, 2009.

On December 20, 2008, Revenue Regulations No.16-2008 on the Optional Standard Deduction (OSD) was published. The regulation prescribed the rules for the OSD application by corporations in the computation of their final taxable income. For corporations, OSD shall be 40% based on gross income; "cost of goods sold" will be allowed to be deducted from gross sales. For taxable period 2008, maximum 40% deduction shall only cover the period beginning July 6, 2008. However, July 1, 2008 shall be considered as the start of the period when the 40% OSD may be allowed.

On February 26, 2010, RR 2-2010 on the amendment of Section 6 and 7 of RR 16-2008 was published. The regulation amended the other implications of the OSD particularly on the election to claim either the OSD or the itemized deduction which must be signified in the first quarter and must be consistently applied for all the succeeding quarterly returns and in the final income tax return for the taxable year.

The Company did not avail of the OSD for purpose of income tax calculation in 2019 and 2018.

The Company has deductible temporary differences that are available for offset against future taxable income or tax payable for which no deferred tax assets have been recognized in the financial statements. Deferred tax assets of the temporary difference amounting to ₱9,473,672 and ₱9,331,306 in 2019 and 2018, respectively, were not recognized as management believes that the deferred tax assets will not be realized within the availment period.

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

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

As at June 30, 2019, the Company has NOLCO that can be claimed as deduction from future income tax payable and taxable income, respectively, as follows:

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

Relevant tax updates

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

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

Below are the salient points of the TRAIN Law:

- Reduction in personal income taxes
- Changes in capital income taxes
- Final withholding tax on interest from foreign currency deposits increased to 15% (from 7.5%)
- Capital gains tax on unlisted/untraded shares increased to 15% (from 5%/10%)
- Stock transaction tax on listed/traded shares increased to 6/10 of 1% from (1/2 of 1%)
- Amendments to other taxes
- VAT
  - Certain VAT zero-rated transactions to become subject to 12% VAT upon implementation of VAT refund system
  - VAT exemption threshold for sale of goods and services increased to P3.00 million (from P1.90 million)
  - Included in VAT exempt transactions, among others: Transfers of properties pursuant to a tax-free merger; association dues, membership fees, and other assessments and charges collected by homeowners associations and condominium corporations
- Increased documentary stamp taxes (DST) rates by 50% to 100%

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

14. LOSS PER SHARE

The following table presents information necessary to calculate the loss per share as of June 30:

	2019	2018	2017
Net loss for the period	**(₱247,419)**	(₱424,413)	(₱544,396)
Weighted average number of common shares outstanding during the period	**1,171,486,871**	1,171,486,871	1,171,486,871
	(₱0.0002)	(₱0.0004)	(₱0.00046)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

The Company current credit risk grading framework is as follows:

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

The maximum credit risk exposure of the financial assets is the carrying amount of the financial assets shown on the face of statement of financial position, as summarized below (note 5 & 10):

		June 30, 2019			
		Basis for recognizing ECL	**Gross carrying amount**	**Loss Allowance**	**Net carrying amount**
Cash in bank	(a)		**₱268,949**		**₱268,949**
Advances to related parties	(b)	Lifetime ECL	**472,365,289**	**(221,205,384)**	**251,159,905**
			₱472,634,238	**(₱221,205,384)**	**₱251,428,854**

		June 30, 2018 (after adoption of PFRS 9)			
		Basis for recognizing ECL	Gross carrying amount	Loss Allowance	Net carrying amount
Cash in bank	(a)		₱179,508		₱179,508
Advances to related parties	(b)	Lifetime ECL	474,624,992	(221,205,384)	253,419,608
			₱474,804,500	(₱221,205,384)	₱253,240,100

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

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

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

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

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

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

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

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

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

As at June 30, 2019 and 2018, the Company has entered into an agreement with its related party to settle the advances (see Note 10).

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

<u>Cash</u>
The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash is insured by the Philippine Deposit Insurance Corporation up to a

maximum coverage of ₱500,000 for every depositor per banking institution.

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

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

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

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

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

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

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

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

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

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

The Company is mainly exposed to foreign currency risk through its advances from related party $82,922 which amounted to ₱4,258,720 and ₱4,438,164 as at June 30, 2019 and 2018, respectively.

The sensitivity rate used on reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% in foreign exchange rates. A positive number indicates an increase in net income when the Philippine peso strengthens at 10% against the relevant currency. For 10% weakening of the Philippine peso against the relevant currency, there would be an equal and opposite impact on the net income.

Capital Risk Objective and Management

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

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

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

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

The gearing ratios as at June 30, 2019 and 2018 were as follows:

	2019	2018
Debt	**₱4,291,260**	₱4,478,037
Less: Cash	**268,949**	179,508
Net debt	**4,022,311**	4,298,529
Equity	**336,482,761**	334,656,924
Gearing ratio	**1.20%**	1.28%

The Company is subject to externally imposed capital requirement amounting to ₱6,250,000 which is the minimum paid-up capital requirement of SEC for mining companies. As June 30, 2019 and 2018, the Company is in compliance with this externally imposed capital requirement.

16. FAIR VALUE INFORMATION

Assets measured at fair value

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

	Fair Value as at December 31		Fair Value	Valuation
	2019	2018	Hierarchy	Techniques
Financial Assets at FVOCI	**₱24,345,328**	₱20,329,604	Level 1	Quoted prices in an active market

Assets and liabilities not measured at fair value

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

	December 31, 2018			
	Carrying Value	**Fair Value**	Valuation Technique	Fair Value Hierarchy
Financial Asset				
Advances to related parties	₱252,422,623	₱36,388,399	Discounted value of future cash flows	Level 2
Financial Liability				
Advances from related parties	₱ 4,360,051	₱4,083,095	Discounted value of future cash flows	Level 2

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

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

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

Supplementary information required by Revenue Regulations 15-2010

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

a) Output value-added tax

The Company has no output VAT since it does not have any income subject to VAT for the quarters ended June 30, 2019 and 2018.

b) Input value-added tax

	2019	2018
At beginning of year	**₱1,841,867**	₱1,606,434
Current purchases and payments for:		
Goods other than for resale or manufacture	**-**	–
Domestic purchases of services	**114,877**	158,125
	1,956,744	₱1,764,559

c) Taxes on importation

The Company has no import transactions for the quarters ended June 30, 2019 and 2018.

d) Excise Tax

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

e) Documentary stamp tax

There are no documentary stamp tax paid by the Company for the quarters ended June 30, 2019 and 2018.

f) Taxes and licenses

Details of taxes and licenses account are broken down as follows for the quarter ended June 30:

	2019	2018
Business permits	**₱-**	₱-
Corporate community tax	**-**	-
BIR annual registration	**-**	-
	₱-	₱-

g) Withholding taxes

The details of total withholding taxes for the quarters ended June 30 are shown below:

	2019	2018
Withholding tax on compensation	**₱-**	₱–
Expanded withholding tax	**22,875**	22,875
Final withholding tax	**-**	–
	₱22,875	₱22,875

h) Deficiency tax assessment and tax cases

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

* * *

FORUM PACIFIC, INC.
APPENDIX A – FINANCIAL SOUNDNESS

	June 30, 2019	**June 30, 2018**	December 31, 2018
Profitability ratios:			
Return on asset	**N/A**	N/A	N/A
Return on equity	**N/A**	N/A	N/A
Net profit margin	**N/A**	N/A	N/A
Solvency and liquidity ratios:			
Current ratio	**9.53:1**	5.53:1	0.35:1
Debt to equity ratio	**0.01:1**	0.01:1	0.01:1
Quick ratio	**8.27:1**	4.01:1	0.27:1
Cash-flow liquidity ratio	**N/A**	N/A	N/A
Financial leverage ratio:			
Asset to equity ratio	**1.01:1**	1.01:1	1.01:1
Debt to asset ratio	**0.01:1**	0.01:1	0.01:1
Interest rate coverage ratio	**N/A**	N/A	N/A

SIGNATURE

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

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

Registrant: ELVIRA A. TING
Title: President
Signature: _______________

Registrant: ATTY. ARSENIO A. ALFILER, JR.
Title: Corporate Secretary
Signature: Arsenio A. Alfiler, Jr.

Registrant: KENNETH T. GATCHALIAN
Title: Treasurer
Signature: _______________

Dated _______________

SUBSCRIBED AND SWORN to before me this JUL 31 2019 day of ________, in CITY OF PASAY affiant (s) exhibiting to me his/their Tax Identification No. as follows:

AFFIANTS	Tax Identification No.
1. Elvira A. Ting	117-922-153-000
2. Atty. Arsenio A. Alfiler, Jr.	108-160-743-000
3. Kenneth T. Gatchalian	167-406-526-000

Doc. No.: 1
Page No.: 2
Book No.: VII
Series of 2019

ATTY. HENRY D. ADASA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
COMMISSION 17-23
PASADENA ST., PASAY CITY
IBP NO. 047427 - 01/03/19 PASIG
PTR NO. 5826687 01/03/19 P.C.
MCLE COMPLIANCE NO. VI-0002038 4/14/2022
ROLL NO. 29679