COVER SHEET

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SEC Registration No.

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(Company's Full Name)

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

Atty. Arsenio A. Alfiler Jr.	(632) 706-7888
Contact Person	Contact Telephone No.

1	2	3	1

Fiscal Year

	2	0		-	I	S	

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

985		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number LCU

Document I.D. Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

20-IS Definitive:FPI

FORUM PACIFIC INC.

June 13, 2011

Dear Stockholder:

Please be advised that the annual meeting of the stockholders of the Corporation as fixed by the Board of Directors of Forum Pacific, Inc. will be held on Friday, July 8, 2011,at 9:00 a.m.at the Makati Sports Club, L.P. Leviste corner Gallardo Streets, Salcedo Village, Makati City, for the purpose of transacting the following business:

1. Call to Order
2. Report on Attendance and Quorum
3. Approval of Minutes of Previous Stockholders' Meeting Held on December 16, 2004
4. Report to Stockholders for the Year 2010
5. Ratification of Acts of the Board and Management
6. Election of Directors for the Ensuing Year
7. Appointment of External Auditor
8. Appointment of External Counsel
9. Change of Principal Office/ Amendment of the Articles of Incorporation
10. Other Business as May Properly Come before the Meeting
11. Adjournment

As fixed by the Board of Directors, stockholders as of record date, June 3, 2011, shall be entitled to notice of, and vote at, said meeting and for this purpose, the Board of Directors authorized the closing of the stock and transfer book of the Corporation from June 6, 2011 to July 8, 2011.

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

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

Arsenio A. Alfiler, Jr.
Corporate Secretary
Unit 3104, 31/F Antel Global Corporate Center
#3 Dona Julia Vargas Avenue
Ortigas Center, Pasig City

……..

We are not soliciting your proxy. All stockholders who will not, are unable, or do not expect to attend the meeting in person but would like to be represented thereat may choose to execute and send a valid proxy form provided below to the Office of the Corporate Secretary on or before June 17, 2011. Validation of proxies shall be held on June 21, 2011 at 10:00 a.m. at the Office of the Corporate Secretary.

P R O X Y

I/We hereby name and appoint_____, or in his/her absence, the Chairman of the meeting, as my/our proxy at the annual stockholders' meeting of FORUM PACIFIC INC., to be held at the Dasmariñas/Magallanes Room, Makati Sports Club, Inc., LP Leviste corner Gallardo St., Salcedo Village, Makati City on Monday, July 8, 2011 at 9:00 A.M., and at any postponement or adjournment thereof.

_____ Place

_____ Date

_____ (Printed Name & Signature)

WITNESS:

_____

No. of Shares Held:_____

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

1. Check the appropriate box:
   X Preliminary Information Statement
   Definitive Information Statement

2.	Name of Registrant as specified in its charter	:	**FORUM PHILIPPINES INC. (the "Corporation")**
3.	Province, country or other jurisdiction of incorporation or organization	:	**Metro Manila, Philippines**
4.	SEC Identification Number	:	**SEC Registration No. AS 93000120**
5.	BIR Tax Identification Code	:	**TIN No. 312-002-155-598**
6.	Address of Registrant's Principal Office	:	**22nd Floor Citibank Tower, 8741 Paseo de Roxas Street, Makati City**
7.	Registrant's telephone number, including area code	:	**(632) 706-7888**
8.	Date, time and place of stockholders meeting	:	**July 8,2011 at 9:00 A.M., Dasmariñas/Magallanes Room, Makati Sports Club, Inc., LP Leviste corner Gallardo Sts., Salcedo Village,1277 Makati City**
9.	Approximate date on which the Information Statement are first to be sent or given to security holders	:	**June 15, 2011**
10.	In case of Proxy Solicitation	:	**Not applicable**

11. Securities registered pursuant to Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	No. of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares- P1.00 par value	**Issued and Outstanding – 1,838,943,246**

12. Are any or all of registrant" s securities listed on the Philippine Stock Exchange?

Yes _X_ No___

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

Date, Time and Place of Meeting of Security Holders.

Date, Time, and Place of Meeting	:	**July 8,2011 9:00 A.M., Dasmariñas/Magallanes Room Makati Sports Club, Inc., LP Leviste corner Gallardo Sts., Salcedo Village,1277 Makati City**
Complete Registrant's Mailing Address	:	**35th Floor, One orporate Center DoñaJulia Vargas Ave. cor. Meralco Ave.,Ortigas Center, Pasig City**
The approximate date on which the Information Statement are first to be sent and given to the security holders shall be on	:	**June 15, 2011**

Dissenters' Right of Appraisal

Under Section 81 and 42 of the Corporation Code, stockholders who dissent to certain corporate actions are given the right of appraisal. Among others, appraisal rights are available to dissenters in case the corporation invests its funds in another corporation or business for any purpose other than its primary purpose. The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a demand on the corporation within thirty (30) days after the date on which the vote was taken for the payment of the fair value of his shares.

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

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

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

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

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

Voting Securities and Principal Holders Thereof

(a) The Corporation has 1,838,943,246 outstanding shares as of April 30, 2011. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

(b) All stockholders of record as of June 3, 2011 are entitled to notice and vote at the Corporation's Annual Meeting of the Stockholders.

(c) Manner of Voting

The election of directors shall be taken up at the meeting and pursuant to Section 24 of the Corporation Code. The holders of common stock (Class A) are entitled to one vote per share but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast by secret balloting and/or rising of hands. In all matters included in the agenda, except the election of directors, the counting of vote will be done through the regular method.

The report attached to this SEC Form 20-IS is the management report to stockholders required under SRC Rule 20 to accompany the SEC Form 20-IS and is hereinafter referred to as the "Management Report".

Security Ownership of Certain Record and Beneficial Owners and Management

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

As of April 30, 2011 the Corporation knows of no one who beneficially owns in excess of 5% of the Corporation's common stock except as set forth in the table below.

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

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of total o/s shares
Common	International Polymer Corporation, T. Santiago St., Canumay, Valenzuela City (Stockholder)	same as record owner (see note 1)	Filipino	496,887,494	26.501
Common	PCD Nominee Corporation G/F Makati Stock Exch. Bldg., Ayala Avenue, Makati City (Stockholder)	PCD Participants and their clients (see note 2)	Filipino	396,027,824	21.121
Common	The Wellex Group Inc. 35th Flr., One Corporate Center, Doña Julia Vargas ave., cor, Meralco ave., Ortigas Center, Pasig City (Stockholder)	same as record owner (see note 3)	Filipino	376,950,000	20.104

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

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

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

Schedule A

PCD Nominee	No. of Shares Held	%
Westlink Global Equities, Inc.	85,024,700	21.47
Ansaldo. Godinez&Co.,Inc.	15,763,000	3.98
Globalinks Securities & Stocks, Inc.	13,650,754	3.45
Tri-State Securities Inc.	12,320,000	3.11
Tower Securities Inc.	11,477,000	2.90
Quality Investments & Securities Corporation	10,766,250	2.72
Abacus Securities Corporation	9,935,953	2.51
R.S. Lim & Co., Inc.	9,102,000	2.30
Yu & Company, Inc.	9,090,000	2.30
Yao & Zialcita,Inc.	8,850,000	2.23
Angping & Associates Securities Inc.	8,306,000	2.10
Eastern Securities Development Corporation	7,955,000	2.01
Belson Securities, Inc.	7,864,000	1.99
Intra-Invest Securities, Inc.	7,297,000	1.84
A&A Securities, Inc.	7,027,880	1.77
Others	171,598,287	43.33
TOTAL	**396,027,824**	100.00

(2.) Security Ownership of Directors and Management (As of April 30, 2011)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Geronimo F. Velasco	100 (direct)	Filipino	0.000
Common	Weslie T. Gatchalian	100 (direct)	Filipino	0.000
Common	Peter S. Salud	29,990 (direct)	Filipino	0.001
Common	Elvira A. Ting	400,001 (direct)	Filipino	0.021
Common	Federico E. Puno	2,500,000 (direct)	Filipino	0.128
Common	Evelyn Dela Rosa	100 (direct)	Filipino	0.000
Common	Joaquin P. Obieta	1 (direct)	Filipino	0.000
Common	Lamberto A. Mercado	100 (direct)	Filipino	0.000
Common	Rogelio D. Garcia	10 (direct)	Filipino	0.000

Common	Arthur R. Ponsaran	1 (direct)	Filipino	0.000
Common	Kenneth T. Gatchalian	100 (direct)	Filipino	0.000
	Atty. Arsenio A. Alfiler Jr.	-	Filipino	0.000
	Byoung Hyun Suh (see note 4)	None yet	Korean	0.000
All directors and Officers as a group		**2,903,503**		**0.150**

Note 4 . Mr. Byoung Hyun Suh has no share holdings as of April 30, 2011. He is one of the nominee for the position of independent director.

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

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

(4.) Changes in Control

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

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

Directors and Executive Officers

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

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

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

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

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

A. Definition

1. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the corporation and includes, among others, any person who:

   1.1 Is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;

   1.2 Does not own more than two percent (2%) of the shares of the corporation and/or its related companies or any of its substantial shareholders;

   1.3 Is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse,

parent, child, brother, sister, and the spouse of such child, brother or sister;

1.4 Is not acting as a nominee or representative of any director or substantial shareholder of the corporation, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

1.5 Has not been employed in any executive capacity by the corporation, any of its related companies and/or
by any of its substantial shareholders within the last two (2) years;

1.6 Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the corporation, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or

1.7 Has not engaged and does not engage in any transaction with the corporation and/or with any of its related
companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.

2. No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice to other disqualifications which the corporation's Manual on Corporate Governance provides.

3. Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the Commission by appointing independent directors from the list of nominees submitted by the stockholders.

4. When used in relation to a company subject to the requirements above:

4.1 Related company means another company which is: (a) its holding company, (b) its subsidiary, or (c) a
subsidiary of its holding company; and

4.2 Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than
ten percent (10%) of any class of its equity security.

B. Qualifications and Disqualifications of Independent Directors

1. An independent director shall have the following qualifications:

1.1 He shall have at least one (1) share of stock of the corporation;

1.2 He shall be at least a college graduate or he has sufficient management experience to substitute for such formal education or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;

1.3 He shall be twenty one (21) years old up to seventy (70) years old, however, due consideration shall be
given to qualified independent directors up to the age of eighty (80);

1.4 He shall have been proven to possess integrity and probity; and

1.5 He shall be assiduous.

2. No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent
director. He shall likewise be disqualified during his tenure under the following instances or causes:

2.1 He becomes an officer or employee of the corporation where he is such member of the board of
directors/trustees, or becomes any of the persons enumerated under letter (A) hereof;

2.2 His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the
corporation where he is such director;

2.3 Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during
his incumbency unless such absences are due to grave illness or death of an immediate family;

2.4 Such other disqualifications that the Corporate Governance Manual provides.

C. Number of Independent Directors

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

D. Nomination and Election of Independent Directors

1. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the corporation's information or proxy statement or such other reports required to be submitted to the Commission.

2. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

3. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.

4. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Corporation is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.

5. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained nor allowed on the floor during the actual annual stockholders' meeting.

6. Election of Independent Director/s

6.1 Except as those required under this Rule and subject to pertinent existing laws, rules and regulations of the Commission, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the company or its by-laws.

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

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

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

E. Termination/Cessation of Independent Directorship

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

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

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

Presented below is the Final List of Candidates for Directors:

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

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

The aforementioned nominees are all incumbent directors, pre-screened by the Committee and their qualifications are presented on pages 29 to 32 of Management Report except for Mr. Byoung Hyun Su, whose qualification is presented below.

Qualification of **Mr. Byoung Hyun Suh.**

Mr. Byoung is the current President of Pan Islands Inc., President of Three Seven Foods & Products Inc. and Golden Jin Shan Farm since 1995, President since 2004 of the Overseas Korean Traders Associations. Worked as a President of KIA Inter-trade Asia Regional Office from 1995 to 1997. Also he worked as a Resident Manager in Samsung Corporation Philippines from 1988 to 1995 and in Samsung Corp., Seoul Korea as a Manager in Chemical Division. He is also an independent director of Wellex Industrial Inc.. Mr. Byoung is a Korean national. He is 53 years old and has a Bachelors Degree in Business Administration from Korea University in Seoul, Korea.

The Certification of Independent Directors executed by the aforementioned independent directors of the Corporation are attached hereto. (Pls. refer to pages18 to 20)

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

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

Significant Employees

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

Family Relationships

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

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the corporation to become directors, or executive officers other than the above.

Involvement in Certain Legal Proceedings

None of the directors and executive officers was involved in certain legal proceedings during the past five (5) years up to the latest date which is April 30, 2011. Neither have they been convicted by final judgment in any criminal proceedings, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law.

Certain Relationships and Related Transactions

In the previous years, the Forum Philippines Inc. and its subsidiary Forum Cebu Coal Holdings Inc. , collectively called as "Group" extended/obtained advances to/from related parties to finance the exploration activities of the related parties and to fund the overhead expenses of the Group. These advances are, in general, do not have fixed repayment terms and do not carry interest. (See Note 10, 14 and 15 of the Consolidated Financial Statements as of and for the year ended December 31, 2010)

Ownership Structure and Parent Company

The Forum Pacific Inc. (Parent Company) has 60% ownership interest in Forum Coal Cebu Holdings, Inc. (FCCHI) as of December 31, 2010.

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

FCCHI sold all of its shareholdings of FCCC on September 23, 2009 and decided to liquidate its business through shortening of its corporate term until November 30, 2009. As of December 31, 2010, FCCHI is still on the process of completing all the regulatory requirements for liquidation with SEC and BIR.

Resignation of Directors Due to Disagreement

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

Compensation of Directors & Executive Officers

Summary of Compensation Table

The following table lists the names of the Corporation's Directors and Executive Officers Annual Compensation for the two most recent years including the estimated compensation for year 2011.

Name & Position	Year	Salary (in Php)	Other Variable Pay (in Php)
Peter S. Salud President/CEO/Director	2011	-	100,000
	2010	-	-
	2009	-	-
Geronimo F. Velasco Chairman/Independent Director	2011	-	100,000
	2010	-	-
	2009	-	-
Elvira A. Ting Vice Chairman/Director	2011	-	50,000
	2010	-	-
	2009	-	-
Kenneth T. Gatchalian Treasurer/Director	2011	-	50,000
	2010	-	-
	2009	-	-
All other officers & directors as a Group Unnamed	2011	-	350,000
	2010	-	-
	2009	-	-

The Chairman, Vice-Chairman, President and Treasurer are the only key officers who will be compensated for 2011.

The members of the Compensation Committee are the following:

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

Standard Arrangement

Except for a nominal amount of per diem during attendance in special meetings, there are no standard arrangements to which directors of the Corporation are compensated, or are to be compensated, directly or

indirectly for any services provided as a director for the last completed calendar year and ensuing year.

Other Arrangements

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

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

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

Warrants and Options Outstanding

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

Appointment of Independent Public Accountants

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

b. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make statement if they desire to do so and are expected to be available to respond to appropriate questions.

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

c. The members of the Audit Committee of the Corporation are the following:

1. Geronimo F. Velasco - Chairman/Independent Director
2. Federico E. Puno- member/Independent Director
3. Elvira A. Ting -member

Action with Respect to Reports

a. Approval of the Minutes of the 2004 Annual Meeting of the Stockholders held on December 16, 2004 covering the following matters:

1. Annual Report of officers
2. Ratification and approval of all acts and resolutions of the Board of Directors for the year ended 2004
3. Appointment of External Auditor
4. Election of Directors
5. Amendment of By Laws covering the following:
   -Fixing of Record Date
   -Board Committees/Election of Independent Director

b. Approval of the Annual Report of Management for the year ended December 31, 2010

Amendment of Articles of Incorporation and Bylaws

The Board of Directors and Stockholders approved the amendments to the Corporation's Bylaws to adopt SRC Rule 38 on December 16, 2004. However, said amendments is still to be applied to Securities and Exchange Commission after the Stockholders' meeting on July 8, 2011.

The Board of Directors will propose, during the Stockholders' Meeting on July 1, 2011, the change in principal office from 22nd Floor, Citibank Tower, 8741 Paseo de Roxas Street, Makati City to 35th Floor, One Corporate Center, Doña Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City. This so because The Wellex Group Inc., who owns the unit, is selling the property and already moved their principal office in the said new address.

Other Proposed Action

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

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

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

Brief description of material matters approved by the Board of Directors and Management and disclosed to the SEC and PSE since the last annual meeting of the stockholders held on December 16, 2004 for ratification by the stockholders:

Date of Board Approval	Description
November 22, 2005	Approval for the Sale of PetroCorp Shares
January 18, 2006	Sale of Shares in ESB shares
June 01, 2009	Sale of additional shares in ESB
July 26, 2010	Appointment of Diaz, Murillo , Dalupan and Company as new Independent Auditor for taxable year 2009
March 17, 2011	Approval of the adoption of a revised Corporate Governance Manual in accordance with SEC Memorandum Circular No. 6 (Series of 2009) dated June 22, 2009

Voting Procedures

(A) An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient for the approval of 1) Minutes of the Previous Stockholders" Meeting 2) Financial Statements 3) Ratification of Corporate Acts of the Board of Directors and Officers of the corporation as reflected in the minutes 4) Appointment of External Counsels .

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

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

The method by which votes will be counted:

(C) The holders of the majority interest of all outstanding stocks of the Corporation entitled to vote at the meeting present in present or by proxy, shall constitute a quorum for the transaction of business.

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

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

Discussion on Compliance with Leading Practices on Corporate Governnance

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

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

Forum Pacific Inc., as registrant, will provide the stockholders a copy of SEC Form 17- A free of charge. Any written request for a copy of SEC Form 17-A shall be addressed to the Office of the Corporate Secretary c/o FORUM PACIFIC, INC. 35th Floor, One Corporate Center Doha Julia Vargas Ave., cor Meralco Ave. Ortigas Center, Pasig City. Philippines

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on June 1, 2011.

Forum Pacific, Inc. By:

Atty. Arsenio A. Alfiler Jr
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTORS

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

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

Company/ Organization	Position/Relationship	Period of Service
Republic Glass Holdings, Inc.	Independent Director	Mar 2001 - present
Semirara Mining Corp.	Independent Director	July 2003 - present
Pampanga Sugar Dev.	Director	August 2002 - present
San Roque Power Corp.	Chairman	October 2004 - present
San Fernando Electric	Consultant	July 2004 - present
Team Energy Corporation	President & CEO	June 22, 2007 - present
Lima Utilities Corporation	Director	August 28, 2007 - present
SEM-Calaca Power Corporation	Director	February 2011 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Republic Glass Holdings Corporation, as provided for in Section 38 of Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under Securities Regulation Code.
5. I shall inform the Corporate Secretary of **Forum Pacific, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done this 30th day of May, 2011 at QUEZON CITY.

FEDERICO E. PUNO
Affiant

SUBSCRIBED AND SWORN to before me this 30th day of May, 2011 at _____ QUEZON CITY, affiant personally appeared before me and exhibit to me his Community Tax Certificate 16614474 issued at Pasay City on Jan 19, 2011.

JUN 01 2011

Doc. No. 71;
Page No. 15;
Book No. 79;
Series of 2011.

ATTY. TOMAS F. DULAY, JR.
NOTARY PUBLIC
Until December 31, 2012
Roll No. 16583 / March 13, 1961
IBP No. 801359 / 01-03-11-Q.C.
PTR No. 4559221 01-03-11-Q.C
MCLE EXEMPTED

CERTIFICATE OF INDEPENDENT DIRECTORS

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

1. I am an independent director of **FORUM PHILIPPINES INC.**
2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
Gervel, Inc. Metropolitan Management Corporation Cello Realty Corporation Cabildo Holdings, Inc. Avenger Holdings, Inc. RGC Maritine Transport Corporation RGC Mining & Mineral Corporation RGC Investment Corporation	President/ Director	1988 to Present 1991 to Present
Republic Glass Holding Corporation	President/Vice Chairman	1991 to Present
Goshen Development Corporation	President/ Chairman	2005 to Present
Stradcom Corporation	Vice Chairman	2008 to Present
D.S. Realty, Incorporated Cyberdrive Solutions, Incorporate	Director	1995 to Present 2009 to Present

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

Done this 19th day of May, 2011 at 7th floor Republic Glass Bldg., 196 Salcedo St. Legaspi Vill., Makati City.

Affiant

MAY 23 2011

SUBSCRIBED AND SWORN TO before me this _____ May of 2011 at MANILA, affiant exhibiting his Community Tax no.06009018 at Makati City, Metro Manila on February 22, 2011.

Doc. No. 145
Page No. 15
Book No. 29
Series of 2011.

ATTY. DELFIN R. AGCAOILI JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2011
PTR NO. 9237325 / 01-04-11 / MLA
IBP NO. 777299 / 01-10-11 / MLA
ROLL NO. 2[illegible]955 / TIN -144519066
MCLE COMPLIANCE II- 0015473

Information Required by the SEC Pursuant to SRC Rule 20

MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION

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

Forum Pacific, Inc. is a company incorporated in the Philippines and registered with the Securities and Exchange Commission on January 8, 1993, with a principal office at the 22nd Floor, Citibank Tower, Paseo de Roxas, Makati City.

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

Investment in FCCHI

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

FCCHI sold all of its shareholdings of FCCC on September 23, 2009 and decided to liquidate its business through shortening of its corporate term until November 30, 2009. Accordingly, FCCHI changed its basis of accounting in the preparation of its financial statements from the going-concern basis to the liquidation basis of accounting. Financial information of FCCHI for 2009 reflects the remaining assets at their liquidating values as of September 30, 2009. The Group used the September 30, 2009 audited financial statements of FCCHI as basis in the preparation of the consolidated financial statements inasmuch as management believes that transactions occurred subsequently until December 31, 2009 are minimal and that all significant account balances do not differ materially from the amount reported in the September 30, 2009 audited financial statements.

2.) Properties and Other assets

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

This account consists of:

December 31, 2010	Forum Exploration, Inc. (FEI)	Express Savings Bank, Inc. (ESBI)	Philippine Estates Corporation (PHES)	Total
Net carrying amount, December 31, 2009	P 73,211,573	P 16,239,100	P 5,375,638	P 94,826,311
Disposals	-	(11,578,900)	-	(11,578,900)
Unrealized fair value loss	-	-	(1,560,700)	(1,560,700)
Net carrying amount, December 31, 2010	P 73,211,573	P 4,660,200	P3,814,938	P81,686,711
Acquisition cost	P 73,211,573	P 28,612,804	P 7,529,480	P109,353,857
Unrealized fair value loss	-	(3,710,917)	(3,714,542)	(7,425,459)

Accumulated impairment loss	**-**	**(20,241,687)**	**-**	**(20,241,687)**
Net carrying amount, December 31, 2010	**P 73,211,573**	**P 4,660,200**	**P3,814,938**	**P81,686,711**

December 31, 2009	FEI	ESBI	PHES	Total
Net carrying amount, December 31, 2008		P 52,057,852	P 7,529,480	P132,798,905
Disposals	P 73,211,573	(22,887,557)	-	(22,887,557)
Unrealized fair value loss	-	(12,931,195)	(2,153,842)	(15,085,037)
Net carrying amount, December 31, 2009	P 73,211,573	P 16,239,100	P 5,375,638	P 94,826,311
Acquisition cost	P 73,211,573	P 99,705,201	P 7,529,480	P180,446,254
Unrealized fair value loss	-	(12,931,195)	(2,153,842)	(15,085,037)
Accumulated impairment loss	-	(70,534,906)	-	(70,534,906)
Net carrying amount, December 31, 2009	P73,211,573	P 16,239,100	P5,375,638	P 94,826,311

FEI

In 2003, 66.67% ownership, or 125 million shares of the Parent Company in FEI, was sold to Tracer Petroleum Corporation (TPC), now Forum Energy, Inc. Subsequent to sale, the Parent Company did not have any material transaction with FEI, which manifests that it has ceased to have significant influence on the financial and operating policy decisions of FEI. Thus, it is now classified as available-for-sale financial assets in compliance with PAS 39. Investment cost and post-acquisition charges are used to determine the carrying amount of this investment as of reclassification date. The fair value of available-for-sale financial assets approximates its carrying value.

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

ESBI

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

On June 3, 2009, the Parent Company executed a deed of absolute sale for its 127,415 shares in ESBI for P179.63 per share or equivalent to P22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to P122,592,758 or P423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of December 31, 2008 was recognized as impairment loss in 2008.

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

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

On August 12, 2010, the Parent Company executed a deed of absolute sale for its 115,789 shares in ESBI at P100 per share or equivalent to P11,578,900 which is equal to the carrying value as of December 31, 2009 of P11,578,900. The Parent Company reclassified the corresponding unrealized fair value loss amounting to P9,220,27 8 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

PHES

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

The fair value of PHES investment as of December 31, 2009 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value loss was recognized amounting to P2,153,842 and charged to "other comprehensive loss" account in the 2009 statement of comprehensive income and shown separately as "Unrealized fair value loss on available-for-sale financial assets" in equity.

3.) Risks

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

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

a. Foreign currency risk

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

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

b. Credit risk

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

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

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

c. Liquidity Risk

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

d. Interest rate risks

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

in market interest rates.

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

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

e. Capital risk

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

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

4.) Legal Proceedings

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

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

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

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

A. Full Calendar Year

The following discussion and analysis should be read in conjunction with the accompanying financial statements and related notes as of December 31, 2010, 2009 and 2008, included elsewhere in this Annual Report. Our financial statements, and the financial information discussion below, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Forum Pacific Inc, hereafter referred to as "Parent Company", suffered losses for the past years due to country's economic crisis that greatly affect the stock market. Also, for five years or so, PSE suspended the trading of the Company's shares due to non-compliance of regulatory requirements. However, the Company is optimistic that 2011 will be a better year than 2009 starting from the lifting of suspension of trading of shares from PSE and lifting of revocation of registration from SEC. However, the Company is also aware that the road to recovery is a long process due to various risks such as exchange rates, crude oil prices, and natural disasters that pose challenges in the year ahead. Despite these, the Company will continue looking for opportunities for new businesses to recover from its losses and be active in the market.

For the remaining months of year 2011, the Board of Directors will set another meeting to address the issues with respect to liquidity and capital resources.

Key Performance Indicators

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

1. Advances to Related Parties - all payments made by the Company were came from the account of the TWGI.
2. Current Ratios - Current Assets against the Current Liabilities of the Company. Current Ratio for the Y2010 is 7.52, 21.99 for Y2009 and 5.8 for Y2008
3. Cash Ratio - the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. The cash ratio of the company for the Y2010 is 0.015,Y2009 is 0.089 and for Y2008 it's 5.86.
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 theY201 0 is 0.42, Y2009 it's 0.40 and for Y2008 it's 0.382.
5. Debt-to-equity ratio - The formula is total debt divided by total equity. The debt to equity ratio for the Y2010 is 0.72, Y2009 it's 0.67 and for the Y2008 it's 0.618.

	Years Ended December 31		
	2010	2009	2008
REVENUES (net) - note 3	**P -**	P -	P 348,902
COSTS AND EXPENSES - notes 3 and 8	**5,596,284**	1,506,025	13,591,559
GROSS LOSS	**(5,596,284)**	(1,506,025)	(13,242,657)
OTHER INCOME (EXPENSES) - net - notes 3 and 9	**(59,348,950)**	(20,488,217)	(157,470,451)
LOSS BEFORE INCOME TAX	**(64,945,234)**	(21,994,242)	(170,713,108)
BENEFIT FROM (PROVISION FOR)			
INCOME TAX - notes 3 and 11	**(30,432)**	1,270,500	8,257,439
NET LOSS FOR THE YEAR	**(64,975,666)**	(20,723,742)	(162,455,669)
OTHER COMPREHENSIVE LOSS			
Unrealized loss on available-for-sale			
financial assets - notes 3 and 5	**(1,560,700)**	(15,085,037)	-
Translation adjustment	**577,216**	-	-
	(983,484)	(15,085,037)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(P 65,959,150)**	(P 35,808,779)	(P162,455,669)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity of the parent in:			
Net loss for the year	**(P 64,975,666)**	(P 12,558,505)	(P152,846,694)
Other comprehensive loss	**(1,214,370)**	(15,085,037)	-
	(66,190,036)	(27,643,542)	(152,846,694)
Minority interest:			
Net loss for the year	-	(8,165,237)	(9,608,975)
Other comprehensive loss	**230,886**	-	-
	230,886	(8,165,237)	(9,608,975)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(P 65,959,150)**	(P 35,808,779)	(P162,455,669)
LOSS PER SHARE - notes 3 and 12	**(P 0.036)**	(P 0.0 15)	(P 0.083)

Financial Highlights

The following table shows the comparative operating data and financial statements of the Company for the years ending December31, 2010, 2009 and 2008. The Consolidated Financial Statements are filed as part of this report.

Changes in the Results of Operations

Revenues and Earnings per share

- Revenue recorded for the year 2008 was 348,902. Since, the parent company ceased to have control over ESBI the company has no revenues recorded in the year 2009 and 2010.

- The company incurred loss of P65.9M in year 2010, P35.8 M in year 2009 and loses in 2008 amounted to P 162.4 M loss per share for 2010 was (0.036), 2009 was (P0.015) and(P0.083) in 2008.

Cost and Expenses

- Cost and expenses consisted primarily of fines and penalties, professional fees, office supplies, communication, taxes and licenses, transportation & travel and other expenses. For the Year 2010 it's P5.5M, Y2009 it's P1.5M and Y2008 it's P 13.59M were recorded.

- See notes to the financial statements and its breakdowns

Changes in Financial Condition

Assets

Cash and Cash Equivalent

In the year 2010 the total Cash and Cash Equivalent was P102, 082, in year 2009 it's P203,751 and 2008 it's P25.2M.

Advances to Affiliates

This account consists of advances mainly to The Wellex Group, Inc. (TWGI) and Forum Exploration, Inc. (FEI). The total amount of recorded for the year 2010, 2009 and 2008 were P552.6M, P614.5M and P576.3M respectively.

Advances to TWGI

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

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

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

Due to default in quarterly payments, management has estimated and recognized impairment loss amounting to P32,944,556 in 2010 for its advances to TWGI. Total collections of advances to TWGI amounted to P1,207,854 and P833,604 in 2010 and 2009, respectively.

In 2010, the Company recognized impairment loss amounting to P17,221,059 on its advances to FEI.

Advances to FEI

The advances to FEI pertain to the carrying value of exploration net assets transferred by the Parent Company.

Current Liabilities

Accounts Payable, Accrued Expenses, Withholdinq Taxes Payable and !ncome tax payable

These accounts consist of Accounts Payable, Withholding tax Payable, Income Tax Payable and

Accrued Expense account and a total amounted to P6.6 Million for 2010, P2.2 Million for 2009 and P4.3Million for 2008. See notes to the Notes to the Financial Statements.

B. Interim Period for the 1st Qtr. Ended March 31, 2011

The following are the discussions for the interim report covering the period for the 1st Qtr. Ended March 31, 2011.

Key Performance Indicators:

1. Advances to Related Parties – all payments made by the company were came from the account of the TWGI.
2. Current Ratios – Current Assets against the Current Liabilities of the Company. Current Ratio for the 1st Quarter of Y2011 is 7.61 and 22.30 for 1st Quarter of Y2010
3. Cash Ratio – the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. The cash ratio of the company for the 1st Quarter of Y2011 is 0.04 and 0.09 for 1st Quarter of Y2010.
4. Debt ratio - It is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the 1st Quarter of Y2011 is 0.42 and 0.40 for 1st Quarter of Y2010.

Financial Highlights

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

	Jan – March 2011	Jan – March 2010
Revenues	-	-
Less: Cost and Expenses	-3,183	-314
Loss from Operation	-3,183	-314
Add: Other Income	-	-
Loss before Income Tax	-3,183	-314
Net Income(Loss)	-3,183	-314
Other Comprehensive Loss		
Unrealized loss on available-for-sale financial assets	-0-	-0-
Translation adjustment	-0-	-0-
Total Comprehensive Loss	-3,183	-314
Earnings (Loss) Per Share	-0.00173	-0.00017

- Balance Sheet (Amounts in P '000)

		Jan – March 2011	Jan – March 2010
ASSETS			
Assets		684,710	759,200
LIABILITIES & STOCKHOLDERS' EQUITY			
Liabilities		289,846	304,728
Stockholders' Equity		394,864	454,472
Total Liabilities & Stockholders' Equity		684,710	759,200

RESULTS OF OPERATION

Revenue and Earnings per share

- No revenues were recorded for the first qtr of 2011 .
- The earnings per share comparison from the first quarter of 2011 and 2010 as follows: (0.00173) and (0.00017) respectively.

Cost and Expenses

- Cost and expenses consisted primarily of professional fees, taxes and licenses, membership dues and subscription, and payment of penalty with SEC.
- Cost and expenses recorded in the first quarter of 2011 was P3,183,017and P314,146 for Y 2010.

FINANCIAL CONDITION

Current Assets

- Current assets consist mainly of cash and cash equivalent. Part of the current assets account includes the Advances to affiliates, the total amount recorded in the first quarter of 2011 is amounted to Php 50millions, almost the same with Y2010 1st quarter of P50Million.

Current liabilities

- This is primarily consists of Trade and Other Payable. An amount of P6,605,613 for the 1st Quarter of Y2011. This includes payable to corporate counsel and stock transfer agent.

Non - Current liabilities

- This is primarily consists of Deferred Credits and Advances from Related Parties the total amounted to 283 millions recorded for the first quarter of 2011 compared to 302 millions for 2010 first quarter.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE

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

EXTERNAL AUDIT FEES AND SERVICES

Fees approved in connection with the audit and audit-related services rendered by Diaz Murillo and Company pursuant to the regulatory and statutory requirements for the years ended December 31, 2010 and 2009 amounted to Php 526,400.00 and Php 496,400.00, respectively inclusive of 12% vat and 10% out-of-pocket expenses

No other service such as tax and assurance audit was provided by external auditors to the Company for the calendar year 2010 and 2009.

The Audit Committee's approval policies and procedures for the services rendered by the external auditors

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

1.) Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company.

2.) Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.

3.) Ensure the compliance of the Company with acceptable audit and accounting standards and regulations.

MARKET INFORMATION

The principal market where the Company's common equity is traded is the Philippine Stock Exchange. The quarterly high and low market prices for calendar years 2008, 2009, 2010 and 1st quarter of 2011 as follows:

STOCK PRICES:

2011		High	Low
	First Quarter	-	-
2010		High	Low
	First Quarter	-	-
	Second Quarter	-	-
	Third Quarter	-	-
	Fourth Quarter	-	-
2009		High	Low
	First Quarter	-	-
	Second Quarter	-	-
	Third Quarter	-	-
	Fourth Quarter	-	-
2008		High	Low
	First Quarter	-	-
	Second Quarter	-	-
	Third Quarter	-	-
	Fourth Quarter	-	-

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

HOLDERS

The total number of shareholders of record as of April 30, 2011 was 985. Total shares outstanding as of April 30, 2011 were 1,838,943,246 shares with a par value of P 1.00.

The top 20 stockholders as of April 30,2011 are as follows:

	NAME	NO. OF SHARES HELD	% to TOTAL Outstanding
1	International Polymer Corp	496,887,494	26.501
2	PCD Nominee Corp.	396,027,824	21.121
3	The Wellex Group, Inc.	376,950,000	20.104
4	E.F. Durkee & Associates, Inc.	77,838,563	4.151
5	Intra-Invest Sec., Inc.	48,159,000	2.568
6	Forum Pacific, Inc.	36,056,750	1.923
7	Metropolitan Management Corporation	30,000,000	1.600
8	Juanito C. Uy	22,625,001	1.207
9	Pacrim Energy N.L.	21,000,000	1.120
10	Sapphire Securities, Inc.	19,433,500	1.036
11	Benito Ong and/or Zita Y. Ong	18,000,000	0.960
12	Renato Chua	16,740,000	0.893
13	NestorS. Mangio	12,500,000	0.667
14	A&ASecurities, Inc.	11,911,320	0.635
15	Mark Securities Corporation	10,772,800	0.575
16	Globalinks SEC & Stocks, Inc.	9,400,000	0.501
17	Belson Securities, Inc	9,200,000	0.491
18	Wealth Securities, Inc.	8,240,000	0.439
19	Ruben M. Gan	7,610,000	0.406
20	David Go Securities Corporation	6,880,000	0.367

CASH AND STOCK DIVIDEND DECLARED

No cash or stock dividend has been declared in 2010, 2009 and 2008.

RESTRICTION THAT LIMITS THE PAYMENT OF DIVIDENDS ON COMMON SHARES

None.

RECENT SALES OF UNREGISTERED SECURITIES

Not Applicable.

Directors and Executive Officers of the Registrants

Directors and Executive Officers

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

Name	Age	Citizenship	Position and Office
Geronimo F. Velasco	53	Filipino	Chairman of the Board / Independent Director
Peter S. Salud	58	Filipino	President / Director
Weslie T. Gatchalian	30	Filipino	Director
Elvira A.Ting	51	Filipino	Director / Vice Chairman
Federico E. Puno	65	Filipino	Independent Director
Atty. Lamberto A. Mercado	47	Filipino	Director
Evelyn Dela Rosa	47	Filipino	Director
Rogelio D. Garcia	71	Filipino	Director
Kenneth T. Gatchalian	35	Filipino	Director/Treasurer
Atty. Arthur R.Ponsaran	67	Filipino	Director
Joaquin P. Obieta	75	Filipino	Director
Atty. Arsenio A. Alfiler Jr.	65	Filipino	Corporate Secretary

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

Geronimo F. Velasco Jr.

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

Weslie T, Gatchalian

Director	Forum Pacific Inc.	Director since 2005
Filipino	NPC Alliance Corporation	Director since 2005
30 years old	Metro Alliance	EVP since 2005
Oxford Brookes University, U.K.	Mabuhay Vinyl Corporation	Director since 2005
-- BA Honours Degree/DipHE	Wellex Industries, Inc.	President/CEO 2008
Business and Operation Mngt.	Westlink Global Equities Corp.	Assistant Vice President
London Metropolitan University		
Master (MA) Degree in Management	Wellex Petroleum Inc.	President/CEO
	Waterfront Hotel & Casinos	Director
	Bataan Polyethylene Corp.	Director
	Wellex Mining Corp	President/CEO

Atty. Lamberto A. Mercado Jr.

Director	Forum Pacific Inc.	Director since 1998
Filipino	MAHEC and CPDSI	Director since 2003
48 year old	AHI, FEZ and ZDI	Director since 2004
Bachelor of Laws (L.L.B.)	Wellex Industries Inc.	Director since 2005
Ateneo de Manila University	Waterfront Phil., Inc.	Director since 1999
School of Laws Lawyer - 1991		

Evelyn dela Rosa

Director	Forum Pacific Inc.	Director since 2001
Filipino		
47 year old		
Bachelor of Arts Master in Mass Communication		
Centro Escolar University		

Atty. Joaquin P. Obieta

Director	Forum Pacific Inc .	Director since 2001
Filipino	Corporate Counsels,	Managing Partner
74 years old	Philippines Law Offices	
Chemical Engineering	Law Professor – Ateneo de	
De la Sale University	Manila University	
Bachelor of Theology		
University of Sto.Tomas		
Bachelor of Laws		
Ateneo de Manila University		

Kenneth T. Gatchalian

Director/Treasurer	Forum Pacific, Inc.	Director since 2002
Filipino	MAHEC and CPDSI	Dir. & Tresurer since 2002
35 years old	AHI, FEZ and ZDI	Director 2004
B.S. in Architecture	GAC Logistics, Inc.	Dir. & Tresurer since 2002
University of Texas, USA	Mabuhay Vinyl Corp.	Director 2003-2004
	Phil.Estate Corp.	President/CEO since 2010
	Wellex Industries, Inc.	Director since 2002
	Waterfront Phil., Inc.	Vice Chairman since 2001

Federico Puno

Independent Director	Forum Pacific, Inc.	Director since 1996
Filipino	Republic Glass Holdings Inc.	Independent Director since 2001
65 years old	Semirara Mining Corp.	Independent Director since 2003
	Pampanga Sugar Dev.	Director since 2002
	San Roque Power Corp.	Chairman since 2004
	San Fernando Electric	Consultant since 2004
	Team Energy Corp.	President & CEO since 2007
	Lima Utilities Corporation	Director since 2007
	SEC-Calaca Power Corp.	Director since February 2011

Peter S. Salud President/Director Filipino 56 years old	Forum Pacific, Inc.	President since 1996

Atty. Arsenio A. Alfiler, Jr.

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

Atty. Arthur R. Ponsaran

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

Elvira A. Ting

Director/Vice Chairman	Forum Pacific Inc.	Director since 1996
Filipino	MAHEC and CPDSI	Director since June 2002
51 years Old	AHI, FEZ and ZDI	Director & Treasurer, 2004
BSBA Major in Management	GAC Logistic, Inc.	Director since 2002
Philippine School of Business	Mabuhay Vinyl Corp.	Director since 2003
Administration	Phil. Estate Corp.	Director
	Express Savings Bank	Chairperson & Director
	Wellex Industries, Inc.	Treasurer
	Waterfront Phil., Inc.	Treasurer
	Orient Pacific , Corp.	Chairman/President
	Recovery Development Corp.	Vice President/Director
	Crisanta Realty Development	Chairman/President

Rogelio D. Garcia		
Director	Forum Pacific, Inc.	Director since 2004
Filipino	Wellex Industries Inc.	Chairman/ Dir.since 2005/2004
72 years old	Metro Alliance Holding	
Bachelor of Laws	Equities Corp.	Director since 2003
University of the Philippines		

CORPORATE GOVERNANCE

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

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

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

Financial Statements for the Years

Ended December 31, 2010 and 2009

And Independent Auditors' Report

Diaz Murillo Dalupan and Company
Certified Public Accountants

Independent Auditors' Report

The Board of Directors and Stockholders
FORUM PACIFIC, INC. AND SUBSIDIARY
22nd Floor, Citibank Tower, 8741 Paseo de Roxas St.,
Makati City, Philippines

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

As discussed further in notes 2 and 13, on August 31, 2010, the Parent Company received an order of revocation of the registration and the permit to sell the Parent Company's securities due to late filing of its 2009 audited financial statements. On September 8, 2010, the Parent Company requested for an extension of time until September 30, 2010 for such filing which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Parent Company requested the SEC an additional thirty (30) working days within which to comply with the letter from the SEC dated August 31, 2010. However, on October 7, 2010, the Parent Company's request was denied and the SEC provides a non-extendible period of three (3) days from receipt of the letter within which to submit the 2009 annual reports.

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

Diaz Murillo Dalupan and Company
by:

Rosemary D. De Mesa
Partner
CPA Certificate No. 29084
SEC Accreditation No. 1089-A, effective February 23, 2014
Tax Identification No. 104-576-953
PTR No. 2689021, January 21, 2011, Makati City
BIR Accreditation No. 08-001911-7-2010, effective until April 13, 2013
Firm Tax Identification No. 003-294-822
Firm BOA/PRC No. 0234, effective until December 31, 2011
SEC Accreditation No. 0192-F, effective until April 6, 2013

May 2, 2011

FORUM PACIFIC INC.
22F Citibank Tower 8741 Paseo de Roxas, Makati City, Philippines • Tel. (632) 848-1075 • Fax. (632) 848-1137

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **FORUM PACIFIC, INC. SUBSIDIARIES** is responsible for all information and representations contained in the financial statements for the quarter ended March 31, 2011. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

Signed under oath by the following:

Geronimo E. Velasco Jr.
Chairman of the Board

Peter S. Salud
Chief Executive Officer

Kenneth T. Gatchalian
Treasurer

SUBSCRIBED AND SWORN to before me this MAY 05 2011 day of _____ 2011 affiants exhibiting to me their Community Tax Certificates as follows:

	AFFIANTS	CTC No.	Date of Issue	Place of Issue
1.	Geronimo F. Velasco	06009018	February 22, 2011	Makati City
2.	Peter S. Salud	00142499	January 28, 2011	City of Manila
3.	Kenneth T. Gatchalian	06608998	January 11,2011	Valenzuela City

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Book No. 55
Series of 2011

FORUM PACIFIC, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

	December 31	
ASSETS	**2010**	2009
Current Assets		
Cash - notes 3 and 14	**P 102,082**	P 203,751
Advances to related parties - notes 3, 4, 10, 14 and 15	**50,000,000**	50,000,000
	50,102,082	50,203,751
Noncurrent Assets		
Advances to related parties (net) - notes 3, 4, 10, 14 and 15	**552,658,666**	614,515,312
Available-for-sale financial assets - notes 3, 4, 5, 14 and 15	**81,686,711**	94,826,311
Other noncurrent assets - note 3	**33,444**	-
	634,378,821	709,341,623
TOTAL ASSETS	**P684,480,903**	P759,545,374
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables - notes 3, 6 and 14	**6,658,843**	P 2,282,005
Noncurrent Liabilities		
Advances from related parties - notes 3, 10 and 14	**279,744,073**	302,476,942
Deferred tax liability - notes 3 and 11	**30,432**	-
	279,774,505	302,476,942
	286,433,348	304,758,947
Equity		
Capital stock - notes 3 and 7	**1,206,617,960**	1,206,617,960
Treasury shares - notes 3 and 7	**(34,605,596)**	(34,605,596)
Unrealized fair value loss on available-for-sale financial assets - notes 3 and 5	**(7,425,459)**	(15,085,037)
Translation adjustment - note 3	**346,330**	-
Deficit - note 3	**(764,197,562)**	(699,221,896)
Equity attributable to equity holders of the parent	**400,735,673**	457,705,431 (
Minority interest - note 3	**(2,688,118)**	2,919,004)
	398,047,555	454,786,427
TOTAL LIABILITIES AND EQUITY	**P684,480,903**	P759,545,374
(The accompanying notes are an integral part of these financial statements)		

FORUM PACIFIC, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Loss

	Years Ended December 31		
	2010	2009	2008
REVENUES (net) - note 3	-	P -	P 348,902
COSTS AND EXPENSES- notes 3 and 8	**5,596,284**	1,506,025	13,591,559
GROSS LOSS	**(5,596,284)**	(1,506,025)	(13,242,657)
OTHER INCOME (EXPENSES) - net - notes 3 and 9	**(59,348,950)**	(20,488,217)	(157,470,451)
LOSS BEFORE INCOME TAX	**(64,945,234)**	(21,994,242)	(170,713,108)
BENEFIT FROM (PROVISION FOR) INCOME TAX - notes 3	**(30,432)**	1,270,500	8,257,439
NET LOSS FOR THE YEAR	**(64,975,666)**	(20,723,742)	(162,455,669)
OTHER COMPREHENSIVE LOSS			
Unrealized loss on available-for-sale financial assets - notes 3 and 5	**(1,560,700)**	(15,085,037)	
Translation adjustment	**577,216**	-	- -
	(983,484)	(15,085,037)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(P 65,959,150)**	(P 35,808,779)	(P162,455,669)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity of the parent in:			
Net loss for the year	**(P 64,975,666)**	(P12,558,505)	(P152,846,694)
Other comprehensive loss	**(1,214,370)**	(15,085,037)	-
	(66,190,036)	(27,643,542)	(152,846,694)
Minority interest:			
Net loss for the year	**-**	(8,165,237)	(9,608,975)
Other comprehensive loss	**230,886**	-	-
	230,886	(8,165,237)	(9,608,975)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(P 65,959,150)**	(P 35,808,779)	(P162,455,669)
LOSS PER SHARE - notes 3 and 12	**(P 0.036)**	(P 0.0 15)	(P 0.083)
(The accompanying notes are an integral part of these financial statements)			

FORUM PACIFIC, INC.
Parent Company Statements of Changes in Equity

	Capital Stock (Notes 3 and 8)	Treasury Shares (Notes 3 and 8)	Deficit (Notes 2 and 3)	Unrealized Fair Value Loss on Available-for-Sale Financial Assets (Notes 3 and 5)	Total
Balances at January 1, 2008	P1,206,617,960	(P 34,605,596)	(P 546,150,628)	P -	P 625,861,736
Total comprehensive loss for the year	-	-	(144,062,113)	-	(144,062,113)
Balances at December 31, 2008	1,206,617,960	(34,605,596)	(690,212,741)	-	481,799,623
Total comprehensive loss for the year	-	-	(310,649)	(15,085,037)	(15,395,686)
Balances at December 31, 2009	1,206,617,960	(34,605,596)	(690,523,390)	(15,085,037)	466,403,937
Reclassification adjustment - notes 5 and 11	-	-	-	9,220,278	9,220,278
Total comprehensive loss for the year	-	-	(65,407,666)	(1,560,700)	(66,968,366)
Balances at December 31, 2010	**P1,206,617,960**	**(P 34,605,596)**	**(P 755,931,056)**	**(P 7,425,459)**	**P 408,655,849**

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

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

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(P 64,945,235)**	(P 21,994,242)	(P170,713,108)
Adjustments for:			
Impairment losses - note 9	**50,165,615**	-	136,228,925
Reclassification adjustment on unrealized fair value loss on available-for-sale financial assets	**9,220,278**	-	-
Unrealized foreign exchange loss (gain) - note 9	**(101,440)**	6,755,652	21,003,114
Loss on assignment of liabilities	-	16,259,591	-
Depreciation and amortization	-	-	14,799
Unrealized fair value gain on financial assets at fair value through profit or loss	-	-	(8,031,445)
Gain on sale of non-current assets held for sale	-	-	(9,721,533)
Interest income	-	-	(348,902)
Operating income (loss) before working capital changes	**(5,660,782)**	1,021,001	(31,568,150)
Decrease (increase) in other assets	-	38,832	(38,834)
Increase (decrease) in trade and other payables	**4,435,244**	(2,122,857)	(31,940,051)
Cash used in operations	**(1,225,538)**	(1,063,024)	(63,547,035)
Income tax paid	**(50,541)**	-	-
Interest received	-	-	348,902
Net cash used in operating activities	**(1,276,079)**	(1,063,024)	(63,198,133)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection (grant) of advances to related parties	**1,207,854**	(24,708,040)	(72,549,740)
Increase in other noncurrent assets	**(33,444)**	-	-
Increase deferred exploration cost	-	-	(1,670,155)
Proceeds from sale of non-current assets held for sale (net)	-	-	153,020,388
Net cash generated from (used in) investing activities	**1,174,410**	(24,708,040)	78,800,493
CASH FLOWS FROM FINANCING ACTIVITY			
Increase in advances from related parties	-	720,149	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	-	(21,003,114)
NET DECREASE IN CASH	**(101,669)**	(25,050,915)	(5,400,754)
CASH			
At beginning of year	**203,751**	25,254,666	30,655,420
At end of year	**P 102,082**	P 203,751	P 25,254,666

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

1. CORPORATE INFORMATION

Forum Pacific, Inc., (the "Parent Company"), formerly known as Air Philippines International Corporation, is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on January 8, 1993 mainly to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products as well as other mineral and chemical substances.

The financial position and results of operations of the Parent Company and its Subsidiary, (herein referred to as the "Group") are consolidated in these financial statements.

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

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

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

The accompanying consolidated financial statements as of and for the year ended December 31, 2010, including its comparatives for year 2009, were approved and authorized for issue by the Parent Company's Board of Directors on May 2, 2011.

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

Management's Assessment of the Going Concern Assumption

Management believes that the going concern assumption is appropriate despite the existence of material uncertainty caused by recurring substantial losses of the Group. The Group had incurred losses amounting to P64,975,666 and P20,723,742 in 2010 and 2009, respectively. The Group has sustained a deficit of P764,197,562 and P699,221,896 in 2010 and 2009, respectively.

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

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

In 2009, the Parent Company again received an order of revocation of the registration and the permit to sell the Parent Company's securities due to late filing of the Parent Company's 2008 audited financial statements (see Note 13).

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

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

Business Plans

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation and Presentation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

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

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1 (Revised 2007), *Presentation of Financial Statements.* The Group presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the

statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

(c) Functional and Presentation Currency

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

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

New Interpretations, Revisions and Amendments to PFRS

Effective in 2010 that are relevant to the Group

In 2010, the Group adopted the following new PFRS, revisions, amendments and annual improvements that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after January 1, 2010.

PAS 27 (Revised 2008)	:	Consolidated and Separate Financial Statements
PAS 36 (Amendment)	:	Impairment of Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
Various Standards	:	2009 Annual Improvements to PFRS

Discussed below are relevant information about these new and amended standards.

PAS 27 (Revised)," Consolidated and Separate Financial Statements" (effective from July 1, 2009)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value and a gain or loss is recognized in profit or loss. The adoption of the standard did not result in any adjustment to the consolidated financial statements as there were no transactions with non-controlling interests during the year.

The amendment has no impact on the Group's 2010 consolidated financial statements.

PAS 36 (Amendment)," Impairment of Assets" (effective January 1, 2010)

The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purpose of impairment testing is an operating segment, as defined by paragraph 5 of PFRS 8, *Operating segments* (that is, before the aggregation of segments with similar economic characteristics).

The amendment has no impact on the Group's consolidated financial statements.

PAS 39 (Amendment), "Financial Instruments: Recognition and Measurement – Eligible Hedged Items" (effective from July 1, 2009)

The amendment provides for the following: a) new application guidance to clarify the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedge relationship; and b) additional application guidance on qualifying items; assessing hedge effectiveness; and designation of

financial items as hedged items.

The amendment has no impact on the Group's 2010 consolidated financial statements.

2009 Annual Improvements to PFRS. The FRSC has adopted the Improvements to PFRS 2009. Most of these amendments became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements but which did not also have any material impact on its consolidated financial statements:

- *PAS 1 (Improvement), "Presentation of Financial Statements" (effective from January 1, 2010)*

The terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classifications.

- *PAS 7 (Amendment), "Statement of Cash Flows" (effective from January 1, 2010)*

The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. Under its current policies, only recognized assets are classified by the Group as cash flow from investing activities.

- *PAS 17 (Improvement), "Leases" (effective January 1, 2010)*

The improvement removes the specific guidance on classifying land as lease so that only the general guidance remains.

The amendment has no material effect on the Group's 2010 consolidated financial statements.

Effective in 2010 that are not relevant to the Group

The following amendment and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2010 but are not relevant to the Group's consolidated financial statements: •

- *IFRIC 9, "Embedded Derivatives – Amendments" (effective July 1, 2009)*
- *IFRIC 17, "Distributions of Non-cash Assets to Owners "(effective July 1, 2009)*
- *IFRIC 18 (Improvement), "Transfer of Assets from Customer" (effective July 1, 2009)*
- *PFRS 1 (Revised), "First-time Adoption of PFRS" (effective July 1, 2009)*
- *PFRS 2 (Amendments), "Group Cash-Settled Share-Based Payment Transaction" (effective January 1, 2010)*
- *PFRS 3 (Revised), "Business Combinations" (effective July 1, 2009)*
- *PFRS 5 (Improvement), "Noncurrent Assets Held for Sale and Discontinued Operations"*
- *(effective from January 1, 2010)*
- *PFRS 8 (Improvement), "Operating Segments" (effective from January 1, 2010)*

Effective Subsequent to 2010 that are relevant to the Group

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2010. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements.

PAS 24 (Revised)	:	Related Party Disclosures
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures
PFRS 9	:	Financial Instruments

Discussed below are relevant information about these new and amended standards.

PAS 24 (Revised), "Related Party Disclosures" (effective from January 1, 2011)

Earlier application of the standard, in whole or in part, is permitted but the Group opted not to early adopt the standard. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group is currently reviewing the impact of the standard on its related party disclosures in time for its adoption of the revised standard in 2011.

PFRS 7 (Amendment), "Financial Instruments: Disclosures" (effective July 1, 2011)

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken at the end of a reporting period. The Group believes that adoption of the amendments in 2012 will not have any significant effect on its consolidated financial statements as they only affect disclosures and the Group usually provides adequate information in its consolidated financial statements in compliance with disclosure requirements.

PFRS 9, "Financial Instruments" (effective from January 1, 2013)

PAS 39 will be replaced by PFRS 9 in its entirety which is being issued in phases. The main phases are (with a separate project dealing with derecognition):

Phase 1: Classification and Measurement
Phase 2: Impairment Methodology
Phase 3: Hedge Accounting

To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2013. Other chapters dealing with impairment methodology and hedge accounting are still being developed.

Management is yet to assess the impact that this amendment is likely to have on the consolidated financial statements of the Group. However, it does not expect to implement the amendments until all chapters of PFRS 9 have been published at which time the Group expects it can comprehensively assess the impact of the revised standard.

Effective subsequent to 2010 but not relevant to the Group

- *PAS 12 (Amendments), "Deferred Tax : Recovery of Underlying Asset" (effective January 1, 2012)*
- *IFRIC 14 (Amendment), "Prepayments of a Minimum Funding Requirement"*

(effective January 1, 2011)

"

- *IFRIC 15 "Agreements for the Construction of Real Estate (effective July 1, 2010)*
- *IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"*

(effective July 1, 2010)

The Group will apply the relevant new accounting standards in accordance with the transitional provisions applicable to the Group. It is currently evaluating the impact of these standards on its consolidated financial statements.

Basis of Consolidation

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

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

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

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

Minority Interest

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

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

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

FCCHI

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

As discussed in Note 1, FCCHI sold all of its shareholdings of FCCC on September 23, 2009 and decided to liquidate its business through shortening of its corporate term until November 30, 2009. Accordingly, FCCHI changed its basis of accounting in the preparation of its financial statements from the going-concern basis to the liquidation basis of accounting. Financial information of FCCHI for 2009 reflects the remaining assets at their liquidating values as of September 30, 2009. The Group used the September 30, 2009 audited financial statements of FCCHI as basis in the preparation of the consolidated financial statements inasmuch as management believes that transactions occurred subsequently until December 31, 2009 are minimal and that all significant account balances do not differ materially from the amount reported in the September 30, 2009 audited financial statements.

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

Revenue and Cost Recognition

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

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

- Dividend income is recognized when the stockholders' right to receive the payment is

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

incurred. **Financial Assets**

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

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

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

a) Financial assets at fair value through profit or loss

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

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

The Group has no financial assets at fair value through profit or loss during the years ended December 31, 2010 and 2009.

b) Loans and receivables

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

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

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

c) Held-to-maturity financial assets

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

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

The Group has no held-to-maturity financial assets during the years ended December 31, 2010 and 2009.

d) Available-for-sale financial assets

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

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in the consolidated statement of financial position as part of other

comprehensive income, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the consolidated statement of comprehensive income when they are sold or when the investment is impaired.

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, when the related assets and liabilities are presented gross in the consolidated statements of financial position.

Impairment of Financial Assets

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if, and only if, there is an objective evidence or impairment as a result of one or more events that has occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, a breach of contract such as a default or delinquency in interest or principal payments, the probability that the debtor will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

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

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

Financial assets classified as available-for-sale

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

classified as available-for-sale increase and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Financial assets carried at cost

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

Derecognition of Financial Assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Claims for Input Value Added Tax (VAT)

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

Other Non-Current Assets

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

Financial Liabilities

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

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

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

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

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

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

Equity

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

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

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

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

Retirement Benefits

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

Taxation

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

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

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

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

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

Leases

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

The Group accounts for its leases as follows:

a) Group as Lessee

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

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

b) Group as Lessor

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

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

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

Earnings Per Share (EPS)

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

Related Parties and Related Party Transactions

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

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

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

Foreign Currency Transactions

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

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income.

Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

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

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

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

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an outflow of economic benefits is probable.

Events After the Reporting Period

The Group identifies subsequent events as events that occurred after the statement of financial position date but before the date when the consolidated financial statements were authorized for issue. Any subsequent events that provide additional information about the Group's consolidated financial position at the statement

of financial position date are reflected in the consolidated financial statements. Events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. 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 Group believes the following represent a summary of these significant judgments and estimates and related impact and associated risks in the consolidated financial statements.

Judgments

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

a) Functional currency

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

b) Classification of financial instruments

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

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

c) Determination of fair value of financial instruments

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

d) Impairment of available-for-sale financial assets

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

e) Operating lease commitments

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

f) Provisions and contingencies

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

Estimates

The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances of the Group's consolidated financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by management on its December 31, 2010 and 2009 consolidated financial statements:

a) Valuation of financial assets other than receivable

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

Unrealized fair value loss recognized on available-for-sale financial assets amounted to P 7,425,459 and P15,085,037 in 2010 and 2009, respectively. This was reported under "Other comprehensive loss" account and presented separately in the equity section of the consolidated statements of financial position.

b) Deferred tax assets

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

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

The Group reviews deferred tax asset at each statement of financial position date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets amounted to P58,108,318 and P39,445,734 as of December 31, 2010 and 2009, respectively (see Note 11). These were provided with full valuation allowance.

c) Allowance for impairment of advances to related parties

Allowance for impairment of advances to related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the status of the advances to related parties, past collection experience and other factors that may affect collectibility. Allowance for impairment loss on advances to related parties amounted to P179,474,769 and P129,309,154 as of December 31, 2010 and 2009, respectively (see Note 10).

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of:

December 31, 2010	**Forum Exploration, Inc. (FEI)**	**Express Savings Bank, Inc. (ESBI)**	**Philippine Estates Corporation (PHES)**	**Total**
Net carrying amount, December 31, 2009	**P 73,211,573**	**P 16,239,100**	**P 5,375,638**	**P 94,826,311**
Disposals	**-**	**(11,578,900)**	**-**	**(11,578,900)**
Unrealized fair value loss	**-**	**-**	**(1,560,700)**	**(1,560,700)**
Net carrying amount, December 31, 2010	**P 73,211,573**	**P 4,660,200**	**P3,814,938**	**P81,686,711**
Acquisition cost	**P 73,211,573**	**P 28,612,804**	**P 7,529,480**	**P109,353,857**
Unrealized fair value loss	**-**	**(3,710,917)**	**(3,714,542)**	**(7,425,459)**
Accumulated impairment loss	**-**	**(20,241,687)**	**-**	**(20,241,687)**
Net carrying amount, December 31, 2010	**P 73,211,573**	**P 4,660,200**	**P3,814,938**	**P81,686,711**

December 31, 2009	FEI	ESBI	PHES	Total
Net carrying amount, December 31, 2008		P 52,057,852	P 7,529,480	P132,798,905
Disposals	P 73,211,573	(22,887,557)	-	(22,887,557)
Unrealized fair value loss	-	(12,931,195)	(2,153,842)	(15,085,037)
Net carrying amount, December 31, 2009	P 73,211,573	P 16,239,100	P 5,375,638	P 94,826,311
Acquisition cost	P 73,211,573	P 99,705,201	P 7,529,480	P180,446,254
Unrealized fair value loss	-	(12,931,195)	(2,153,842)	(15,085,037)
Accumulated impairment loss	-	(70,534,906)	-	(70,534,906)
Net carrying amount, December 31, 2009	P73,211,573	P 16,239,100	P5,375,638	P 94,826,311

FEI

In 2003, 66.67% ownership, or 125 million shares of the Parent Company in FEI, was sold to Tracer Petroleum Corporation (TPC), now Forum Energy, Inc. Subsequent to sale, the Parent Company did not have any material transaction with FEI, which manifests that it has ceased to have significant influence on the financial and operating policy decisions of FEI. Thus, it is now classified as available-for-sale financial assets in compliance with PAS 39. Investment cost and post-acquisition charges are used to determine the carrying amount of this investment as of reclassification date. The fair value of available-for-sale financial assets approximates its carrying value.

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

ESBI

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

On June 3, 2009, the Parent Company executed a deed of absolute sale for its 127,415 shares in ESBI for P179.63 per share or equivalent to P22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to P122,592,758 or P423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of December 31, 2008 was recognized as impairment loss in 2008.

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

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

On August 12, 2010, the Parent Company executed a deed of absolute sale for its 115,789 shares in ESBI at P100 per share or equivalent to P11,578,900 which is equal to the carrying value as of December 31, 2009 of P11,578,900. The Parent Company reclassified the corresponding unrealized fair value loss amounting to P9,220,27 8 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

PHES

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

The fair value of PHES investment as of December 31, 2009 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value loss was recognized amounting to P2,153,842 and charged to "other comprehensive loss" account in the 2009 statement of comprehensive income and shown separately as "Unrealized fair value loss on available-for-sale financial assets" in equity.

6. TRADE AND OTHER PAYABLES

The details of the account are as follows:

	2010	2009
Accounts payable - trade	**P2,119,301**	P 285,190
Accrued expenses	**4,524,542**	1,934,274
Withholding taxes payable	**15,000**	12,000
Income tax payable	-	50,541
	P6,658,843	P 2,282,005

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

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

7. CAPITAL STOCK

Details of the Group's share capital as of December 31, 2010 and 2009 are as follows:

	Amount	Shares
Authorized common shares of P1 par value per share	**P3,500,000,000**	**3,500,000,000**
Issued and fully paid	**P 819,355,920**	**819,355,920**
Subscribed and fully paid		
Subscribed	**1,055,644,080**	**1,055,644,080**
Subscriptions receivable	**(668,382,040)**	**(668,382,040)**
	387,262,040	**387,262,040**
Subscribed and issued	**1,206,617,960**	**1,206,617,960**
Less cost of treasury shares	**(34,605,596)**	**(34,605,596)**
Issued and outstanding	**P1,172,012,364**	**1,172,012,364**

The cost of the Group's treasury shares amounted to P34,605,596 as of December 31, 2010 and 2009. Such treasury shares restrict the Group from declaring an equivalent amount from the unappropriated retained earnings as dividends.

As a consequence of the deconsolidation of FCCC in 2009 due to the disposal of FCCHI's shareholdings on FCCC, the Group derecognized a deficit and minority interest in FCCHI amounting to P 14,281,554 and P 8,964,143, respectively.

As a consequence of the deconsolidation of ESBI in 2008 due to loss of control, the Group derecognized a deficit and minority interest in ESBI amounting to P15 1,208,388 and P9,525,234, respectively.

8. COSTS AND EXPENSES

This account includes the following:

	2010	2009	2008
Fines and penalties – note 13	**P2,771,200**	P -	P1,234,000
Professional fees	**2,422,384**	880,150	948,471
Office supplies	**95,078**	17,377	106,701
Communication	**34,981**	39,921	76,749
Taxes and licenses	**10,000**	174,522	38,627
Transportation and travel	**3,870**	2,187	29,535
Marketing fee	-	-	5,722,659
Salaries, wages and employee benefits	-	-	3,124,107
Litigation	-	-	954,669
Rent	-	-	576,882
Share options expense	-	-	485,489

Forward

Continued

Power, light and water	-	-	120,458
Repairs and maintenance	-	-	71,715
Insurance	-	-	29,028
Representation and entertainment	-	-	22,183
Depreciation and amortization	-	-	14,799
Controllable equipment	-	-	18,916
Others	**258,771**	391,868	16,571
	P 5,596,284	P 1,506,025	P 13,591,559

9. O

OTHER INCOME (EXPENSES) - net

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is account consists of:

		2		
		0		
		10	2009	2008
Unrealized foreign exchange gain (loss)	**P**	**101,440**	(P 6,755,652)	(P 21,003,114)
Loss on assignment of liabilities		-	(16,259,591)	-
Reclassification adjustment – note 5		**(9,220,278)**	-	-
Provision for unclaimed input tax		**(64,563)**	-	
Impairment loss		**(50,165,615)**	-	(136,228,925)
Gain on sale of non-current assets held for sale		-	-	9,721,533
Unrealized fair value loss on financial assets at FVPL - notes 4 and 8		-	-	(8,031,445)
Realized loss on foreign exchange		-	-	(2,929,546)
Others		**66**	2,527,026	1,001,046
		(P59,348,950)	(P20,488,217)	(P157,470,451)

10. RELATED PARTY TRANSACTIONS AND RELATED PARTY ACCOUNTS

The details of advances to related parties as of December 31, 2010 and 2009 are as follows:

Nature of Relationship		**2010**	2009
The Wellex Group, Inc. (TWGI)	Common directorship	**P341,025,464**	P 330,654,418
Forum Exploration, Inc. (FEI)	Common directorship	**172,273,002**	172,903,788
Forum Energy Plc. (FEPlc)	Common directorship	**171,193,672**	184,866,540
FEPCo	Common directorship	**97,627,350**	105,384,659
Forum (FEI) Ltd.	Common directorship	**13,947**	15,061
Total		**782,133,435**	793,824,466
Less: current portion		**50,000,000**	50,000,000
Non-current portion		**732,133,435**	743,824,466
Allowance for impairment loss – note 4		**(179,474,769)**	(129,309,154)

	P552,658,666	P 614,515,312

The details of advances from related parties as of December 31, 2010 and 2009 are as follows:

	Nature of Relationship	**2010**	2009
Forum (FEI) Ltd.	Common directorship	**P142,253,605**	P154,005,408
FEPlc	Common directorship	**60,364,340**	65,185,509
FEPCo	Common directorship	**77,126,128**	83,286,025
		P279,744,073	P302,476,942

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

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

Advances to TWGI

Transactions between the Group and TWGI primarily consist of interest bearing advances granted to finance TWGI's working capital requirements. The Group also subleases it office space from TWGI (see Note 13).

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

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

Due to default in quarterly payments, management has estimated and recognized impairment loss amounting to P32,944,556 in 2010 for its advances to TWGI. Total collections of advances to TWGI amounted to P1,207,854 and P833,604 in 2010 and 2009, respectively.

In 2010, the Company recognized impairment loss amounting to P17,221,059 on its advances to FEI.

Advances to FEI

The advances to FEI pertain to the carrying value of exploration net assets transferred by the Parent Company.

Advances to and from FEPlc

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

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

Advances to and from FEPCo

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

Advances from Forum (FEI), Ltd.

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

i. the loan may be paid in minimum of tranches of US$250,000 or multiples of such amount, at six- monthly intervals in December and June each year;

ii. the Borrower shall pay interest in arrears on the loan, in respect of each interest period occurring three years from the anniversary of the effective date on the relevant interest payment date at the floating rate;

iii. the floating rate means London Interbank Offered Rates (LIBOR) plus three percent;

iv. the aggregate outstanding amount of the loan shall be repaid in full by the borrower, together with any interest due, on or before the final payment date;

v. the lender may, at the request of the borrower, remit advances to any subsidiary of the Borrower and may accept payments from any subsidiary or holding company of the Borrower in satisfaction of amounts due to the lender; and

vi. at the Lender's option, amounts due from the borrower may be offset against the agreed value of services provided by the borrower to the lender or at the lender's request to the lender's subsidiaries or holding companies (other than borrower).

11. INCOME TAXES

The details of the Group's NOLCO and MCIT as of December 31, 2010 and 2009 are as follows:

Year Incurred	NOLCO	MCIT	Expiry Date
2010	P 12,045,362	P -	2013
2009	159,670	50,541	2012
2008	626,798	-	2011
	P 12,831,830	P 50,541	

MCIT amounting to P50,541 in 2009 are attributable to the Parent Company. The Group's MCIT in 2007 amounted P20,079 expired during the year.

a. The Group is subject to MCIT of 2% based on gross income or regular income tax of 30%, whichever is higher.

b. The Group claimed its unexpired NOLCO amounting to P477,945 in 2007 and a portion of its unexpired NOLCO in 2008 amounting to P702,726 as deduction from its normal taxable income in 2009.

FCCHI did not recognize deferred tax asset on NOLCO in 2010, 2009 and 2008 as its management believes that these cannot be recovered prior to expiration.

c. The following are the composition of deferred tax assets and liability:

	2010	2009	2008
Impairment loss on advances to related parties	**P 53,842,430**	P38,792,746	P38,792,746
NOLCO	**3,763,743**	150,134	504,336
Unrealized foreign exchange loss	**432,234**	432,234	-
MCIT	**50,541**	70,620	20,079
Unclaimed input VAT	**19,369**	-	-
	58,108,317	39,445,734	39,317,161
Valuation allowance	**(58,108,317)**	(39,445,734)	(39,317,161)
	P -	P -	P -

Deferred tax liability represents unrealized foreign exchange gain on advances to related parties.

d. The reconciliation between the benefit from income tax computed at statutory income tax rate and the Group's actual income tax expense is shown below:

	2010	2009	2008
Income tax benefit at statutory rate of 30% in 2009 and 35% in 2008	**(P19,483,570)**	(P 6,598,273)	(P 59,749,588)
Income tax effect on:			
Change in valuation allowance and temporary differences	**18,662,583**	128,573	16,864,504
Non-deductible expenses	**831,340**	-	431,900
Expired NOLCO and MCIT	**20,079**	-	-
Loss on assumption of liabilities	-	4,877,877	-
Reversal of deferred tax liability	-	(1,321,041)	-
Unrecognized deferred tax assets	-	1,642,364	-
Effect of translation on gain on sale of COC 132	-	-	2,203,957
Unrealized loss on market valuation	-	-	2,811,006
Impairment loss	-	-	24,687,217
Shares options exercised	-	-	169,921
Gain on expiration of share options	-	-	(315,366)
Reversal of deferred tax liability	-	-	(2,635,317)
Change in income tax rate (from 35% to 30%)	-	-	6,549,514
Unrecognized deferred tax assets	-	-	415,029
Interest income subjected to final tax	-	-	(122,116)
Income tax expense (benefit) **P**	**30,432**	(P 1,270,500)	(P 8,257,439)

Relevant tax regulations

In May 2005, Republic Act No. 9337, "An Act Amending Certain Provisions of the Revised National Internal Revenue Code of 1997, As Amended and for Other Purposes," (the Act) was passed into law effective November 1, 2005. Among others, the Act includes the following significant revisions:

i) Change in the corporate income tax rate from thirty-two percent (32%) to thirty-five percent (35%) effective November 1, 2005 until December 31, 2008, and will be reduced to thirty percent (3 0%) effective January 1, 2009 and onwards;

ii) Change in the rate to be used in the reduction of interest expense allowed as deductible expense from thirty-eight percent (3 8%) to forty-two percent (42%) effective November 1, 2005 until December 31, 2008, and will be reduced to thirty-three percent (33%) effective January 1, 2009 and onwards; and

iii) The ten percent (10%) VAT rate remains unchanged, with the President of the Philippines having a standby authority effective January 1, 2006 to increase the VAT rate to 12% under certain conditions (the rate was increased to 12% effective February 1, 2006).

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

The Group opted to continue claiming itemized deduction.

12. LOSS PER SHARE

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

	2010	2009	2008
Income (loss) attributable to parent	**(P 64,975,666)**	(P 12,558,505)	(P 152,846,694)
Weighted average number of common shares outstanding during the year	**1,840,394,404**	1,840,394,404	1,840,394,404
	(P 0.035)	(P 0.007)	(P 0.083)
Other comprehensive loss attributable to parent	**(P 1,214,370)**	(P 15,085,037)	P -
Weighted average number of common shares outstanding during the year	**1,840,394,404**	1,840,394,404	-
	(P 0.001)	(P 0.008)	P -
	(P 0.036)	(P 0.015)	(P 0.083)

The diluted earnings per share for the years ended December 31, 2010, 2009 and 2008 have not been

calculated as no diluting events existed during those years.

13. COMMITMENTS AND CONTINGENCIES

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

b. On May 7, 2007, the SEC suspended the trading of the Parent Company's shares for late filing of its 2004 and 2005 annual reports. The Parent Company failed to comply with the Suspension Order when it paid the penalty after the due date. However, it committed another violation when it failed to timely file its 2006 annual financial reports and 2007 first quarter reports. On October 19 and November 6, 2007, the Parent Company requested the SEC to allow the Parent Company to pay a monetary fine in lieu of the revocation of the registration of its securities due to late filing of the required reports. On May 5, 2008, a petition was filed to lift SEC's Order of Revocation and was lifted by SEC En Banc on July 31, 2008.

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

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

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

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

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

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the statement of financial position date are as follows:

	2010	2009
Advances to related parties	**P268,620,069**	P 283,745,059
Advances from related parties	**224,797,016**	237,930,551
	P493,417,085	P521,675,610

The following table details the Group's sensitivity to a 10% increase and decrease in the Philippine Peso against the relevant foreign currencies. 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.

	2010	2009
Advances to related parties	**P 26,862,007**	P 28,374,506
Advances from related parties	**22,479,702**	23,793,055
	P49,341,709	P52,167,561

Credit risk

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

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

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

The details of the Group's maximum exposure to credit risk are as follows:

		2010		2009
Cash in banks	**P**	**102,082**	P	203,751
Advances to related parties – note 10		**602,658,666**		664,515,312
		P602,658,666		P664,719,063

The details of the Group's aging analysis of financial assets as of December 31, 2010 and 2009, are as follows:

			Past due but not impaired						
December 31, 2010	**Total**	**Neither past due nor impaired**	**< 30 days**	**31-90 days**	**91-180 days**	**181-360 days**	**1-3 years**	**> 3 years but not impaired**	**Impaired**
Cash in bank	**P 102,082**	**P102,082**	**P-**	**P-**	**P-**	**P-**	**P-**	**P -**	**P -**
Advances to related parties- note 10	**782,133,435**	**-**	**-**	**-**	**-**	**-**	**-**	**602,658,666**	**179,474,769**
	P782,235,517	**P102,082**	**P-**	**P-**	**P-**	**P-**	**P-**	**P602,658,666**	**P179,474,769**

			Past due but not impaired						
December 31, 2009	**Total**	**Neither past due nor impaired**	**< 30 days**	**31-90 days**	**91-180 days**	**181-360 days**	**1-3 years**	**> 3 years but not impaired**	**Impaired**
Cash in bank	**P 203,751**	**P203,751**	**P-**	**P-**	**P-**	**P-**	**P-**	**P -**	**P -**
Advances to related parties - note 10	**793,824,466**	**-**	**-**	**-**	**-**	**-**	**-**	**664,515,312**	**129,309,154**
	P794,028,217	**P203,751**	**P-**	**P-**	**P-**	**P-**	**P-**	**P664,515,312**	**P129,309,154**

Liquidity Risk

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

December 31, 2010	**Total**	**On demand**	**Less than three months**	**3-12 months**	**1-5 years**
Advances from related parties	P 279,744,073	P -		P -	
Trade and other payables	6,658,843	6,658,843	P -	-	P 279,744,073
	P 286,402,916	**P 6,658,843**	**P -**	**P -**	**P 279,744,073**

December 31, 2009	Total	On demand	Less than three months	3-12 months	1-5 years
Advances from related parties	P 302,476,942	P -	P -	P -	P 302,476,942
Trade and other payables	2,282,005	50,541	-	2,231,464	-
	P 304,758,947	P 50,541	P -	P 2,231,464	P 302,476,942

Interest rate risks

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

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

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

The Group's interest rate management exposure policy centers on reducing its exposure to changes in interest rates. The Group's exposure to changes in interest rates relates only to cash in bank amounting to P102,082 and P203,751 in 2010 and 2009, respectively. These balances are short-term in nature and with the current interest rate level, any variation in the interest will not have material impact on the statements of comprehensive income of the Group.

Capital risk

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

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

The Group monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Debt-to-equity ratios as of December 31, 2010 and 2009 are 72% and 67%, respectively. Total debt is equivalent to debt shown in the consolidated statements of financial position. Total equity comprises all components of equity as shown in the consolidated statements of financial position. Total equity amounts to P 398,047,555 and P454,786,427 as of December 31, 2010 and 2009, respectively.

The gearing ratios as at December 31, 2010 and 2009 were as follows:

		2010		2009
Trade and other payables	**P**	**6,658,843**	P	2,282,005
Advances from related parties		**279,744,073**		302,476,942
Less: cash		**(102,082)**		(203,751)
Net debt		**286,300,834**		304,555,196
Total equity		**398,047,555**		454,786,427
Total capital		**P684,348,389**		P759,341,623
		41.8%		40.1%

There are no changes in the Group's approach to capital management during the year.

Comparison of Carrying Amounts and Fair Values

The table below presents a comparison by category of carrying amounts and estimated fair values of the Group's financial assets and liabilities as of December 31, 2010 and 2009.

	December 31, 2010		December 31, 2009	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash	**P 102,082**	**P 102,082**	P 203,751	P 203,751
Advances to related parties (net)	**602,658,666**	**602,658,666**	664,515,312	664,515,312
Available-for-sale financial assets	**81,686,711**	**81,686,711**	94,826,311	94,826,311
	P684,447,459	**P684,447,459**	P759,545,374	P759,545,374
Financial liabilities				
Trade and other payables	**P 6,658,843**	**P 6,658,843**	P 2,282,005	P 2,282,005
Advances from related parties	**279,744,073**	**279,744,073**	302,476,942	302,476,942
	P286,402,916	**P286,402,916**	P304,758,947	P304,758,947

Fair Value of Financial Instruments

The carrying amounts of cash, loans and receivables and trade and other payables approximate their fair values due to the relatively short-term duration of these financial instruments.

The carrying amount of available-for-sale financial assets is based on stock's prevailing market rate as of the year-end.

The Group determines the fair value of financial assets based on fair value hierarchy. The different levels of fair value hierarchy were defined as follows:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derivative from prices) (Level 2); and

c) Inputs for asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2				
0				
10				
	T			
	o			
	tal	**Level 1**	Level 2	**Level 3**
Available-for-sale financial assets	**P 8,475,138**	**P 3,814,938**	**P 4,660,200**	**P -**
2				
0				
09				
Available-for-sale financial assets	P21,614,738	P 5,375,638	P 16,239,100	P -

15. SUPPLEMENTAL NON CASH FLOW INFORMATION

Non-cash flow information of the Group consists of advances granted to related parties from proceeds from sale of available-for-sale financial assets amounting to P11,578,900 and P22,887,556 in 2010 and 2009, respectively.

* * *

FORUM PACIFIC, INC. AND SUBSIDIARY
Schedule A. Marketable Securities - (Current Marketable Equity Securities and Other Short-term Cash Investments)
December 31, 2010

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
None				

FORUM PACIFIC, INC. AND SUBSIDIARY

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates).
December 31, 2010

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

FORUM PACIFIC, INC. AND SUBSIDIARY

Schedule C. Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments

December 31, 2010

Name of Issuing entity and description of Investment (1)	Number of shares or principal amount of bonds and notes	Amount in Pesos	Equity in earnings (losses) of investees for the period	Other	Distribution of earnings by investees	Amount in Pesos	Dividends received from investments not accounted for by the equity method
Philippine Estates Corporation	50,196,553	P3,814,938	Not applicable	-	-	P3,814,938	-
Forum Exploration, Inc.	62,500,000	73,211,573	Not applicable	-	-	73,211,573	-
Express Savings Bank, Inc	46,602	4,660,220	Not applicable	-	-	4,660,220	-
b. Consolidated Subsidiaries							
Forum Coal Cebu Holdings, Inc.	43,200	3,888,000	-	-	-	3,888,000	-

FORUM PACIFIC, INC. AND SUBSIDIARY
Schedule D. Indebtedness of Unconsolidated Subsidiaries and Affiliates
December 31, 2010

Name of Affiliates	Balance at beginning of period	Balance at end of period
a. Other affiliates		
The Wellex Group, Inc.	P 330,654,418	P341,025,464
Forum Exploration, Inc.	172,903,788	172,273,002
Forum Energy Plc.	184,866,540	171,193,672
Forum (FEI) Ltd.	15,061	13,946
FEPCo	105,384,659	97,627,351
	793,824,466	782,133,435
Allowance for impairment loss	(129,309,154)	(179,474,769)
	P 664,515,312	P602,658,666

FORUM PACIFIC, INC. AND SUBSIDIARY
Schedule E. Intangible Assets - Other Assets
December 31, 2010

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

FORUM PACIFIC, INC. AND SUBSIDIARY
Schedule F. Long Term Debt
December 31, 2010

Title of Issue and type of Obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
None			

FORUM PACIFIC, INC. AND SUBSIDIARY
Schedule G. Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)
December 31, 2010

Name of affiliate	Balance at beginning of period	Balance at end of period
a. Other affiliates		
Forum Exploration, Inc.	P154,005,408	P142,253,605
Forum Energy Plc.	65,185,509	60,364,340
FEPCo	83,286,025	77,126,128
	P302,476,942	P279,744,073

FORUM PACIFIC, INC. AND SUBSIDIARY
Schedule H. Guarantees of Securities of Other Issuers
December 31, 2010

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

FORUM PACIFIC, INC. AND SUBSIDIARY
Schedule I. Capital Stock
December 31, 2010

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common Stock	3,500,000,000	1,172,012,364	-	200,000	2,940,503	1,168,871,861

FORUM PACIFIC, INC. AND SUBSIDIARIES

Schedule J. List of Top 20 Stockholders of Record

December 31, 2010

Name of Stockholders	Citizenship	Amount Subscribed	Percentage to Total Outstanding
International Polymer Corporation	Filipino	P 496,887,494	26.501
PCD Nominee Corporation	Filipino	396,027,824	21.121
The Wellex Group, Inc.	Filipino	376,950,000	20.104
E.F. Durkee and Associates, Inc.	Filipino	77,838,563	4.15 1
Intra – Invest Sec., Inc.	Filipino	48,159,000	2.568
Forum Pacific, Inc.	Filipino	36,056,750	1.923
Metropolitan Management Corporation	Filipino	30,000,000	1.600
Juanito C. Uy	Filipino	22,625,001	1.207
Pacrim Energy N. L.	Others	21,000,000	1.120
Sapphire Securities Inc.	Filipino	19,433,500	1.036
Benito Ong and/or Zenita Y. Ong	Filipino	18,000,000	0.960
Renato Chua	Filipino	16,740,000	0.893
Nestor S. Mangio	Filipino	12,500,000	0.667
A&A Securities , Inc	Filipino	11,911,320	0.635
Mark Securities Corporation	Filipino	10,772,800	0.575
Globalinks Sec & Stocks, Inc.	Filipino	9,400,000	0.501
Belson Securities, Inc.	Filipino	9,200,000	0.491
Wealth Securities, Inc.	Filipino	8,240,000	0.439
Ruben M. Gan	Filipino	7,610,000	0.406
David Go Securities Corporation	Filipino	6,880,000	0.367
		P1,636,232,252	

Interim Financial Statements for the Period Covered Ended March 31, 2011 and 2010 (Unaudited)

FORUM PACIFIC INC.
22F Citibank Tower 8741 Paseo de Roxas, Makati City, Philippines • Tel. (632) 848-1075 • Fax. (632) 848-1137

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **FORUM PACIFIC, INC. SUBSIDIARIES** is responsible for all information and representations contained in the financial statements for the quarter ended March 31, 2011. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

Signed under oath by the following:

Geronimo E. Velasco Jr.
Chairman of the Board

Peter S. Salud
President

Kenneth T. Gatchalian
Treasurer

SUBSCRIBED AND SWORN to before me this _____ day of JUN 03 2011 2011 affiants exhibiting to me their Community Tax Certicates as follows:

AFFIANTS	CTC No.	Date of Issue	Place of Issue
1. Geronimo F. Velasco	06009018	February 22, 2011	Makati City
2. Peter S. Salud	00142499	January 28, 2011	City of Manila
3. Kenneth T. Gatchalian	06608998	January 11, 2011	Valenzuela City

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Series of 2011

Tomas F. Dulay Jr.
ATTY. TOMAS F. DULAY, JR.
NOTARY PUBLIC
Until December 31, 2012
Roll No. 16583 / March 13, 1961
IBP No. 801359 / 01-03-11-Q.C.
PTR No. 4559221 01-03-11-Q.C.
MCLE EXEMPTED

FORUM PACIFIC, INC.
COMPARATIVE CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2011

ACCOUNT TITLES	Note	Unaudited March 31, 2011	Unaudited March 31, 2010	Audited Dec. 31, 2010
Current Assets				
Cash and cash equivalent	**2**	283,712	204,237	102,082
Advances to affiliates	**4**	50,000,000	50,000,000	50,000,000
Total Current Assets		**50,283,712**	**50,204,237**	**50,102,082**
Non-current Assets				
Advances to Related Parties	**4**	552,658,666	614,169,957	552,658,666
Available for sale Investments -net	**3**	81,686,711	94,826,311	81,686,711
Other non-current assets		81,444	-	33,444
Total Non-current assets		**634,426,821**	**708,996,268**	**634,378,821**
TOTAL ASSETS		**684,710,533**	**759,200,505**	**684,480,903**
Current Liabilities				
Trade and other payables	**5**	6,605,613	2,251,265	6,658,843
Total Current Liabilities		**6,605,613**	**2,251,265**	**6,658,843**
Non-current Liabilities				
Advances From Related Parties	**4**	283,209,950	302,476,942	279,744,073
Deferred tax liability		30,432	-	30,432
Total Noncurrent Liabilities		**283,240,382**	**302,476,942**	**279,774,505**
Total Liabilites		**289,845,995**	**304,728,207**	**286,433,348**
EQUITY				
Capital Stock				
Common stock, P1 par value Authorized 3,5000,000,000 shares				
Issued - 819,355,920 shares		819,355,920	819,355,920	819,355,920
Subscribed - 1,055,644,080 shares (on which subscription				
receivables amounts to P667,882,040)		387,262,040	387,262,040	387,262,040
Total Equity		1,206,617,960	1,206,617,960	1,206,617,960

Treasury Shares, 34,605,596 shares, at cost	(34,605,596)	(34,605,596)	(34,605,596)
Unrealized fair value loss on Available for sale	(7,425,459)	(15,085,037)	(7,425,459)
Translation adjustments	346,330		346,330
Deficits	(767,380,579)	(697,169,792)	(764,197,562)
Equity Attributable Equity Holders of the Parent	397,552,656	459,757,535	400,735,673
Minority Interest	(2,688,118)	(5,285,237)	(2,688,118)
Total Equity	**394,864,538**	**454,472,298**	**398,047,555**
TOTAL LIABILITIES AND EQUITY	**684,710,533**	**759,200,505**	**684,480,903**

FORUM PACIFIC, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE PERIOD ENDED MARCH 31, 2011 AND 2010

ACCOUNT TITLES	Jan - March 2011	Jan - March 2010
Revenue	-	-
Costs and Expenses Note 6	3,183,017	314,146
Gross Income	(3,183,017)	(314,146)
Other Income	6.74	16
Income (Loss for the Qtr)	(3,183,010)	(314,129)
Other Comprehensive Loss		
Unrealized loss on available-for-sale financial assets	-	-
Translation Adjustment	-	-
Loss per Share Note 7	(0.00173)	(0.00017)

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

FORUM PACIFIC, INC. AND SUBSIDIARIES

Annex A.3

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended March 31, 2011

	Unaudited 1st Qtr Jan to March 2011	Unaudited 1st Qtr Jan to March 2010	Audited FS Dec. 31, 2010
Cash Flows from Operating Activities			
Net loss before tax	(3,183,010)	(P314,129)	(P64,945,235)
Adjustments for:			
Impairment losses			50,165,615
Reclassification adjustment on unrealized fair value loss on available for sale financial assets			9,220,278
Unrealized foreign exchange loss (gain)			(101,440)
Interest income	(7)	-	
Operating loss before working capital changes	(3,183,017)	(314,129)	(5,660,782)
Decrease (increase) in other assets	0	-	-
Increase (decrease) in trade and other payables	(53,230)	(30,740)	4,435,244
Cash used in operations	(3,236,247)	(344,869)	(1,225,538)
Income taxes paid	0		(50,541)
Interest paid	0	-	-
Net cash used in operating activities	(3,236,247)	(344,869)	(1,276,079)
Cash Flows from Investing Activities			
Collection (grant) of advances to related parties, net	0		1,207,854
Increase/decrease in non-current assets	(48,000)	345,355	(33,444)
Increase in deferred exploration cost	0		-
Decrease in available-for-sale investments	0	-	-
Net cash provided by investing activities	(48,000)	345,355	1,174,410
Cash Flows from Financing Activities			
Increase in advances from related parties	3,465,877	-	
Effect of Changes in Foreign Exchange		-	-
Net Decrease in Cash and Cash Equivalents	181,630	486	(101,669)
Cash and Cash Equivalents, Beg	102,082	203,751	203,751
Cash and Cash Equivalents, End	P283,712	P204,237	P102,082
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Cash and cash equivalents	283,712	P204,237	P102,082
	P283,712	P204,237	P102,082

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

FORUM PACIFIC, INC. Annex A.4
COMPARATIVE CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
FOR THE PERIOD ENDED MARCH 31, 2011 AND 2010

ACCOUNT TITLES	1st Qtr Jan to March 2011	1st Qtr Jan to March 2010	Audited FS Dec. 31, 2010
Capital Stock	1,206,617,960	1,206,617,960	1,206,617,960
Treasury Shares	(34,605,596)	(34,605,596)	(34,605,596)
Minority Interest	(2,688,118)	(5,285,237)	(2,688,118)
Unrealized Fair Value Loss on Available for Sale	(7,425,459)	(15,085,037)	(7,425,459)
Translation Adjustment	346,330		346,330
Deficit Beginning	(764,197,562)	(696,855,663)	(699,221,896)
Prior Period Adjustments			
Net Loss	(3,183,010)	(314,129)	(64,975,666)
Deficit Ending	(767,380,572)	(697,169,792)	(764,197,562)
Total	394,864,545	454,472,298	398,047,555

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

FORUM PACIFIC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2011

Note 1 – Organizational Information

Forum Pacific, Inc., (the "Parent Company"), formerly known as Air Philippines International Corporation, is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on January 8, 1993 mainly to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products as well as other mineral and chemical substances.

The financial position and results of operations of the Parent Company and its Subsidiary, (herein referred to as the "Group") are consolidated in these financial statements.

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

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

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

MANAGEMENT ASSESSMENT OF THE GOING CONCERN ASSUMPTION AND BUSINESS PLANS

Management's Assessment of the Going Concern Assumption

Management believes that the going concern assumption is appropriate despite the existence of material uncertainty caused by recurring substantial losses of the Group. The Group had incurred losses amounting to P64,975,666 and P20,723,742 in 2010 and 2009, respectively. The Group has sustained a deficit of P764,197,562 and P699,221,896 in 2010 and 2009, respectively.

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

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

In 2009, the Parent Company again received an order of revocation of the registration and the permit to sell the Parent Company's securities due to late filing of the Parent Company's 2008 audited financial statements (see Note 13).

On August 31, 2010, the Parent Company received an order of revocation of the registration and the permit

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

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

Business Plans

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

BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENT

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

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

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS), which are accounting principles generally accepted in the Philippines. These are the Company's first PFRS financial statements where PRFS 1, "First Time Adoption of the Philippine Financial Reporting Standards", has been applied.
The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Note 2 – Summary of Significant Accounting Policies

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

stated.

Basis of Preparation and Presentation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

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

(b) Presentation of Consolidated Financial Statements

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

(c) Functional and Presentation Currency

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

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

Minority Interest

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

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

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

FCCHI

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

As discussed in Note 1, FCCHI sold all of its shareholdings of FCCC on September 23, 2009 and decided to liquidate its business through shortening of its corporate term until November 30, 2009. Accordingly, FCCHI changed its basis of accounting in the preparation of its financial statements from the going-concern basis to the liquidation basis of accounting. Financial information of FCCHI for 2009 reflects the remaining assets at their liquidating values as of September 30, 2009. The Group used the September 30, 2009 audited financial statements of FCCHI as basis in the preparation of the consolidated financial statements inasmuch as management believes that transactions occurred subsequently until December 31, 2009 are minimal and that all significant account balances do not differ materially from the amount reported in the September 30, 2009 audited financial statements.

Revenue and Cost Recognition

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

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

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

Financial Assets

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

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

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

a) Financial assets at fair value through profit or loss

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

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

The Group has no financial assets at fair value through profit or loss during the years ended December 31, 2010 and 2009.

b) Loans and receivables

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

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

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

c) Held-to-maturity financial assets

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

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

The Group has no held-to-maturity financial assets during the years ended December 31, 2010 and 2009.

d) Available-for-sale financial assets

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

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

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, when the related assets and liabilities are presented gross in the consolidated statements of financial position.

Impairment of Financial Assets

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if, and only if, there is an objective evidence or impairment as a result of one or more events that has occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, a breach of contract such as a default or delinquency in interest or principal payments, the probability that the debtor will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

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

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased

or reduced by adjusting the allowance. Any subsequent reversal of an impairment loss is recognized to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date and recognized as income. If a write-off is subsequently recovered, the recovery is recognized as income.

Financial assets classified as available-for-sale

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

Financial assets carried at cost

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

Derecognition of Financial Assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Claims for Input Value Added Tax (VAT)

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

Other Non-Current Assets

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

Financial Liabilities

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

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

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

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

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

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

Equity

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

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

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

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

Retirement Benefits

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

Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to

compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

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

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

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

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

Leases

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

The Group accounts for its leases as follows:

a) Group as Lessee

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

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

b) Group as Lessor

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

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

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

Earnings Per Share (EPS)

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

Related Parties and Related Party Transactions

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

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

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

Foreign Currency Transactions

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

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income.

Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial position date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations

as a whole. In addition, where time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation.

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

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

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an outflow of economic benefits is probable.

Events After the Reporting Period

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

Note 3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of:

As of March 31, 2011	Forum Exploration, Inc. (FEI)	Express Savings Bank, Inc. (ESBI)	Philippine Estates Corporation (PHES)	Total
Net carrying amount, December 31, 2009	P 73,211,573	P 16,239,100	P 5,375,638	P 94,826,311
Disposals	-	(11,578,900)	-	(11,578,900)
Unrealized fair value loss	-	-	(1,560,700)	(1,560,700)
Acquisition cost	P 73,211,573	P 28,612,804	P 7,529,480	P109,353,857
Unrealized fair value loss	-	(3,710,917)	(3,714,542)	(7,425,459)
Accumulated impairment loss	-	(20,241,687)	-	(20,241,687)
Net carrying amount, December 31, 2010	P 73,211,573	P 4,660,200	P3,814,938	P81,686,711
Net carrying amount, as of March 31, 2011	P 73,211,573	P 4,660,200	P3,814,938	P81,686,711

December 31, 2009	FEI	ESBI	PHES	Total
Net carrying amount, December 31, 2008	P 73,211,573	P 52,057,852	P 7,529,480	P132,798,905
Disposals	-	(22,887,557)	-	(22,887,557)
Unrealized fair value loss	-	(12,931,195)	(2,153,842)	(15,085,037)
Net carrying amount, December 31, 2009	P 73,211,573	P 16,239,100	P 5,375,638	P 94,826,311
Acquisition cost	P 73,211,573	P 99,705,201	P 7,529,480	P180,446,254
Unrealized fair value loss	-	(12,931,195)	(2,153,842)	(15,085,037)
Accumulated impairment loss	-	(70,534,906)	-	(70,534,906)
Net carrying amount, December 31, 2009	P73,211,573	P 16,239,100	P5,375,638	P 94,826,311

FEI

In 2003, 66.67% ownership, or 125 million shares of the Parent Company in FEI, was sold to Tracer Petroleum Corporation (TPC), now Forum Energy, Inc. Subsequent to sale, the Parent Company did not have any material transaction with FEI, which manifests that it has ceased to have significant influence on the financial and operating policy decisions of FEI. Thus, it is now classified as available-for-sale financial assets in compliance with PAS 39. Investment cost and post-acquisition charges are used to determine the carrying amount of this investment as of reclassification date. The fair value of available-for-sale financial assets approximates its carrying value.

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

ESBI

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

On June 3, 2009, the Parent Company executed a deed of absolute sale for its 127,415 shares in ESBI for P179.63 per share or equivalent to P22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to P122,592,758 or P423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of December 31, 2008 was recognized as impairment loss in 2008.

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

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

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

PHES

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

The fair value of PHES investment as of December 31, 2009 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value loss was recognized amounting to P2,153,842 and charged to "other comprehensive loss" account in the 2009 statement of comprehensive income and shown separately as

"Unrealized fair value loss on available-for-sale financial assets" in equity.

Note 4 RELATED PARTY TRANSACTIONS AND RELATED PARTY ACCOUNTS

The details of advances to related parties as of March 31, 2011 as follows:

	Nature of Relationship	**2011**
The Wellex Group, Inc. (TWGI)	Common directorship	**P341,025,464**
Forum Exploration, Inc. (FEI)	Common directorship	**172,273,002**
Forum Energy Plc. (FEPlc)	Common directorship	**171,193,672**
FEPCo	Common directorship	**97,627,350**
Forum (FEI) Ltd.	Common directorship	**13,947**
Total		**782,133,435**
Less: current portion		**50,000,000**
Non-current portion		**732,133,435**
Allowance for impairment loss –		**(179,474,769)**
		P552,658,666

Note 5. Trade and other payables

	As of March 31, 2011	**As of March 31, 2010**
Trade Payables	2,158,229	
Accrued Expenses	4,432,384	1,934,274
Accrued Payable		31,801
Others	15,000	285,190
Balance	**6,605,613**	**2,251,265**

Note 6 - Cost and Expenses

This account includes:

	As of March 31, 2011	**As of March 31, 2010**
Taxes and Licenses	14,952	9,500
Professional fee	162,000	-

Printing and Reproduction	3,365	-
Processing and filing fee	20,500	-
Insurance Expense	-	2,862
Registration fee	500	500
Dues and Subscription	250,000	250,000
Postage and telephone	-	6,569
Notarial fees	-	352
Fines and Penalties	2,731,200	40,000
Transportation and Travel	500	260
Other Administrative Expenses	-	4,104
Balance	**3,183,017**	**314,146**

Note 7 – Loss Per Share

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

	As of March 31, 2011	**As of March 31, 2010**
Income (Loss as of March 31)	(3,183,010)	(314,129)
Weighted average number of common shares		
outstanding during the year	1,838,943,246	1,840,394,404
Loss per Share	**(0.00173)**	**(0.00017)**

Note 8 – Commitments and Contingencies

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

b. On May 7, 2007, the SEC suspended the trading of the Parent Company's shares for late filing of its 2004 and 2005 annual reports. The Parent Company failed to comply with the Suspension Order when it paid the penalty after the due date. However, it committed another violation when it failed to timely file its 2006 annual financial reports and 2007 first quarter reports. On October 19 and November 6, 2007, the Parent Company requested the SEC to allow the Parent Company to pay a monetary fine in lieu of the revocation of the registration of its securities due to late filing of the required reports. On May 5, 2008, a petition was filed to lift SEC's Order of Revocation and was lifted by SEC En Banc on July 31, 2008.

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

Fines and penalties of P2,771,200 was subsequently paid on February 14, 2011lieu of the

Parent Company's revocation of Registration of Securities and Permit to Sell securities.

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