

COVER SHEET

SEC Registration Number

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Company Name

L	O	D	E	S	T	A	R	I	N	V	E	S	T	M	E	N	T	H	O	L	D	I	N	G	S	
C	O	R	P	O	R	A	T	I	O	N																

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

7	T	H	F	L	O	O	R	P	E	A	K	S	U	N	B	L	D	G	.	1	5	0	5			
P	R	I	N	C	E	T	O	N	S	T	,	B	R	G	Y	G	R	E	E	N	H	I	L	L	S	
E	A	S	T	W	A	C	K	W	A	C	K	M	A	N	D	A	L	U	Y	O	N	G	C	I	T	Y

Form Type

17C

Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number/s

(632) 9289246

Mobile Number

N/A

No. of Stockholders

59

Annual Meeting
Month/Day

2nd Thursday of May

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Atty. Venus L. Gregorio

Email Address

attybal@yahoo.com

Telephone Number/s

(632) 9289246

Mobile Number

N/A

Contact Person's Address

45 South Maya, Philam Homes, Quezon City

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

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

**CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER**

1. **21 July 2015**

Date of Report (Date of earliest event reported)

2. SEC Identification Number 54106 3. BIR Tax Identification No. 200-751-430-000

4. LODESTAR INVESTMENT HOLDINGS CORPORATION

Exact name of issuer as specified in its charter

5. PHILIPPINES

Province, country or other jurisdiction
of incorporation

6. (SEC Use Only)

Industry Classification Code:

7. Peaksun Bldg., Princeton St., Bgy. Wackwack, Mandaluyong City

Address of principal office

1555

Postal Code

8. c/o (632) 920-9306

Issuer's telephone number, including area code

9. NA

Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common Stock
Outstanding and Amount of Debt
Outstanding

Class A Common	740,000,000 shares
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11. Indicate the item numbers reported herein: 9

Item 9. Other Events

This is to inform the Philippine Stock Exchange and the investing public that at the meeting of the board of directors of Lodestar Investment Holdings Corporation (the Company) held today, 21 July 2015, the following matters were duly discussed and approved:

1. Cancellation of the Heads of Agreement, Amended Heads of Agreement and Allied Contracts with Abacus Consolidated Resources Holdings Inc. (ABACORE) and Abacus Coal Exploration and Development Corporation (ABACOAL). (Attached is the copy of the Cancellation)
2. Calling of the Annual Stockholders' Meeting to be held in October 2015 at a specific date and time to be determined by the President.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

• LODESTAR INVESTMENT HOLDINGS CORPORATION
Issuer

21 July 2015
Date

By:



Antonio V.F. Gregorio III
Chairman of the Board of Directors



Venus L. Gregorio
Corporate Secretary
Corporate Information Officer

CANCELLATION OF HEADS OF AGREEMENT,
AMENDED HEADS OF AGREEMENT AND ALLIED
CONTRACTS

KNOW ALL MEN BY THESE PRESENTS:

This Cancellation of Heads of Agreement ("Cancellation of Agreements", hereinafter) entered into by and between the following PARTIES at MAKATI CITY, this JUL 21 2015 day.

ABACUS CONSOLIDATED RESOURCES HOLDINGS, INC. a corporation duly organized and existing under the laws of Republic of the Philippines with its principal address at Number 28 N. Domingo Street corner Gilmore Street, New Manila, Quezon City duly represented by its President, Atty. Leonardo S. Gayao hereinafter referred to the **ABACORE**;

ABACUS COAL EXPLORATION AND DEVELOPMENT CORPORATION, a corporation duly organized and existing under Philippine laws, with principal office located at No. 28 N. Domingo Street, New Manila, Quezon City, herein represented by its President, Atty. Leonardo S. Gayao, hereinafter referred to as the "**ABACOAL**";

-and-

LODESTAR INVESTMENT HOLDINGS CORPORATION, a corporation duly organized and existing under Philippine laws with address at 7th Floor Peaksun Bldg., Princeton St., Brgy. Greenhills East Wackwack, Mandaluyong City, herein represented by its President, Mr. Chi Ho Co, hereinafter referred to as the **LODESTAR**;

ABACORE, ABACOAL AND LODESTAR are jointly referred to the PARTIES.

WITNESSETH, That:

WHEREAS, **ABACORE AND LODESTAR** are both duly organized and existing publicly-listed corporations under Philippine laws with primary purposes as holding corporations.

WHEREAS **ABACORE** owns all or one hundred percent (100%) of the outstanding and issued shares of Abacus Coal Exploration Development Corporation, hereinafter referred to as **ABACOAL**;

WHEREAS, **ABACOAL** is the registered holder of an Operating Contract covering a seven thousand (7,000) hectare property located at Mimi Tandag, Surigao del Sur (**COAL PROPERTY**);

WHEREAS, on 24 September 2008, **ABACORE** and **LODESTAR** entered into a Heads of Agreement ("Heads of Agreement", hereinafter) with **MUSX Corporation**, a publicly listed corporation duly organized and existing under Philippine laws. The Heads of Agreement was for the purchase of one hundred percent (100%) of the outstanding and issued shares of **ABACORE** in **ABACOAL** including the Coal Operating Contract. A photocopy of the Heads of Agreement with its Annexes are hereto attached as Annex "A", "A-1", "A-2" and "A-3", respectively. The Joint Investment between **LODESTAR** and **MUSX** was cancelled on 21 February 2011. A copy of the Joint Investment Agreement, amendments thereto and Payment are hereto attached as Annex "B", "C" and "D". Considering the full payment of to **MUSX** of all considerations due it, **LODESTAR** became the Assignee of all the rights of **MUSX** under the above-mentioned Agreements.

WHEREAS on 3 November 2010, **ABACORE** and **LODESTAR** entered into a Revised Heads of Agreement whereby the purchase of the shares of **ABACOAL** was agreed to be conducted through a merger. A copy of the Revised Heads of Agreement is hereto attached as Annex "E";

WHEREAS, all the above mentioned contracts and agreements (Agreements, hereinafter) as well as their attachments have been collectively entered into by the PARTIES in good faith and with the intention of mutually benefiting each other when the business venture becomes financially viable.

WHEREAS, the PARTIES desire to cancel all the above mentioned agreements and terminate all rights, obligations, deliverables and other covenants in accordance with this Agreement and under the following terms and conditions.

1. Cancellation of All Agreements

Under the Revised Heads of Agreement, **ABACORE** and **LODESTAR** agreed that **LODESTAR** shall acquire the **COAL PROPERTY** and all the other assets and liabilities of **ABACOAL** by and through a merger of **LODESTAR** and **ABACOAL**, with **LODESTAR** as the surviving corporation. However, due to some corporate constraints, **LODESTAR**, despite (2) two attempts, failed to gather enough quorum and votes from its shareholders to approve the merger. Without the approval, the merger may thus not be legally undertaken. **LODESTAR** does not foresee that the required quorum and votes may be achieved with its current condition and corporate structure.

In order to terminate the deadlock and allow the PARTIES to pursue other plans and business alternatives, the PARTIES agree to cancel all agreements relative, pertinent and concerning the acquisition of **ABACOAL** and the **COAL PROPERTY** as well as the merger.

2. Termination of Rights and Obligations

Upon the effectivity of the cancellation, all rights and obligations of the PARTIES under the Heads of Agreement, amendments thereto and other contracts related to the matter shall be deemed terminated and without any force and effect upon and against each other. ABACORE and ABACOAL shall be restored their rights relative to the COAL PROPERTY and LODESTAR shall be under no obligation to make further payments, whether in cash, shares of stock, property, royalty or other arrangements.

3. Return of Payment, Advances, Costs and Expenses, Restoration of Rights and Effect on Other Exploration and Operating Agreements.

For and in consideration of the signing of this Agreement, ABACORE shall pay LODESTAR the following amounts:

- a. Three Million Five Hundred Thousand Pesos (PhP 3,500,000.00) upon signing of this Agreement
- b. Three Million Five Hundred Thousand Pesos (PhP 3,500,000.00) payable within fifteen (15) days from signing of this Agreement
- c. Ten Million Pesos (PhP 10,000,000.00) on or before 31 January 2016,

The above amounts represent return of advances, costs and other expenses incurred by LODESTAR for the COAL PROPERTY. In consideration of the payments above specified, the parties hereby waive and quit whatever rights or claims as they may have against each other.

4. Non-Malevolence and No Fault

PARTIES hereby acknowledge that neither Party is malevolent or at fault for the cancellation of the Agreements. Despite the intention of all PARTIES to make the venture a success and notwithstanding the mutual help extended by each party to the other, the ABACOAL acquisition may not be effected for lack of the requisite corporate approvals required under law.

IN WITNESS WHEREOF, the duly authorized representatives of ABACORE, LODESTAR and ABACOAL have executed this Cancellation of Agreements this **JUL 21 2015** in Makati City.

ABACUS CONSOLIDATED
RESOURCES HOLDINGS, INC.

By:

LEONARDO S. GAYAO
President

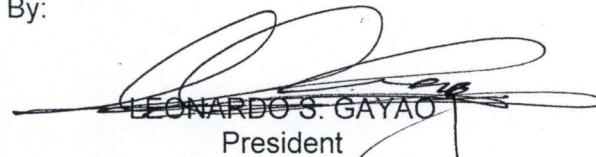
LODESTAR INVESTMENT HOLDINGS
CORPORATION

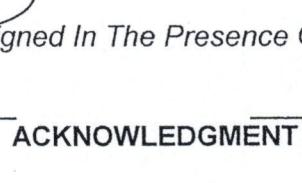
By:

CHI HO CO
President

ABACUS COAL EXPLORATION &
CORPORATION DEVELOPMENT
CORPORATION

By:


LEONARDO S. GAYAO
President

 Signed In The Presence Of 
 ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
) S.S.

BEFORE ME, a Notary Public, for and in MAKATI CITY, this ____ day of
JUL 21 2015, personally appeared the following:

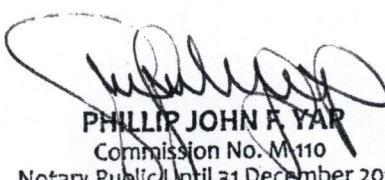
NAME	I.D.	EXPIRY
Leonardo S. Gayao	Passport No. EB6783300	11/18/2017
Chi Ho Co	Passport No. EB1845518	02/01/2016

known to me and known to be the same persons who executed the foregoing Cancellation Agreement, consisting of four (4) pages including this acknowledgement, and they acknowledge to me that the same is their own free and voluntary act and deed, as well as the voluntary act and deed of the corporations that they represent.

IN WITNESS HEREOF, I have hereunto set my hand on the date and at the place first above written.

Doc. No. 243
Page No. 59
Book No. III
Series of 2015.

NOTARY PUBLIC


PHILLIP JOHN F. YAR
Commission No. M-110
Notary Public Until 31 December 2015
The Peak Unit 602, 107 L.P. Leviste St.,
Salcedo Village Makati City Philippines
Roll No. 55457
PTR No. 4755528; 1-6-15; Makati City
IBP No. 0992314; 1-21-15; Romblon

ANNEX 'A'

HEADS OF AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This Heads of Agreement entered into by and between the following PARTIES at
~~QUEZON CITY~~, this SEP 2, 2008 2008:

ABACUS CONSOLIDATED RESOURCES HOLDINGS, INC., a corporation duly organized and existing under the laws of Republic of the Philippines with its principal address at Number 28 N. Domingo Street corner Gilmore Street, New Manila, Quezon City duly represented by its President and Chief Executive Officer, Clarita T. Zaraga hereinafter referred to the **FIRST PARTY**;

-and-

MUSIC SEMICONDUCTORS CORPORATION, (MUSIC) a corporation duly organized and existing under Philippine laws with address at 110 Excellence Avenue corner Accuracy Drive SEPZ 1 Carmelray Industrial park, Canlubang, Laguna, herein represented by its President, Mr Michael Burton and **LODESTAR INVESTMENT HOLDINGS CORPORATION (LODESTAR)**, a corporation duly organized and existing under Philippine laws with address at 3/F Certeza Building, 795 EDSA, Brg. South Triangle, Diliman, Quezon City, herein represented by its President, Alfonso S. Anggala, hereinafter jointly referred to as the **SECOND PARTY**.

FIRST and **SECOND PARTY** are jointly referred to herein as the **PARTIES**.

WITNESSETH, That:

WHEREAS, **FIRST PARTY** owns all or one hundred percent (100%) of the outstanding and issued shares of Abacus Coal Exploration Development Corporation, hereinafter referred to as **ABACOAL**.

WHEREAS, **ABACOAL** is the Assignee a Coal Operating Contract covering a seven thousand (7,000) hectare property located at Mimi Tandag, Surigao del Sur (**COAL PROPERTY**) under a Deed of Assignment executed by **FIRST PARTY** in favor of **ABACOAL**. Photocopies of the Coal Operating Contract and Deed of Assignment are hereto attached as Annexes "A" and "B" respectively.

WHEREAS, **MUSIC** is a duly organized and existing publicly-listed corporation under Philippine laws with an authorized capital stock of Two Billion Four Hundred Fifty Million (2,450,000,000) common shares with par value of Ten Centavos (PHP0.10), of which one billion seven hundred seventy two million eight hundred seventeen thousand three hundred ninety six (1,772,817,396) shares have been subscribed and fully paid.

WHEREAS, **LODESTAR** is a duly organized and existing publicly-listed corporation under Philippine laws with an authorized capital stock of Fifty Million (50,000,000) common shares with a par value of One Peso (PHP1.00), of which thirty seven million three hundred six thousand (37,306,000) shares have been subscribed and fully paid;

WHEREAS, **MUSIC** and **LODESTAR** desire to jointly acquire and own all the issued and outstanding shares of stock of **ABACOAL** and operate the **COAL PROPERTY**, exploit and maximize the potential thereof, which per the appraisal conducted by Cuervo Appraisers, Inc. is valued at approximately Two Billion Seven Hundred Million Pesos (PHP2,700,000,000.00), Philippine currency. A photocopy of the Appraisal Report prepared by Cuervo Appraisers, Inc. is hereto attached as Annex "C" and made an integral part hereof.

NOW THEREFORE, for and in consideration of the foregoing premises and the mutual covenants of the PARTIES herein, PARTIES have agreed to enter into this Heads of Agreement under the following terms and conditions:

1. Sale and Purchase

SECOND PARTY shall jointly acquire from **FIRST PARTY** one hundred percent (100%) of the outstanding and issued shares of **ABACOAL** subject to the fulfillment of the terms and conditions provided hereunder and the terms and conditions of the closing documents and enabling contracts that will be entered into by and between the PARTIES.

In consideration of **SECOND PARTY**'s undertakings hereunder, **FIRST PARTY** hereby agrees to sell, transfer and convey in favor of **SECOND PARTY**, and in consideration of the **FIRST PARTY**'s representations, warranties and covenants, **SECOND PARTY** hereby agrees to purchase one hundred percent (100%) of the outstanding and issued shares of **ABACOAL** free and clear of any and all liens, charges, claims and encumbrances, which include all of **FIRST PARTY**'s rights title and interests in the Coal Operating Contract (Annex "A") which it assigned to **ABACOAL** (Annex "B")

2. Purchase Price

The consideration for the sale, transfer and conveyance of one hundred percent (100%) of the issued and outstanding shares of stock of **ABACOAL** shall be in the form of cash and shares of stock in the total amount and / or value equivalent of not more than Three Hundred Million Pesos (Php 300,000,000.00).

2.1. Cash Component

The cash component shall be effected in staggered payments in the total amount of Seventy Five Million Pesos (PHP75,000,000.00). **SECOND PARTY** shall make no cash payment to **FIRST PARTY** in accordance with the following schedule:

Date or Period of Payment	Amount
• Upon signing of this Agreement	Fifteen Million Pesos (Php15,000,000.00)
• Within twenty five (25) days after signing	Fifteen Million Pesos (Php15,000,000.00)
• Amounts to be paid upon and to be taken from the sale of the first production of Coal Products from the Coal property but not later than one hundred twenty-one (121) days from signing of this Agreement	
◦ Upon consummation of said first (1 st) sale of Coal Products	Twenty Million Pesos (Php20,000,000.00)
◦ Thirty (30) days from consummation of said 1 st sale of Coal Products	Twenty Five Million Pesos (Php25,000,000.00)

PARTIES shall endeavor to complete first sale from production within ninety (90) to one hundred twenty (120) days from execution of this Agreement.

SECOND PARTY shall be entitled to a period of grace of ten (10) days from the dates the payments fall due.

2.2. Stock Component

The shares of stock component shall be shares of stock of **MUSIC** and **LODESTAR** with a combined market value equivalent of not more than Two Hundred Twenty Five Million Pesos (PHP225,000,000.00), Philippine currency, at pricing or valuation based on the criteria provided under this sub-section 2.2.

The shares of stock of **MUSIC** and **LODESTAR** shall come from new issuances from an increase in their respective authorized capital stocks on a 55%-45% sharing scheme. Thus, **MUSIC** shall contribute 55% of the total consideration (cash and shares) and shall accordingly acquire 55% interest in **ABACOAL** and the Coal Property while **LODESTAR** shall contribute 45% of the total consideration (cash and shares) and gets the equivalent 45% interest in **ABACOAL** and the Coal Property. **MUSIC** and **LODESTAR** shall execute a detailed schedule of share issuances to **FIRST PARTY**, embodying this 55%-45% sharing scheme.

The price of the shares of stock to be issued to **FIRST PARTY** shall be the respective 90-day moving averages of the shares of **MUSIC** and **LODESTAR** on the 90-day period prior to Closing as provided under Section 5 of this Agreement. The **SECOND PARTY** shall have the exclusive right to revise the 55%-45% sharing scheme provided under this paragraph to comply with applicable nationalization laws and limitations.

The above consideration and the terms of payment thereof shall be subject to any adjustments as will be supported and established by the results of the Due Diligence report as provided under Section 3 hereof.

3. Due Diligence

SECOND PARTY shall have the option to conduct a technical, legal and financial due diligence within ninety (90) days from execution of this Heads of Agreement. Due diligence shall be for the following purposes:

- a. to determine the technical and commercial viability and valuation of the shares and assets of **ABACOAL**; and
- b. to determine and evaluate whether the COAL PROPERTY can fully operate and produce with all the proper permits and licenses for this purpose.

The results of the Due Diligence shall form the basis for the final purchase price / consideration to be paid by **SECOND PARTY** unto **FIRST PARTY** as well as other terms and conditions for the acquisition of the **ABACOAL** shares. The period of due diligence may be extended for a period of fifteen (15) days upon a written request from the **SECOND PARTY**. **FIRST PARTY** shall allow **SECOND PARTY** access to properties, documents, records, and other materials necessary for the conduct by **SECOND PARTY** of the due diligence.

FIRST PARTY shall likewise have the right and option to conduct a technical, legal and financial due diligence of **SECOND PARTY** within ninety (90) days from execution of this Heads of Agreement. The period of due diligence shall be extended for a period of fifteen (15) days upon a written request from the **FIRST PARTY**.

Costs for the conduct of due diligence by the PARTIES shall be for their own respective accounts.

4. Warranties

FIRST PARTY warrants as follows:

- a. That on or before the 25th day after the signing of this Agreement, the necessary requirements of the Department of Energy to effectuate the transfer of the Coal Operating Contract from **FIRST PARTY** to **ABACOAL** shall have been duly submitted to the Department of Energy for approval.
- b. That at the time of the execution of the enabling contracts and the Subscription Agreement for the stock consideration under paragraph 2 above, **ABACOAL** has no outstanding loans, obligations and other indebtedness to third parties.

- c. That **FIRST PARTY** shall obtain the necessary Department of Energy approval of the transfer of the Coal Operating Contract from **FIRST PARTY** to **ABACOAL** on or before 30 June 2009.
- d. That **FIRST PARTY** shall obtain the necessary Coal Operating Contract for Development and Production (COC-DP), Environmental Compliance Certificate (ECC), and other permits and licenses required to operate the COAL PROPERTY and produce Coal Products on or before 30 June 2009, all in the name of **ABACOAL**.

Failure of **FIRST PARTY** to comply with any of the above warranties shall give rise to a right of termination by **SECOND PARTY** as provided under paragraph 7 hereof.

5. Closing

On or before 30 June 2009, **SECOND PARTY** shall determine compliance by **FIRST PARTY** with all its warranties under the immediately preceding paragraph and communicate its decision to **FIRST PARTY** whether or not to proceed with the acquisition of the **ABACOAL** shares together with all its assets and properties including the Coal Operating Contract.

Should **SECOND PARTY** decide to proceed with the purchase of the **ABACOAL** shares together with all its assets and properties including the Coal Operating Contract, the **PARTIES** shall proceed with the Closing on 30 June 2009 and execute the closing documents consisting of the following:

- a. Subscription and / or Share Purchase Agreement for the purchase by **FIRST PARTY** of the corresponding number of **MUSIC** shares.
- b. Subscription and / or Share Purchase Agreement for the purchase by **FIRST PARTY** of the corresponding number of **LODESTAR** shares.
- c. Subscription and / or Share Purchase Agreement for the purchase by **SECOND PARTY** of all of the outstanding and issued **ABACOAL** shares together with all its assets and properties including the Coal Operating Contract.
- d. Such other documents and agreements as may be required to effectuate the above-mentioned shares acquisition.

PARTIES shall comply with the requirements of the Securities and Exchange Commission and the Philippine Stock Exchange in the implementation of the acquisition of **ABACOAL** shares.

6. Shareholders' Approval

The **PARTIES** shall, whenever necessary and applicable, obtain the necessary shareholders' approval and / or ratification to effect their respective covenants under this Heads of Agreement and its implementing contracts.

7. Termination

This Agreement shall terminate upon:

- a. A written notice by **SECOND PARTY** unto **FIRST PARTY** that the purchase of **ABACOAL** shares shall not proceed such as when the results of due diligence under Section 3 of this Heads of Agreement indicate unfavorable results, or for breach of warranties as provided under Section 4 hereof, for other reasons not attributable to **SECOND PARTY**.
- b. If any party fails to initiate action on any of its commitments, obligations, and / or programs under this Agreement, within ninety (90) days from the execution hereof.

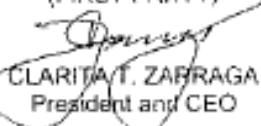
In the event of termination, FIRST PARTY shall, without need of court action and immediately upon written demand, reimburse any and all amounts paid by SECOND PARTY, with interest at the rate of twelve percent (12%) per annum.

If after thirty (30) days from demand, FIRST PARTY does not reimburse SECOND PARTY of all amounts paid by the latter, together with interest thereon, any and all such amounts due from FIRST PARTY shall be converted into ABACON listed and tradable shares of stock. The share price at the point of conversion shall be sixty five percent (65%) of the 90-day moving average of ABACON share price reckoned from the date of the demand.

IN WITNESS WHEREOF, we have hereunto set our hand at the place and on the date first above-written.

ABACUS CONSOLIDATED
RESOURCES HOLDINGS, INC.
(FIRST PARTY)

By:


CLARITA T. ZARRAGA
President and CEO

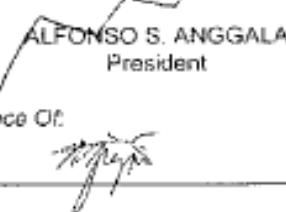
MUSIC SEMICONDUCTORS
CORPORATION
(SECOND PARTY)

By:


MICHAEL BURTON
President

LODESTAR INVESTMENT HOLDINGS
CORPORATION
(SECOND PARTY)

By:


ALFONSO S. ANGGALA
President

Signed In The Presence Of:

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES }
QUEZON CITY }
 S.S.

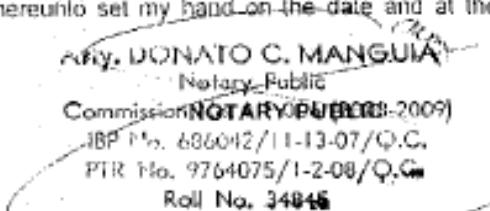
BEFORE ME, a Notary Public, for and in Quezon City, this 2 day
of September, 2008, personally appeared the following:

NAME	CTC NO./I.D.	DATE/PLACE ISSUED
Clarita T. Zarraga	N-1170035232	Exp. 4 June 2009
Michael Burton	Passport 706255612	Exp. 16 Mar. 2017 / Manila
Alfonso S. Anggala	09799494	14 Jan 2008 / Cebu

known to me and known to be the same persons who executed the foregoing Heads of Agreement, consisting of five (5) pages including this acknowledgement, and they acknowledge to me that the same is their own free and voluntary act and deed, as well as the voluntary act and deed of the corporations that they represent.

IN WITNESS HEREOF, I have hereunto set my hand on the date and at the place first above written.

Doc. No. 34846
Page No. 10
Book No. UXI
Series of 2008


Atty. DONATO C. MANGUIAT
Notary Public
Commission #NOTARY-PUB-0003-2009
IBP No. 686012/11-13-07/Q.C.
PTR No. 9764075/1-2-08/Q.C.
Roll No. 34846

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF ENERGY
Taguig City
Metro Manila

COAL OPERATING CONTRACT

This COAL OPERATING CONTRACT - is made and entered into this 10th day of
January, 2007 in Port Bonifacio, Taguig City, Metro Manila by and between:

The GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES,
hereinafter referred to as "Government" represented in this act by the
DEPARTMENT OF ENERGY, hereinafter referred to as the
"DEPARTMENT".

and

ABACUS CONSOLIDATED RESOURCES AND HOLDINGS, INC., a
corporation organized and existing under the laws of the Republic of the
Philippines hereinafter referred to as the "OPERATOR".

The DEPARTMENT and the OPERATOR are hereinafter referred to
individually as "Party" and collectively as the "Parties."

WITNESSETH: That;

WHEREAS, all Coal resources of the Philippines belong to the State and their
exploration, development, exploitation, disposition and utilization are governed by
Presidential Decree No. 972 (as amended), otherwise known as the Coal Development
Act of 1976, hereinafter referred to as the "Act";

MM

RR

WHEREAS, the Act declared the policy of the State to immediately accelerate the exploration, development, exploitation, production and utilization of the country's Coal resources in accordance with a Coal development program promulgated and established by the Act;

WHEREAS, under the provision of the Act, the Government, through the DEPARTMENT and its successors or assigns shall undertake by itself the active exploration, development and production of Coal resources and may also execute Coal Operating Contract as provided for in the Act;

WHEREAS, in pursuance of the above-stated policy, the Government through the DEPARTMENT, wishes to avail itself of the resources of the OPERATOR through a Coal Operating Contract under which the OPERATOR will furnish the necessary services, technology and financing for the Coal Operation hereinafter defined;

WHEREAS, the OPERATOR wishes to enter into such a Coal Operating Contract covering the Coal Contract Area as hereinafter defined; and

WHEREAS, the OPERATOR has the financial resources, technical competence and professional skills necessary to carry out the Coal Operation;

NOW, THEREFORE, in consideration of the foregoing, the OPERATOR shall remit to the DEPARTMENT signature bonus in the amount of Four Hundred Thousand Pesos (P400,000.00) in cash within thirty (30) days from signing herein, the Parties herein have stipulated as follows:

JMA
X
JMA
X
JMA
X

SECTION I - SCOPE

- 1.1 This Contract is a Coal Operating Contract entered into pursuant to Section 8 of the Act with all necessary services, technology and financing to be furnished by the OPERATOR in accordance with the provisions herein contained. The OPERATOR shall undertake and execute the Coal Operation contemplated hereunder.
- 1.2 The OPERATOR shall be responsible to the DEPARTMENT for the execution of such operations in accordance with the provisions of this Contract and is hereby appointed and constituted the exclusive Party to conduct the Coal Operation over the specific areas herein defined.
- 1.3 During the term of this Contract, the total Coal production achieved in the conduct of the Coal Operation shall be accounted for between the Parties in accordance with Section VI hereof.

SECTION II - DEFINITIONS

In this Contract, the words and terms defined elsewhere in the Act shall, unless otherwise specified herein, have meaning in accordance with the following definitions:

- 2.1 Accounting Procedures - refers to the set of procedures, guidelines and arrangement between the Parties to govern the recording and proper entry of expenses, costs and income, attached as Annex "B" to this Contract.
- 2.2 Accounting Period - means a Calendar Year or a fraction thereof wherein the OPERATOR is obliged to spend a certain sum of money and/or perform certain work obligations in accordance with the work program approved by the

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DEPARTMENT. In no case should the total number of years of the Accounting Period be more than one (1) year and six (6) months for the Exploration Phase and five (5) years for the Development and Production Phase of this Contract.

- 2.3 Affiliate - means (a) a company in which an OPERATOR holds directly or indirectly at least fifty percent (50%) of its outstanding shares entitled to vote or (b) a company which holds directly and indirectly at least fifty percent (50%) of the OPERATOR's outstanding shares entitled to vote or (c) a company in which at least fifty percent (50%) of its shares outstanding and entitled to vote are owned by a company which owns directly and indirectly at least fifty percent (50%) of the shares outstanding and entitled to vote of the OPERATOR.
- 2.4 Calendar Quarter - means a period of three (3) consecutive Gregorian months under the Gregorian calendar beginning on the first (1st) day of January, the first (1st) day of April, the first (1st) day of July, or the first (1st) day of October.
- 2.5 Calendar Year - means a period of twelve (12) consecutive months beginning with January 1 and ending on the following December 31.
- 2.6 Certificate of Non-Coverage - refers to the certification issued by the DENR in accordance with Presidential Decree No. 1586 and DAO 03-30, stating that the activity is not covered by the Environment Impact System.
- 2.7 Coal - means a black or brownish-black solid combustible rock containing less than 40% non-combustible inorganic components, formed by the accumulation, decomposition and compaction of plant material under long-acting geological processes.

2.8 **Coal Contract Area** - means at any time the area subject of this Contract and defined in conformity with the Coal blocking system (CBS) established in the Act. Unless modified by mutual written consent of both Parties, this Contract covers CBS 38-L-84, -85, -86, -87, -88, -89 and 38-L-249, as determined by the DEPARTMENT to be available for this Contract. The Coal Contract Area is outlined and more particularly described in Annex "A" attached hereto.

2.9 **Coal Operation** shall include:

1. The examination, investigation and/or exploration of lands supposed to contain Coal by detailed surface geologic mapping, core drilling, trenching, test pitting and other appropriate means for the purpose of probing the presence of Coal deposits and extent thereof;
2. Steps necessary to reach the Coal deposits so that they can be mined, including but not limited to shaft sinking and tunneling; and
3. The extraction, beneficiation and transportation up to the Delivery Point.

2.10 **Coal Reserves in Commercial Quantity** - means Coal in such quantities which will allow economic development and production of Coal in the Coal Contract Area as determined jointly by the OPERATOR and the DEPARTMENT after taking into account factors such as measured reserves, quality of Coal, mining method, location and accessibility to market.

2.11 **Contract** - means this Coal Operating Contract.

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- 2.12 **Contract Year** - means a period of twelve (12) consecutive months counted from the Effective Date of this Contract and, thereafter, from each anniversary of such Effective Date.
- 2.13 **Delivery Point** - means the point at which Coal reaches the delivery facility as agreed upon by the OPERATOR and the buyer in the sales contract and/or purchase order.
- 2.14 **DENR or Department of Environment and Natural Resources** - refers to the agency of the Government tasked to implement environmental and natural resources laws and policies and to supervise related projects in accordance with Executive Order No. 192, s. 1987.
- 2.15 **Development and Production Area** - refers to the specific geographical area over which the OPERATOR is given the exclusive right to develop and from which to produce Coal in accordance with this Contract.
- 2.16 **Development and Production Phase** - means the stage of this Contract during which the OPERATOR conducts activities necessary to reach and extract the Coal deposits, including but not limited to shaft sinking, tunneling and open-pit mining, as well as the beneficiation and transportation of the Coal up to the Delivery Point.
- 2.17 **ECC or Environmental Clearance Certificate** - refers to the certification issued by the DENR in accordance with Presidential Decree No. 1586 stating that the activity is covered by the Environment Impact System and has complied with all the requirements and standards therein.

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- 2.18 **Effective Date** - means the date of execution of this Contract by the Parties.
- 2.19 **Exploration Phase** - means the stage of this Contract during which the OPERATOR conducts examination, investigation and/or exploration of lands supposed to contain Coal by detailed surface geologic mapping, core drilling, trenching, test pitting and other appropriate means for the purpose of probing the presence of Coal deposits and extent thereof.
- 2.20 **Force Majeure** - refers to events or circumstances that cannot be foreseen or which, though foreseen, are inevitable, as provided in Section 12.4 herein.
- 2.21 **Foreign Exchange** means currency other than Philippines currency which is freely convertible into gold or currencies eligible to form part of the country's international reserves, acceptable to both the DEPARTMENT and the OPERATOR.
- 2.22 **Government** - means the Government of the Republic of the Philippines.
- 2.23 **Gross Income** - means the gross proceeds from the sale of Coal produced under the Contract and sold during the taxable year at posted or market price, as the case may be, all as determined pursuant to Section VI, and Coal Operation such other income which are incidental to and arising from any one or more of the OPERATOR.
- 2.24 **Market Price** - means the price which is realized for Coal produced under this Contract if sold in a transaction between independent persons dealing at arm's length in a free market.

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- 2.25 **NCIP or National Commission on Indigenous Peoples** - refers to the office created by Republic Act No. 8371 responsible for developing and implementing the policies of the Government concerning Indigenous peoples.
- 2.26 **Operating Expenses** - mean the total expenditures for Coal Operation and expenses related to securing Environmental Compliance Certificate (ECC), incurred by the OPERATOR as provided for in the Coal Operating Contract and determined in accordance with the Accounting Procedures attached hereto and made part hereof as Annex "B". These expenses include but are not limited to the cost of detailed surface geologic mapping, core drilling, trenching, test pitting and other appropriate means for the probing of the presence and extent of Coal deposits, mining of Coal which will include striking, tunneling and extraction and utilization of Coal.
- 2.27 **Philippine Corporation** - means a corporation organized under Philippine laws at least sixty percent (60%) of the capital of which is owned and held by citizens of the Philippines.
- 2.28 **Posted Price** - means the FOB price established by the OPERATOR and the DEPARTMENT for each grade, specific gravity and quality of Coal offered for sale to buyers for export at the particular point of export, which price shall be based upon geographic location and the fair market export values for Coal of comparable grade, gravity and quality.
- 2.29 **Pre-condition Certificate** - refers to the certification issued by the NCIP in accordance with Republic Act No. 8371 as a pre-condition to the grant of permit, lease, grant, or any other similar authority for the disposition, utilization, management and appropriation by any private individual, corporate entity or any

government agency, corporation or subdivision thereof on any part or portion of the ancestral domain taking into consideration the consensus approval of the ICCs/IPs concerned.

2.30 **Sub-contractor** - means any person or corporation under contract with the OPERATOR to work in the Coal Contract Area, subject to the provisions of BED Circular No. 82-09-09, as amended by OBA Circular No. 89-08-09.

2.31 **Taxable Net Income** - means the Gross Income less the deductions provided in Section VI hereof.

SECTION III - TERM

3.1 The Exploration Phase under this Contract shall be for two (2) years from the Effective Date, after which time this Contract shall automatically terminate, unless:

- (a) Coal Reserves in Commercial Quantity is delineated by the both Parties; and
- (b) the Exploration Phase is extended by or with the approval of the DEPARTMENT for a maximum period of two (2) years, provided that the OPERATOR:
 - i. Has not been in default in its exploration work and other obligations;
 - ii. Has complied with the work program and budget submitted to the DEPARTMENT; and

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- iii. Has provided a work obligation for the extension period that is acceptable to the DEPARTMENT.

This Contract shall automatically terminate at the end of such extension period unless, at such time, Coal Reserves in Commercial Quantity is measured in any area covered by this Contract.

- 3.2 If the Parties have measured and agreed on the existence of Coal reserves in Commercial Quantity, this Contract shall proceed to the Development and Production Phase immediately after the approval by the DEPARTMENT of the Coal development and production work program and feasibility study submitted by the OPERATOR, and shall remain in force during the balance of the Exploration Phase or any extension thereof and an additional period of up to ten (10) years. Thereafter, upon the request of the OPERATOR, the DEPARTMENT may extend the term of this Contract for a maximum of another ten (10) years, provided that the OPERATOR is not in default of its obligations. Thereafter, the OPERATOR may request for the extension of the Contract term for a series of three-year periods, the total of which shall not exceed twelve (12) years. For the avoidance of doubt, the term may be reduced if a shorter period of time is required to continue and maintain economic Coal development and production as jointly determined by the OPERATOR and the DEPARTMENT.
- 3.3 At the end of the Exploration Phase, the OPERATOR shall retain only the Coal blocks where it has a Coal development and production work program approved by the DEPARTMENT. All other Coal blocks covered by this Contract must be relinquished prior to the start of the Development and Production Phase, unless an annual exploration work program is approved by the DEPARTMENT for the Coal blocks where no Development and Production Area is established but which

the OPERATOR opts to retain after the Exploration Phase. If the OPERATOR fails to submit an annual exploration work program prior to the start of any Contract Year or fails to implement the approved exploration work program for these retained Coal blocks, then these Coal blocks shall automatically be deemed relinquished and taken out of the Contract Area after written notification by the DEPARTMENT to the OPERATOR.

SECTION IV - WORK PROGRAM AND EXPENDITURES

- 4.1 The OPERATOR, within one (1) year from the award of the Contract shall secure a Certificate of Non-coverage from the Department of Environment and Natural Resources (DENR).
- 4.2 Before the commencement of Coal development and production activities, the OPERATOR shall secure an Environmental Compliance Certificate (ECC) from the DENR and Precondition Certificate from the National Commission on Indigenous People (NCIP).
- 4.3 The OPERATOR shall be obliged to spend no less than Seventeen Million Six Hundred Eighty-Seven Thousand Pesos (₱17,687,000.00) for the direct implementation of the below indicated work program:

Work Commitment Activity	Year 1	Year 2	Total
1. Geological Investigation			
a. Semi-detailed (ha)	3,500	3,500	7,000
b. Detailed (ha)	700	700	1,400
2. Geological Survey			
a. Boundary (kms)	71.35	-	71.35
b. Topographic (ha)	-	200	200
3. Exploration Workings			
a. Trenches (no./m-due)	105/2,625	105/2,625	210/5,250
b. Test Pits (no./m-due)	105/525	105/525	210/1,050
c. Auger Drilling (no./m-due)	126/1,890	126/1,890	252/3,780
d. Diamond Drilling (no./m-due)	171/273	171/273	34/2,550
e. Inclined Shaft/Adit (no./m-due)	2/300	2/300	4/600
Total Work Commitment (m-due)	6,615	6,615	13,230
Financial Commitment (Million Pesos)	8,257	9,430	17,687

If Coal Reserves in Commercial Quantity have been determined jointly by the OPERATOR and the DEPARTMENT, and the OPERATOR opts to enter to the Development and Production Phase of this Contract, the OPERATOR shall submit a five-year development and production work program, as well as feasibility study, for the approval of the DEPARTMENT. After the approval by the DEPARTMENT of the five-year development and production work program and feasibility study, the OPERATOR shall undertake Coal development and production in the Contract Area within the period agreed by both Parties, and shall be obliged to spend in the development and production of the Coal Contract Area the minimum amount committed by the OPERATOR for the purpose. Provided, that if during any Contract Year, the OPERATOR shall spend more than the amount of money required to be spent, the excess may be credited against the amount of money required to be spent by the OPERATOR during the succeeding Contract Years except that excess expenditures for exploration cannot be credited against financial commitments for development and production; Provided, further, that should the OPERATOR fail to comply with the work obligations provided for in this Contract, it shall pay to the DEPARTMENT the amount it should have spent but did not in direct prosecution of the work obligations. For purposes of this Section, in addition to the remedies which the DEPARTMENT may apply under Section 12.6, failure on the part of the OPERATOR to meet the commitment as provided for herein shall be deemed a failure to spend the amount committed and the OPERATOR shall then pay the DEPARTMENT the amount which is left unspent during each Contract Year.

The approved Coal development and production work program shall be executed by the OPERATOR. At least six (6) months prior to the expiration of the fifth year of the Development and Production Phase, the OPERATOR shall submit to the DEPARTMENT for its approval another Coal production work program with corresponding budget for the next five (5) Contract Years.

If during any Contract Year, the OPERATOR fails to produce the minimum amount of Coal that is prescribed to be produced in the work program, then the OPERATOR shall pay to the DEPARTMENT a penalty which is determined and computed hereunder.

1. In any Contract Year, the deficiency in Coal production is the difference in the sum of Coal produced and the sum of Coal required to be produced;
2. The DEPARTMENT shall determine the average selling price per metric ton of all Coal produced and sold by the OPERATOR in the Coal Contract Area during any Contract Year;
3. The amount of Coal determined in paragraph (1) above shall be multiplied with the average selling price determined in paragraph (2) herein. Thereafter, the DEPARTMENT, shall proceed to apply Section VI of the Contract on recovery of Operating Expenses and accounting for proceeds of production;
4. The share of the Government prescribed in Section 6.5 of the Contract shall be the amount of the penalty to be paid to the DEPARTMENT.

In connection with the above penalty, the DEPARTMENT may enforce on the performance bond posted by the OPERATOR in accordance with Section 5.1(l) to satisfy any penalty not paid to the DEPARTMENT.

The payment of the foregoing penalty is without prejudice to their actions and remedies which the DEPARTMENT may institute and avail of as provided in Section 12.5 of this Contract.

- 4.4 The OPERATOR shall undertake Coal development and production within the Coal Contract Area during the term of the Contract in accordance with the work program approved by the DEPARTMENT.

SECTION V RIGHTS AND OBLIGATIONS OF THE PARTIES

- 5.1 The OPERATOR shall have the following obligations:

- a. Perform all Coal Operation and provide all necessary services, technology and financing in connection therewith. A licensed mining engineer or geologist, as appropriate, shall be employed by the OPERATOR on a full time basis to oversee the Coal Operation.
- b. Conduct a boundary survey of the Coal blocks covered by this Coal operating contract within one (1) year from the Effective Date of this Contract, subject to the provisions of Chapter IV, Sections I & II of BED Circular No. 81-11-10.
- c. Operate the Coal Contract Area on behalf of the Government, subject to the provisions of all applicable laws relating to labor, health, safety, indigenous people's rights and ecology/environment, avoiding hazards to

life, health and property, avoiding pollution of air, land and water. A safety engineer duly accredited by the DEPARTMENT shall oversee the safety aspect of the Coal Operation on a full time basis.

- d. Before the start of Coal development and production operations, acquire gas detectors and other safety devices and provide each mine worker with personal protective equipment such as, but not limited to: self-rescuer, skull guard, safety shoes, cap lamp and respirator/dust mask in accordance with applicable provisions under the DEPARTMENT's "Coal Mine Safety Rules and Regulations" and other DEPARTMENT circulars and directives.
- e. Furnish the DEPARTMENT promptly with all information, data and reports as required under Circular No. 81-11-10 as amended by subsequent circulars.
- f. Maintain detailed technical records and accounts of its Coal Operation.
- g. Conform to regulations regarding, among others, safety, demarcation of the Coal Contract Area, and non-interference with the rights of other petroleum, mineral and natural resources operations.
- h. Remit to the DEPARTMENT the government share from its reported sale of Coal within sixty (60) days following the end of each Calendar Quarter. Failure to remit the same on time without justifiable cause would render the OPERATOR liable for both civil and criminal prosecution, including the cancellation of the Contract.

- i. Maintain all necessary equipment in good order and allow access to these as well as to the exploration, development and production sites and all other sites of Coal Operation to the inspectors authorized by the DEPARTMENT.
- j. Allow representatives authorized by the DEPARTMENT at all reasonable times full access to accounts, books and records to Coal Operation hereunder for tax and other fiscal purposes. For this purpose, actual inspection or examination of such accounts, books and records of the OPERATOR are reimbursable to the OPERATOR as Operating Expenses as defined in this Contract and its Accounting Procedures.
- k. Give priority in employment to qualified personnel in the municipality or municipalities or province where the exploration, development and production are located;
- l. Within thirty (30) days after the Effective Date of this Contract or upon the implementation of the succeeding Contract Year, the OPERATOR shall post a performance bond or other guarantee of sufficient amount in favor of the DEPARTMENT with surety or sureties satisfactory to the DEPARTMENT, conditioned upon the faithful performance by the OPERATOR of any or all the obligations under and pursuant to this Contract. The amount of the guarantee for each Contract Year shall be adjusted in accordance with the obligations as approved in the work program for the respective Contract Year. Otherwise the DEPARTMENT shall impose penalties and/or initiate cancellation proceedings as provided for under DOE Circular No. 93-12-10.

- iii. Properly abandon and rehabilitate all sites affected by the Coal Operation, at the OPERATOR's expense, immediately after the termination of any Coal Operation. It is the OPERATOR's responsibility to decommission and dispose of all facilities erected and to restore all sites affected by tunneling and drilling during the Coal Operation.
- iv. The OPERATOR shall regularly present, within the duration of the contract, a tax clearance from the Bureau of Internal Revenue (BIR) as well as copy of its income and business tax returns duly stamped and received by the BIR and duly validated with the tax payments made thereon.

5.2 The OPERATOR shall have the following rights:

- a. Exemption from all national taxes except income tax;
- b. Exemption from payment of tariff duties, compensating tax and value-added tax on importations of machinery and equipment, spare parts and materials required for the Coal Operation subject to the following conditions:
 - i. That said machinery, equipment, spare parts and materials of comparable price and quality:
 - a) are not manufactured in the Philippines;
 - b) are directly and actually needed and will be used exclusively by the OPERATOR in its operations or in the operations conducted by a Sub-contractor on behalf of the OPERATOR;

- c) are covered by shipping documents in the name of the OPERATOR to whom the shipment will be delivered direct by customs authorities; and
2. The prior approval of the DEPARTMENT was obtained by the OPERATOR before the importation of such machinery, equipment, spare parts and materials which approval shall not be unreasonably withheld; Provided, however, that the OPERATOR or its Sub-contractor may not sell, transfer or dispose of such machinery, equipment, spare parts and materials within the Philippines without the prior approval of the DEPARTMENT and payment of taxes due the Government; Provided, further, that should the OPERATOR sell, transfer, or dispose of these machinery, equipment, spare parts or materials without the prior consent of the DEPARTMENT, it shall pay twice the amount of the tax exemption granted; Provided, finally, that the DEPARTMENT shall allow and approve the sale, transfer or disposition of the said items within the Philippines without tax if made (1) to another OPERATOR under a Coal Operating Contract; (2) for reason of technical obsolescence; or (3) for purposes of replacement to improve and/or expand operations under the Coal Operating Contract.
- c. The entry upon the sole approval of the DEPARTMENT which shall not be unreasonably withheld, of alien technical and specialized personnel (including the immediate members of their families) who may exercise their professions solely for the operation of the OPERATOR as prescribed in this Contract; Provided, that if the employment or connection of any

such alien with the OPERATOR ceases, the applicable laws and regulations on immigration shall apply to him and his immediate family.

- d. Have at all times the right of ingress to and egress from the Coal Contract Area and to and from facilities wherever located.

SECTION VI

RECOVERY OF OPERATING EXPENSES AND ACCOUNTING FOR PROCEEDS OF PRODUCTION

- 6.1 In each Calendar Year, the OPERATOR can recover from the Gross Income under this Contract an amount equal to all Operating Expenses; Provided, that the amount so recovered shall not exceed ninety percent (90%) of the total Gross Income in any Calendar Year; Provided, further, that if in any Calendar Year the Operating Expenses exceeds ninety percent (90%) of the Gross Income, or there is no Gross Income, then the unrecovered Operating Expenses shall be recovered from the Gross Income in succeeding Calendar Years.
- 6.2 The OPERATOR shall be entitled to a fee, the net amount of which shall not exceed forty percent (40%) of the net operating income.
- 6.3 In addition to the fee provided in paragraph 6.2, the OPERATOR shall be granted a special allowance the amount of which shall not exceed thirty percent (30%) of the net operating income.
- 6.4 For purposes of determining gross proceeds from the sale of Coal, it shall be valued as follows:

- a. All Coal sold for consumption in the Philippines shall be valued at Market Price for such Coal.
 - b. All Coal exported shall be valued at the Posted Price.
 - c. Reasonable commissions or brokerage fees incurred in connection with sales to third parties, if any, shall be deducted from gross proceeds but shall not exceed the customary and prevailing rates.
 - d. Delivery expenses to end-users shall be deducted from the gross proceeds provided that, the selling price of Coal is inclusive of freight cost pursuant to the sales contract and/or purchase agreement. Provided, further, that the freight cost to be allowed shall be limited to actual delivery expenses paid to the trucking/shipping companies or freight cost included in the sales invoice whichever is lower.
- 6.5 The balance of the Gross Income after deducting all Operating Expenses, OPERATOR's fee and special allowance shall be paid to the DEPARTMENT as share of the Government.

SECTION VII - PAYMENTS

- 7.1 All payments which this Contract obligates the OPERATOR to make to the DEPARTMENT shall be in Philippine currency realized as a result of the domestic and export sale of Coal. All such payments shall be translated at the applicable exchange rate as defined in the Accounting Procedures attached hereto as Annex "B."

SECTION VIII - ASSETS AND EQUIPMENT

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- 8.1 The OPERATOR shall acquire for the Coal Operation only such assets as are reasonably estimated to be required in carrying out the Coal Operation.
- 8.2 The DEPARTMENT shall have the ownership of any cost recovered assets and materials, equipment and facilities which it elects to retain after the termination of this Contract. However, all other materials, equipment and facilities which the DEPARTMENT does not elect to retain shall be removed and disposed of by the OPERATOR within one (1) year after the termination of this Contract, or within the period agreed by the Parties.
- 8.3 The OPERATOR may also utilize in the Coal Operation, equipment owned and made available by OPERATOR, and charges to the Coal Operation account for use of such equipment shall be considered as provided for in the Accounting Procedures.

SECTION IX EMPLOYMENT AND TRAINING OF FILIPINO PERSONNEL

- 9.1 The OPERATOR agrees to employ qualified Filipino personnel in the Coal Operation and, after development and production commence, to undertake upon approval of the DEPARTMENT, the schooling and training of Filipino personnel for labor and staff position, including administrative, technical and executive management positions.
- 9.2 The OPERATOR shall provide assistance for training, conferences and other related programs and activities for the DEPARTMENT personnel, consisting of Seventy-Five Thousand Pesos (PhP75,000.00) per year cumulative during the Exploration Phase and Two Hundred Thousand Pesos (PhP200,000.00) per year

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cumulative during the Development and Production Phase. The cost and expenses incurred thereto by the OPERATOR shall form part of the Operating Expenses.

A training and institutional development assistance in the amount of Twenty-Five Thousand Pesos (PhP25,000.00) per year during the Exploration Phase and One Hundred Thousand Pesos (PhP100,000.00) during the Development and Production Phase to residents of the host province related to the manpower development program of the DOE.

SECTION X - TERMINATION

- 10.1 This Contract shall terminate or shall be cancelled as provided for in Sections III and 12.7 hereof. In such event, the OPERATOR shall be relieved of its obligations under the terms of this Contract, except for those obligations that have to be fulfilled after the termination of this Contract.

SECTION XI - BOOKS OF ACCOUNTS AND AUDIT

- 11.1 The OPERATOR shall be responsible for keeping complete books of accounts, reflecting all transactions in connection with Coal Operation in accordance with the Accounting Procedures attached hereto as Annex "B".

- 11.2 The DEPARTMENT shall have the right to inspect and audit the OPERATOR's books of accounts relating to this Contract for any Calendar Year within the twenty-four (24) months period following the end of each Calendar Year. Any such audit will be completed within twelve (12) months from the commencement of audit. Any exception must be made in writing within ninety (90) days following the completion of such an audit. If the DEPARTMENT fails to give



such written exceptions within such time, or fails or declines to conduct an audit of the OPERATOR's books of accounts within the time period stated above, then the OPERATOR's books of accounts and statements of Operating Expenses for such Calendar Year shall be established as correct and final for all purposes including the recovery of Operating Expenses.

- 11.3 The DEPARTMENT is entitled upon prior notice to all relevant records, files and other information and may inspect such sites and facilities as necessary.
- 11.4 If the DEPARTMENT notifies the OPERATOR of an exception to the OPERATOR's books of accounts within the time period specified in Section 11.2 above, the OPERATOR shall within ninety (90) days after receipt of such notice confer with the DEPARTMENT regarding the exception and the Parties shall attempt to reach a mutually acceptable resolution of such exception within a period not to exceed three (3) months. If any cost or expense included in the OPERATOR's statement of Operating Expenses is the subject of an exception which cannot be resolved during such three (3) months period, then such cost or expense shall be excluded as Operating Expenses and shall not be recoverable from Gross Income pending the resolution of such exception through mutual agreement or arbitration. If such cost or expense is subsequently determined to be properly included in the OPERATOR's statement of Operating Expenses, either by mutual agreement or arbitration, then the OPERATOR's current statement of Operating Expenses shall be increased by the amount of such cost or expense.

SECTION XII - OTHER PROVISIONS

- 12.1 Any notice required or given by either Party to the other Party shall be in writing and shall be effective when a copy thereof is handed to or served upon the Party's

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duly designated representative or the person in charge of the office or place of business; or when sent by telex with written confirmation subsequently received within fifteen (15) days, notice shall be effective on date of telex receipt; or when sent by facsimile, notice shall be effective upon the issuance of a transmission report confirming that the notice was successfully transmitted to the addressee's number; or when sent by registered mail, notice shall be effective upon actual receipt by the addressee, but if the addressee fails to claim its mail from the post office within five (5) days from the date of the first notice of the postmaster, service shall take effect at the expiration of such time. All such notices shall be addressed:

To the GOVERNMENT -

THE DIRECTOR
Energy Resource Development Bureau
Department of Energy
Energy Center, Merritt Road
Fort Bonifacio, Taguig City, Metro Manila

To the OPERATOR -

THE PRESIDENT
Abacus Consolidated Resources and Holdings, Inc.
No. 28 N. Domingo St., near corner Gilmore St.
New Manila, Quezon City - Fax No. 7243290

Any Party may substitute or change its address on written notice thereof to the other.

- 12.2 The laws of the Republic of the Philippines shall apply to this Contract. In addition, the provisions and requirements embodied in BED Circular No. 81-11-10, as amended and 83-08-09 as adopted and implemented by the DEPARTMENT as well as other implementing circulars, rules and regulations of Presidential Decree No. 972, as amended, which shall be issued by the

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DEPARTMENT and its successors are incorporated in whole to form an integral part of this Contract.

12.3 The OPERATOR agrees to comply with the requirements of environmental laws, indigenous people's rights rules and regulations in all phases of this Contract.

12.4 Suspension of Obligations

- a. Any failure or delay on the part of either Party in the performance of its obligations or duties hereunder shall be excused to the extent attributable to Force Majeure.
- b. If Coal Operation are delayed, curtailed or prevented by such causes, then the time for enjoying the rights and carrying out the obligations thereby affected, and all rights and obligations hereunder shall be extended for a period equal to the period thus involved, except that the duration of this Contract as provided in Section III hereof shall remain.
- c. Force Majeure shall include acts of God, unavoidable accidents, acts of war or conditions arising out of or attributable to war (declared or undeclared), laws, rules and regulations and orders by any government or governmental agency, strikes, lockouts and other labor disturbances, floods, storms, and other natural disturbances, insurrections, riots and other civil disturbances and all others beyond the control of the party concerned; Provided, however, that as to the DEPARTMENT only laws, rules and regulations and orders by the Government or any governmental agency of the Republic of the Philippines shall not constitute Force Majeure.

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- d. The Party whose ability to perform its obligations is so affected shall notify the other Party thereof in writing stating the cause and both Parties shall do all that is reasonable within their power to remove such causes.
- 12.5 The rights and obligations of the OPERATOR under this Contract shall not be assigned or transferred without the prior written approval of the DEPARTMENT; Provided, that, such a transfer or assignment may be made only to a qualified person or corporation possessing the resources and capability to continue the mining operation under this Contract and that the OPERATOR has complied with all the obligations of this Contract.
- 12.6 All Department circulars, rules and regulations issued or to be issued by the DEPARTMENT whether in the exercise of its regulatory powers or contractual rights shall form part of this Contract.
- 12.7 The DEPARTMENT shall have the power to cancel and annul this Contract after due notice for failure of the OPERATOR to (a) fulfill its work obligations in any Contract Year without justifiable cause (b) secure the ECC within one (1) year from the award of the Contract (c) remit the government share within sixty (60) days following the end of each Calendar Quarter (d) put up the required performance bond within thirty (30) days from award of the Contract without justifiable cause (e) meet safety standards as stipulated in the DEPARTMENT's Coal Mine Safety Rules and Regulations, and Section V of the Guidelines for Coal Operation in the Philippines (f) submit the reportorial requirements despite repeated notice/demands and (g) comply with the provisions of Presidential Decree No. 972, as amended and all other existing applicable implementing circulars, rules and regulations and such others as may be issued by the DEPARTMENT.

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The cancellation of the Contract by the DEPARTMENT is without prejudice to its right to cancel/forfeit in its favor the performance bond posted under Section 5.1 (I) to satisfy any and all obligations due to the DEPARTMENT.

- 12.8 The OPERATOR warrants that it or any of its officials or representatives has not given or promised to give any money or gift to any employee/official of the DEPARTMENT to influence the decision regarding the awarding of this Contract, nor the OPERATOR has or its officials or representatives have exerted or utilized any unlawful influence on any employee/official of the DEPARTMENT to solicit or secure this Contract through an agreement to pay a commission, percentage, brokerage or contingent fee.

The OPERATOR hereby agrees that the breach of these warranties shall be sufficient ground for the DEPARTMENT at its discretion to terminate or cancel this Contract without prejudice to the OPERATOR's or any other person's civil or criminal liability under the Anti-Graft Law and other applicable laws.

SECTION XIII - EFFECTIVITY

- 13.1 This Contract shall come into effect as of the Effective Date hereof.

SECTION XIV - VENUE OF JUDICIAL ACTION

- 14.1 As much as possible, disputes pertaining to the Contract shall be settled amicably between the Parties. However, in the event either Party to the Contract shall take judicial action, the Parties agree that venues for purposes thereof shall be laid exclusively with the proper courts in Makati City, it having jurisdiction over the

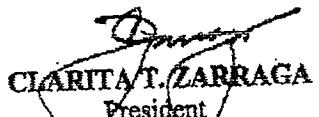
[Handwritten signature]

same, and that writs of attachment, injunction, replevin, seizure, etc. issued
thereby may be served and enforced anywhere in the Philippines.

In WITNESS WHEREOF, the Parties hereunto have signed this Contract as of the day
and year first above written.

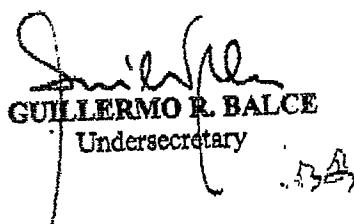
**ABACUS CONSOLIDATED RESOURCES
AND HOLDINGS, INC.**

By:


CLARITA T. ZARRAGA
President

DEPARTMENT OF ENERGY

By:


GUILLERMO R. BALCE
Undersecretary



Republic of the Philippines
DEPARTMENT OF ENERGY

ANNEX "A"

ABACUS CONSOLIDATED RESOURCES & HOLDINGS, INC.
Technical Description

Two (2) parcels of coal-bearing land being described as follows:

Parcel 1

A parcel of coal-bearing land from 08 degrees - 54 minutes - 00 second to 08 degrees - 56 minutes - 00 second of latitude and from 126 degrees - 04 minutes - 30 seconds to 126 degrees - 13 minutes - 30 seconds of longitude.

Situated in the province of Surigao del Sur.

Bounded on all sides by free areas.

More particularly described as blocks 38-L-84, 38-L-85, 38-L-86, 38-L-87, 38-L-88 and 38-L-89 of the DOE coal blocking map.

Containing an area of **SIX THOUSAND (6,000) HECTARES**, more or less.

Parcel 2

A parcel of coal-bearing land from 08 degrees - 46 minutes - 00 second to 08 degrees - 48 minutes - 00 second of latitude and from 126 degrees - 12 minutes - 00 second to 126 degrees - 13 minutes - 30 seconds of longitude.

Situated in the province of Surigao del Sur.

Bounded on all sides by free areas.

More particularly described as block 38-L-249 of the DOE coal blocking map.

Containing an area of **ONE THOUSAND (1,000) HECTARES**, more or less.

JMK *[Signature]*
DX *[Signature]*

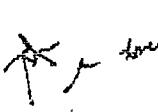
Containing an aggregate area of **SEVEN THOUSAND (7,000) HECTARES**, more or less.

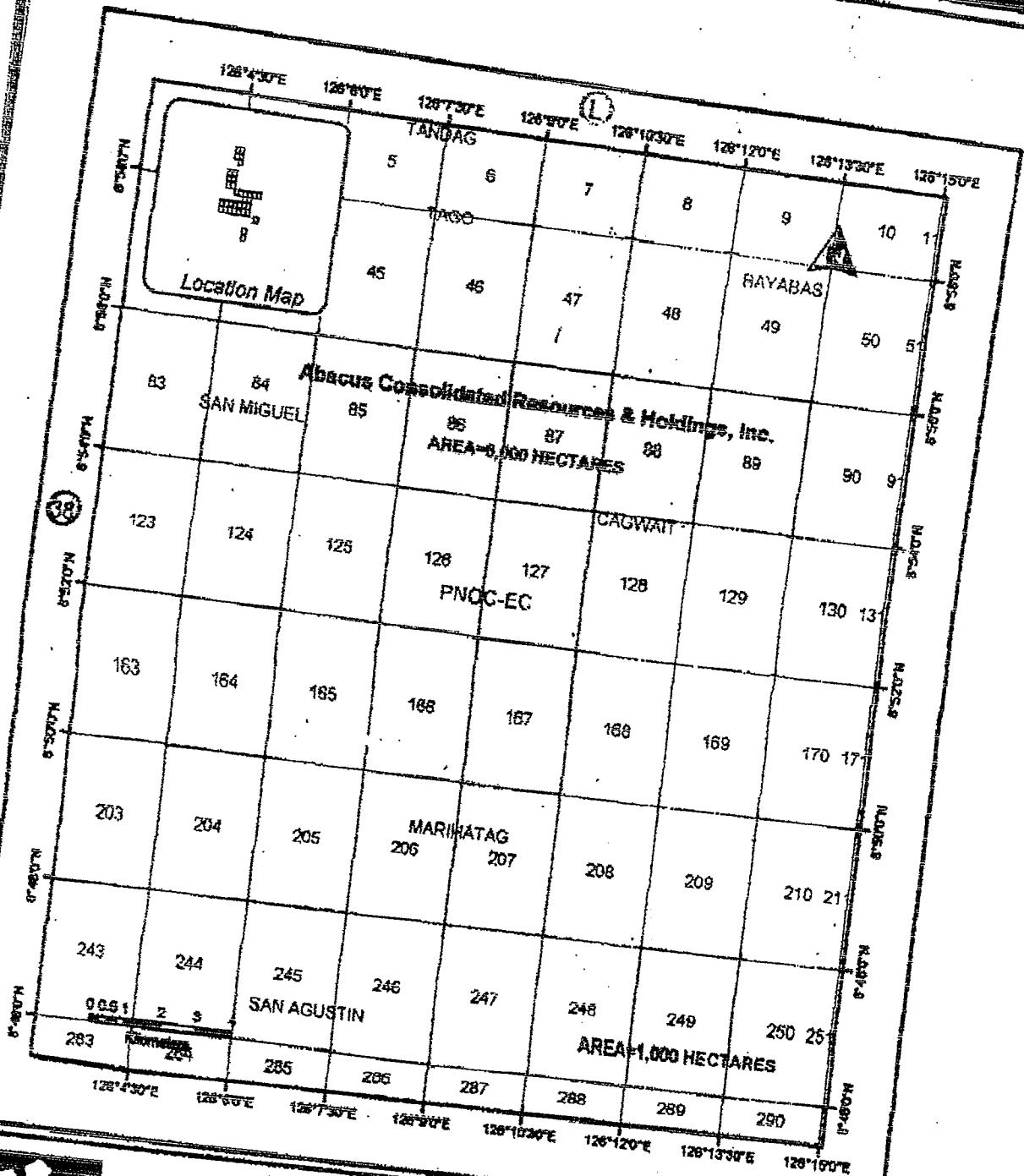
Subject to the provisions of PD 972, as amended, and BED Circular No. 81-11-10.

Prepared by:


Fernando B. Apoderado
Geodetic Engineer

RAAP:MCUG
05/16/05

JMC 



Abacus Consolidated Resources & Holdings, Inc.
COC Application
Tandag, Surigao del Sur

GE: Natural Resources Atlas 1986

ORIGINAL SCALE: 1:500,000

DATUM: Luzon Datum 1971

DEPARTMENT OF ENERGY
INFORMATION TECHNOLOGY &
GOVERNMENT SERVICES
PROPOSED BY: PPA
LISTED BY: ACB/RECD/JS
DATA SOURCE: GRS
LAST UPDATE: 07 MAY 2005
APPROVED BY: AAF

PROJECTION: unprojected

ANNEX 'A-2'

DEED OF ASSIGNMENT OF MINING RIGHTS
IN EXCHANGE FOR SHARES OF STOCK

KNOW ALL MEN BY THESE PRESENTS

This Deed of Assignment, made and executed by and between

ABACUS CONSOLIDATED RESOURCES & HOLDINGS, LTD., a corporation duly organized and existing under and by virtue of Philippine laws, with business address at No. 28 N. Domingo St., New Manila, Quezon City, represented in this act by its President, CLARITA T. ZARRAGA, hereinafter to be known as the "ASSIGNOR",

-in favor of-

ABACUS COAL EXPLORATION AND DEVELOPMENT CORPORATION, a corporation duly organized and existing under and by virtue of Philippine laws, with business address at No. 28 N. Domingo St., New Manila, Quezon City, represented in this act by its President, ILUMINADO B. MONTMAYOR, hereinafter to be known as the "ASSIGNEE".

WITNESSETH, That -

WHEREAS, the ASSIGNOR is the holder of certain coal mining rights represented by Coal Operating Contract (COC) No. 148 signed and executed by and between the ASSIGNOR and the Department of Energy on January 10, 2007, covering Coal Block Nos. L38-83 to 89 and L38-249, located in Tago and Marihatag, Surigao del Sur;

WHEREAS, the aforesaid coal mining rights have been appraised by Cervco Appraisals Inc. (CAI), a third party independent appraisal company duly accredited with the Securities and Exchange Commission, and CAI has reported the said rights to be worth a total of One Hundred Sixty Six Hundred Ninety Three Million Four Hundred Three Thousand Six Hundred Sixty Five Pesos Six Hundred Ninety Three Million Four Hundred Three Thousand Six Hundred Sixty Five Pesos (P2,693,403,665.00), per CAI Asset Valuation Report dated May 22, 2008.

WHEREAS, the ASSIGNOR is a stock corporation with an authorized capital stock of Twenty Million Pesos (P20,000,000.00) divided into Two Billion (2,000,000,000) shares with a par value of One Centavo (P.01), of which the amount of Five Million Pesos (P5,000,000.00) has been subscribed and Two Million Five Hundred Thousand (P2,500,000.00) has been paid,

WHEREAS, the ASSIGNEE is increasing its authorized capital stock from Twenty Million Pesos (P20,000,000.00) to Three Hundred Million Pesos (P300,000,000.00), or an increase of Two Hundred Eighty Million Pesos (P280,000,000.00);

WHEREAS, the ASSIGNEE has as its primary purpose the commercial exploration and development of coal,

WHEREAS, the ASSIGNOR is willing to assign its coal-mining rights described in the first whereas clause hereof in favor of the ASSIGNEE, and in exchange therefore the ASSIGNEE is willing to consider the ASSIGNOR's existing unpaid subscription of Two Million Five Hundred Pesos (P2,500,000.00) fully paid and to issue additional new and fully paid shares to the ASSIGNEE as follows

- 1) One Billion Five Hundred Million (1,500,000,000) shares from the un-subscribed capital stock of the ASSIGNEE.
- 2) Twenty Eight Billion (28,000,000,000) shares from the increase in the ASSIGNEE's authorized capital stock from Twenty Million Pesos (P20,000,000.00) to Three Hundred Million Pesos (P300,000,000.00).

WHEREAS, the ASSIGNEE is willing to accept the assignment, exchange and conveyance of the coal mining rights of the ASSIGNOR in exchange for a total of Twenty Nine Billion Five Hundred Million (29,500,000,000) new shares of the ASSIGNEE with a par value of One Centavo (P 0.1) per share, and the full payment of the ASSIGNOR's subscription of Two Million Five Hundred Thousand Pesos (P2,500,000.00) on its existing subscription of Five Million Pesos (P5,000,000.00);

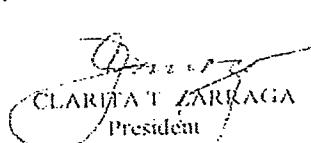
WHEREAS, the intention of the parties is that as a result of the assignment, exchange, the ASSIGNOR shall gain further control of the ASSIGNEE under the provisions of Sec. 406(e)(2) of the National Internal Revenue Code;

NOW THEREFORE, for and in consideration of the above premises, the ASSIGNOR hereby assigns, exchanges and conveys, unto and in favor of the ASSIGNEE its coal mining rights described in the first whereat clause hereof, with an appraised value of Two Billion Eight Hundred Ninety Three Million Four Hundred Three Thousand Six Hundred Sixty Five Pesos (P2,693,403,665.00), in exchange for Twenty Nine Billion Five Hundred Million (29,500,000,000) new shares of the ASSIGNEE with a par value of One Centavo (P 0.1) per share, and the full payment of the ASSIGNOR's subscription payable of Two Million Five Hundred Thousand Pesos (P2,500,000.00) on its existing subscription of Five Million Pesos (P5,000,000.00), subject to the following terms and conditions:

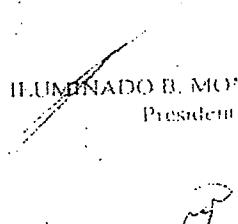
1. That the ASSIGNEE shall issue new shares of stock to the ASSIGNEE, as follows
 - 1.1 One Billion Five Hundred Million (1,500,000,000) shares from the unsubscribed capital stock of the ASSIGNEE;
 - 1.2 Twenty Eight Billion (28,000,000,000) shares from the unused ASSIGNEE's authorized capital stock from Twenty Million Pesos (P20,000,000.00) to Three Hundred Million Pesos (P300,000,000.00).
2. That the above mentioned shares shall be issued only after the Securities and Exchange Commission has approved the ASSIGNEE's increase of capitalization from P20,000,000.00 to P300,000,000.00.
3. That any expenses on the assignment of the ASSIGNOR's coal mining rights shall be for the account of the ASSIGNOR, while the documentary stamp taxes and any other expenses on the new/original issuance of shares of the ASSIGNEE shall be for the account of the ASSIGNEE;
4. That this assignment is subject to the approval of the Department of Energy (DOE) and the Securities and Exchange Commission (SEC); that unless and until the DOE and SEC have approved this assignment, the same shall not be effective; and that should the DOE or the SEC not approve this assignment it shall be considered null and void and of no effect whatsoever.

IN WITNESS WHEREOF, we have set our hands hereinbelow this day of
SEP 23 2008, 2008, at Quezon City, Philippines.

ABACUS CONSOLIDATED
RESOURCES & HOLDINGS, INC.
By:


CLARITA TARRAGA
President

ABACUS COAL EXPLORATION &
DEVELOPMENT CORPORATION
By:


ILUMINADO B. MONTEMAYOR
President

Signed in the presence of:

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES
SAN JUAN M. M. S.S.

BEFORE ME, a Notary Public for and in
following persons

NAME	CTC NO.	DATE/PLACE ISSUED
Clarita T. Zarraga	21507835	1/19/08/San Juan, Metro Manila
Duminado B. Montemayor	23150081	3/03/08/Parañaque City

known to me and to me known to be the same persons who executed the foregoing instrument
consisting of three (3) pages including this acknowledgment page, and they acknowledged to me
that the same is their own true, free and voluntary act and deed and of the corporations they
represent.

WITNESS MY HAND AND SEAL on this 23 day of SEPTEMBER, 2008, at
Quezon City, Philippines.

Notary Public

Doc. No. 257

Page No. 80

Book No. Y

Series of 2008.

RONALD E. MARIN
NOTARY PUBLIC
UNTIL DECEMBER 31, 2008
PTR. NO. 030699-34008-San Juan, Rizal
IBP. NO.: 737046-19808-11574
ROL. NO.: 35068



Republic of the Philippines
DEPARTMENT OF ENERGY

December 14, 2009

MR. LEONARDO S. GAYAO

President
Abacus Coal Exploration and Development Corp.
28N. Domingo cor. Gilmore Streets
New Manila, Quezon City

Subject: Coal Operating Contract (COC) No. 148

Dear Mr. Gayao:

This is with reference to your request for a confirmation to the effect that Abacus Coal Exploration and Development Corporation (Abacus Coal) is currently the recognized COC holder and Operator of COC No. 148 by the Government through the Department of Energy (DOE).

After a careful review of the communications/correspondence between the DOE and Abacus Consolidated Resources and Holdings, Inc. (Abacus Consolidated/Abacus Coal), namely:

1. The September 23, 2008 letter of OIC-Undersecretary Ramon Allan V. Oca, informing Abacus Consolidated that "there are no other requirements necessary for assignment of COC 148 from Abacus Consolidated to Abacus Coal" (Attachment "A"); and
2. The February 5, 2009 letter of Secretary Angelo T. Reyes addressed to Abacus Coal approving the company's request for a term extension of COC 148 until January 10, 2010 for Abacus Coal "to complete its technical exploration program and come up with detailed coal reserve evaluation of the contract area" (Attachment "B");

the DOE hereby CONFIRM that Abacus Coal is the recognized COC holder and Operator of COC No. 148.

Very truly yours

ATTY. EMMANUEL C. DANAR
Chief-Contracts Division
Legal Services

/mag
Ltr-Gayao-AbacusCoal-COC148



ANNEX 'A-3'

22 May 2008

ABACUS CONSOLIDATED RESOURCES AND HOLDINGS, INC

28 N. Domingo St., New Manila
Quezon City

Attention : **MS. CLARITA ZARRAGA**
President

Subject : **CAI File No. 06-2007-0415-003**
Valuation of Coal Mining Rights

Gentlemen :

We express our professional statement of opinion on the valuation of certain coal mining rights of the **ABACUS CONSOLIDATED RESOURCES AND HOLDINGS, INC.** ("ABACUS"), which are located in Surigao del Sur, Eastern Mindanao, described in this Independent Valuation Report. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by Abacus, as well as on our analyses and research of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

Management Responsibility of Client

Abacus and its management are responsible for the preparation and fair presentation of information and internal data provided to us. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by Abacus and its management.

We have gathered, summarized and interpreted the material information contained in the technical reports dated February 2008 made by technical personnel of Abacus. Accordingly, we have regarded such technical reports as expert reports.

Responsibility of the Valuation Professional

Our responsibility as valuation professionals is to come up with an appropriate reasonable financial valuation for the coal mining rights of Abacus based on information, internal data and market data available to us, as well as on our own analyses. Our valuation reports are made based on reasonable information that adequately supports our conclusions to establish the fair value of the subject coal mining rights of Abacus as of March 28, 2008.

Our valuation procedures are based on globally accepted models that are highly quantitative, but some required inputs involve a certain degree of judgment on our part which we have deemed prudent and reasonable based on our experience and available market data. As in other valuation cases, the value of any asset or firm will change as new information develops.

Our valuation is intended to be used for financial planning and reporting purposes. Our valuation does not in any way, guarantee or confirm the estimate of available reserves.

Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

Representations

Cuervo Appraisers, Inc., through its Manila and Cebu offices has been in the business of providing asset valuation solutions for companies across all industries for 27 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

In our opinion, and as discussed in the following narrative, the estimated fair value of the coal mining rights of Abacus identified in this report as of March 28, 2008 is PHILIPPINE PESOS: TWO BILLION SIX HUNDRED NINETY THREE MILLION FOUR HUNDRED THREE THOUSAND SIX HUNDRED SIXTY-FIVE (PhP2,693,403,665.00).

We certify that we have neither present nor prospective interest on Abacus or on the reported value.

Very truly yours,

CUERVO APPRAISERS, INC.

By:

cole - alfao
CHARITO COLE ALFARO
President



Cuervo Appraisers
Asset Valuation Solutions

NARRATIVE REPORT

I. GENERAL PRINCIPLES GOVERNING THIS REPORT

This report covers an analysis and evaluation of the fundamental characteristics of an asset, in this case certain coal mining rights, using information contained in the technical reports done by technical personnel of Abacus dated February 2008. This report was made for the purpose of expressing an opinion on the estimated value of the coal mining rights under consideration as of March 28, 2008.

The term "*value of the mining right*" is defined as the benefits of a firm from a mining asset that exceeds its costs of developing said asset. These benefits may be received in the near or distant future, and costs include certain direct cost of the development & research and the cost of capital used therein.

The underlying theme in fundamental analysis is that the true value of a firm or asset can be related to its financial characteristics: its growth prospects, risk profile, and cash flows. Efficient market hypothesis, on the other hand, implies that the market price at any point in time represents the best estimate of the true value of the firm.

A "*mining right*" provides a firm with the right to develop the mining asset and appropriate such asset. The mining right granted to the owner for a certain period of time enables the owner to recoup the cost of development, production and marketing of the products. The mining right is an appropriable asset, and can thus be transferred or licensed which is necessary for its commercialization.

"*Valuation*" is the process of determining the true value of a firm or asset, as well as determining what assumptions about growth and risk are implied in the market price, or why an asset, share of stock, bond, option or future will sell for its price.

The valuation methods used in this report are widely used and accepted by various international institutions, and have been carefully developed over time by experienced global practitioners in the area of valuation.

II. BRIEF PROFILE OF ABACUS RESOURCES AND HOLDINGS, INC.

A. Company Overview

Abacus Consolidated Resources and Holdings, Inc. (ABA) was originally incorporated and registered with the Securities and Exchange Commission in 1981 as Piedra Negra Mining Corporation, and publicly listed its shares on October 28, 1987. In 1989, the company changed its name to Abacus Consolidated Resources & Holdings, Inc. and in 1993, subsequently changed its primary purpose from a mining firm to that of a holding company.

ABA owns a controlling interest in companies engaged in real estate and financial services and in the leasing of gaming equipment. ABA also directly holds certain mining properties, with its mining businesses still in the pre-operating stage. The company's subsidiaries are composed of the Philippine Regional Investment Development Corporation and Pacific Online Systems Corporation. ABA also has an existing Mines and Operating Agreement with Phsamed Mining Corporation for the exploration and development of its gold mining claims in Agusan del Sur and Surigao del Sur, and Coal Operating Contract with the Department of Energy in Tandag, Surigao del Sur.

Abacus signed a new Coal Operating Contract with the Department of Energy in January 2007. The company is in the process of obtaining the pre-condition certification from the National Commission on Indigenous Peoples and the environmental clearance certificate or certificate of non-coverage from the Department of Environment and Natural Resources preparatory to full-scale exploration activities.

The company's mining businesses are both still in pre-operating stage. Competition among producers of gold, on the one hand, and coal, on the other is not very significant given high worldwide demand for both. Once this demand dips, however, the company will face greater competition from mining companies in the Philippines and in other mine-producing countries.

The company faces the risk of non-recovery of pre-operating costs in the event actual exploration does not yield significant results.

B. Shareholders and Officers

Abacus is listed in the Philippine Stock Exchange. Its market capitalization as of March 28, 2008 stands at approximately P1.356 Billion.

Its Board of Directors consists of the following:

<u>Name</u>	<u>Position</u>
Jose V. Romero, Jr.	Chairman of the Board
Manuel A. De Leon	Director
Calixto Y. Laureano	Director
Ricardo C. Leong	Director
Martha R. Horrigan	Director
Jose Fernando B. Camus	Director
Danilo S. Venida	Independent Director
Senen B. De La Costa	Independent Director
Rodrigo C. Reyes	Director
Clarita T. Zarraga	President/Director
Leonardo S. Gayao	Director/Vice Pres-Legal
Illuminado B. Montemayor	Vice President-Treasurer
Joaquin E. San Diego	Corporate Secretary
Benjamin B. Zarraga	Asst. Corp. Secretary
Nelson P. Santos	Comptroller

III. THE GEOLOGIC REVIEW BY ABACUS

We note the following information, among others, from the expert report provided to us:

1. "The company reported some 182 Million tons of geologic resource within the COC coal blocks. Previous exploration delineated initially 3.64 Million tons of mineable reserves from the seams which generally fall under sub-bituminous coal type."
2. "The current available surface and sub-surface data indicate that systematic reassessment of the initial coal resource and gathering of more coal quality data are necessary to warrant further development and economic feasibility study of coal deposits."

3. "The company should conduct more detailed geologic mapping with supportive test pitting and trenching drilling program to confirm the earlier geological findings."
4. "The earlier geologic mapping indicated excellent targets for additional drilling within the vicinity of CBS No. 138-85. Additional coal resources from the other coal blocks potentially exist."

The technical report comes with a proposed exploration work program which specifies a period of two years for exploration. Estimated cost to explore is at P28.05 Million in Year 1 and P28.38 Million in Year 2.

IV. FINANCIAL ANALYSIS

In evaluating the coal mining rights of Abacus, we have referred to the expert reports provided to us by the company. We have supplemented said information with available market information. Where information from the technical reports of Abacus was lacking, we have referred to available data from Semirara Mining Corporation, another publicly listed company also engaged in coal mining and is currently the major supplier of coal to NAPOCOR.

Our research on coal prices yielded the following results : (for Btu/lb of 8,800)

2003	US\$ 18 / MT
2007	US\$ 40 / MT
2008	US\$ 44 / MT

We referred to information disclosures of Semirara Mining to supplement the technical reports of Abacus.

Based on Semirara's disclosures, net coal production cost is at P1,376.11 / MT.

The Estimated total reserve in Semirara Island is 150 Million MT. In 2007, their production was estimated at 3.7 Million MT. Semirara has been mining since 1981. Average annual production is estimated at 2.8 Million MT. At this rate, about 70 Million MT has been mined, and about 80 Million MT has yet to be mined out. The Property Plant & Equipment of Semirara is approximately P2.0 Billion as of June 2007. Using these are references, the estimated capital expenditure requirement is therefore P25 Million per MT of resource.

The average strip ratio (waste to coal) of Semirara is at 9:1.

Applying these numbers to Abacus, and assuming that Abacus operates at the same capacity and efficiency as Semirara, we obtain the following total estimated cost to develop and produce.

Exploration cost	P 28.05 M
Year 1	28.38 M
Year 2	4,550.00 M
Est. Capital Exp. (P25M x 182M MT)	<u>25,045.20 M</u>
Est. Production cost (P1,376.11 x 18.2M MT*)	<u>P29,651.63 M</u>
TOTAL	

Note : Using Semirara's average strip ratio of 9:1, the 182 Million MT estimated resource of Abacus may be 18.2 Million MT.



Cuervo Appraisers
Asset Valuation Solutions

V. VALUATION

We have used the Option Pricing Approach to Mining Rights Patent Valuation. Specifically for this purpose, we have used the *Black Scholes Merton Valuation Model*.

The underlying asset in a mining right is the resource itself. The current value of the underlying asset is the present value of expected cash flows from this asset. The uncertainty in the cash flow estimates, such as is present in the quantification of natural resources, is the reason why the product option has value. If expected cash flows were known with certainty, there would be no need to adopt an option pricing framework, since there would be no value to the option.

The general model for this purpose is:

$$\text{Value of patent} = Se^{-rt}N(d_1) - Ke^{-rt}N(d_2)$$

$$\text{Where } d_1 = \frac{\ln(S/K) + (r - y + (\sigma^2/2))t}{\sigma\sqrt{t}}$$

$$d_2 = d_1 - \sigma\sqrt{t}$$

$N(d_1), N(d_2)$ = cumulative normal distribution functions of d_1 & d_2

ln = natural logarithm

S = current value of underlying asset

K = strike price of the option

t = life to expiration of the option

r = riskless interest rate

σ_2 = variance in the ln(value) of the underlying product

y = dividend yield

Our choice of valuation model was based on the following rationales:

1. The mining right has a large potential of producing cash flows in the future, and may be undervalued using traditional valuation techniques due to uncertainty factors.
2. A product option (mining right) is normally exercised if the expected product sales exceed its costs of development (call option concept).
3. Many natural resource investments have been traditionally evaluated using discounted cash flow techniques. The use of these techniques may not be appropriate, given the options that these firms possess to leave the investments untouched, if the price of the resource declines and, to exploit them fully, if the price rises.

The value of the underlying resource was computed as follows:

Estimated coal to be produced and sold	18,200,000 MT
March 2008 coal prices	x P1,852.40 / MT
Total	P 33,713.68 Million

PhP/US \$ rate as of March 28, 2008 is at P42.1/\$. Coal prices as of March 2008 is at \$44/MT.

Riskless interest rate is 5.875%, based on latest local longest term fixed treasury issue dated March 2008.

The table below shows our inputs to the valuation model we used:

	Estimated reserve	Current market price of coal	\$	total K	S.K.	In S
	18,200,000	1,852.49	33,713,680,000	29,631,637,360	1.14	24,241,16953
Ln				0.138386		
y						0.136296235
82						0.3691832
s						
t						
v _t						
d ₁						
d ₂						
Nd ₁				0.45		
Nd ₂				0.16		

V. CONCLUSION

Based on our analyses, the variables we have used, and the Black Scholes Merton Option Pricing Valuation Model, the estimated fair value of the coal mining rights of Abacus identified in this report as of March 28, 2008 is PHILIPPINE PESOS: TWO BILLION SIX HUNDRED NINETY THREE MILLION FOUR HUNDRED THREE THOUSAND SIX HUNDRED SIXTY-FIVE (PhP2,693,403,665.00).

STATEMENT OF CAPABILITY OF THE VALUATION PROFESSIONAL

CHARITO COLE-ALFARO

Ms. Alfaro is Managing Director of Value Management & Options Corporation ("ValueMan"), a business consulting firm engaged in providing management and financial advisory as well as merchant banking services to clients across industries. She is currently serving as President and member of the Board of Directors of Cuervo Appraisers, Inc., as well as member of the Board of Directors of CAMP Parkwood Land, Inc. She is a Certified Public Accountant with a track record of investment banking work. She was General Manager for a finance company which she successfully formed, organized and operated for a publicly listed commercial bank. She was also Vice President for Merchant Banking of a publicly listed company, where during her stint, she co-led a financial advisory team for a major infrastructure project, spearheaded a corporate acquisition and chaired the Investments Technical Committee. She was Assistant Vice President for Investment Banking of the investment house of a major pension fund. Prior to that, she was Assistant Vice President of another management consulting firm that was adviser to a major sugar conglomerate. She had worked with a holding firm engaged in Real Estate, Marketable Securities Dealership, and Manufacturing, where she organized the Real Estate Division and handled the Securities Dealership Division. She started her career as Financial Analyst of a publicly listed universal bank.

Ms. Alfaro's professional experience covers clientele in various industries, in the areas of corporate finance, corporate structuring, development of packages for sourcing funds through joint ventures, mergers, acquisitions, private equity and debt placements, and initial public offerings. She had successfully worked on listings of shares of stock of several companies on the Philippine Stock Exchange. She had developed business plans, financial, corporate investment and divestiture analyses. As business valuation consultant of Cuervo Appraisers Inc., she had accomplished corporate valuations covering valuations of business, shares of stock, intangible assets such as goodwill, franchises, trademark, patents, and mining rights, among others.

Ms. Alfaro graduated with honors from the University of the Philippines, Diliman, with a Bachelor of Science in Business Administration and Accountancy. She took studies leading to a masters degree in Applied Business Economics at the University of Asia and the Pacific. She is currently a candidate in the Chartered Financial Analyst (CFA) Study Program. The CFA program is a three-level study program covering International Finance, Portfolio Management, Fixed Income Securities, Equities, Accounting, Economics and Global Markets and Instruments, administered by the CFA Institute, a global professional organization based in Charlottesville, Virginia, USA. The course requires candidates to sequentially pass an internationally administered written examination for each level. The Charter is an internationally recognized mark for professionals in investment banking, funds management and global finance, among others. Ms. Alfaro is a member of the IPREA Business Valuation Society. IPREA is a local member of the International Valuation Standards Committee, an NGO member of the United Nations tasked to formulate and publish valuation standards, promote their worldwide acceptance and harmonize standards among countries.



AGREEMENT FOR JOINT INVESTMENT

KNOW ALL MEN BY THESE PRESENTS:

This Agreement for Joint Investment (Agreement) entered into by and between the following PARTIES at QUEZON CITY, this SEP 24 2008 of 2008:

MUSIC SEMICONDUCTORS CORPORATION, (MUSIC) a corporation duly organized and existing under Philippine laws with address at 110 Excellence Avenue corner Accuracy Drive SEPZ 1 Carmelray Industrial park, Canlubang, Laguna, herein represented by its President, Mr. Michael Burton, hereinafter referred to the **FIRST PARTY**;

-and-

LODESTAR INVESTMENT HOLDINGS CORPORATION (LODESTAR), a corporation duly organized and existing under Philippine laws with address at 3/F Certeza Building, 795 EDSA, Brg. South Triangle, Diliman, Quezon City, herein represented by its President, Alfonso S. Anggala, hereinafter referred to as the **SECOND PARTY**;

FIRST and **SECOND PARTY** are jointly referred to herein as the **PARTIES**.

WITNESSETH, That:

WHEREAS, the PARTIES entered into a Heads of Agreement with Abacus Consolidated Resources Holdings, Inc. (hereinafter referred to as ABACON), a corporation duly organized and existing under the laws of Republic of the Philippines with principal address at No. 28 N. Domingo Street corner Gilmore Street, New Manila, Quezon City for the purchase of all or one hundred percent (100%) of the outstanding and issued shares of ABACON in Abacus Coal Exploration Development Corporation (hereinafter referred to as ABACOAL), including the Coal Operating Contract covering a seven thousand (7,000) hectare property located at Mimi Tandag, Surigao del Sur (**COAL PROPERTY**) assigned by ABACON to ABACOAL. A photocopy of said Heads of Agreement between the PARTIES and ABACON with its Annexes are hereto attached as Annex 'A', 'A-1', 'A-2' and 'A-3', respectively.

WHEREAS, FIRST PARTY is a duly organized and existing publicly-listed corporation under Philippine laws with authorized capital stock of Two Billion Four Hundred Fifty Million (2,450,000,000) common shares with par value of Ten Centavos (PHP0.10), of which one billion seven hundred seventy two million eight hundred seventeen thousand three hundred ninety six (1,772,817,398) shares have been subscribed and fully paid; while the SECOND PARTY is a duly organized and existing publicly-listed corporation under Philippine laws with authorized capital stock of Fifty Million (50,000,000) common shares with a par value of One Peso (PHP1.00), of which thirty seven million three hundred six thousand (37,306,000) shares have been subscribed and fully paid;

WHEREAS, the PARTIES desire to define their respective covenants in their joint investments into ABACOAL, specifically in relation to the following matters (1) their respective sharing in the total consideration to be paid to ABACON for ABACOAL shares (which consideration shall be partly in cash and shares of stock of the PARTIES herein), (2) their respective contributions into the funding requirements to operate the Coal Property subject of their investments, and (3) their respective participations in the net profits / incomes from the development of the **COAL PROPERTY**.

NOW THEREFORE, for and in consideration of the foregoing premises and the mutual covenants of the PARTIES herein, PARTIES have agreed to enter into this Heads of Agreement under the following terms and conditions:

1. Investment Scheme and Sharing

The **FIRST PARTY** shall acquire **FIFTY FIVE (55%) PERCENT** participation and equity interest in **ABACOAL** and the **COAL PROPERTY** while **SECOND PARTY** shall acquire the remaining or balance of **FORTY FIVE (45%) PERCENT** participation and equity interest in **ABACOAL** and the **COAL PROPERTY**. As a result of this 55%-45% investment sharing scheme, the **PARTIES** agree to the following:

- The cash and shares component in the joint-investment to acquire **ABACOAL** and the resulting consideration to be paid to **ABACON** shall be in accordance with the following schedule:

PARTY	% Share	Contribution in the Cash Component	Value of Shares of Stock as Contribution in Shares Component
FIRST PARTY	55%	PHP 41,250,000.00	PHP 123,750,000.00
SECOND PARTY	45%	PHP 33,750,000.00	PHP 101,250,000.00
Total	100%	PHP 75,000,000.00	PHP 225,000,000.00

The unit price per share of stock shall be equivalent to the 90-day moving average of the shares of **FIRST PARTY** and **SECOND PARTY** prior to date of the Subscription or Share Purchase Agreements to be executed pursuant to the Heads of Agreement attached hereto as Annex "A".

- In the sharing of costs to operate the Coal Property of **ABACOAL**, the **FIRST PARTY** shall contribute **FIFTY FIVE (55%) PERCENT** while the **SECOND PARTY** shall shoulder the balance of **FORTY FIVE (45%) PERCENT** of said costs. **PARTIES** expect to determine the detailed projected costs for operation and production after the conduct of the geological, technical and financial due diligence stated in the Heads of Agreement.
- Finally, in the distribution of net profits or income from the Project, the **FIRST PARTY** shall be entitled to **FIFTY FIVE (55%) PERCENT** while the **SECOND PARTY** shall receive **FORTY FIVE (45%) PERCENT** of said net profits or income. The net profits or income from the Project shall be distributed to the **PARTIES** in the form of dividends, profit-sharing, and other tax efficient means of profit distribution.

The **FIRST PARTY** shall pay to **ABACON** the first cash payment required under Section 2 of the Heads of Agreement (Annex "A" hereof). Said payment shall be credited against the cash component contribution of the **FIRST PARTY** in the investment. Subsequent payments that are shouldered by both or either **PARTY** shall be likewise be correspondingly attributed / credited to their cash component contribution under the Table outlined above.

In the event that any **PARTY** advances the share of the other **PARTY** in the costs or investments stated herein, the remaining share due from said advancing **PARTY** shall be reduced by the value of said advance, if a remaining share is still due. If no remaining share is due, the advancing **PARTY** has the right to collect from the other **PARTY** such advance in cash and / or property, including shares of stock, of the non-paying party.

If after thirty (30) days, the non-paying **PARTY** still fails to pay the advances made by the other **PARTY**, it shall be considered in default. The advancing **PARTY** shall have a first right to demand assignment of any and all rights accruing to the defaulting **PARTY** under the Heads of Agreement (Annex "A") for purposes of taking up all such rights and interests of the defaulting **PARTY** therein. Any and all amounts that may have been paid by the defaulting **PARTY** shall be reimbursed by the non-defaulting **PARTY**.

At the option of the advancing PARTY and in the event it does not wish to take up all the shares of the defaulting PARTY as provided under the immediately preceding paragraph, PARTIES may adjust the sharing scheme of 55%-45% equity and interest participation in ABACOAL to reflect such percentage of interests acquired proportionate to amounts actually paid by either PARTY.

2. Appointment of Board of Directors of ABACOAL

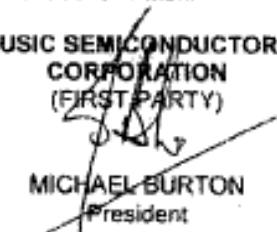
Upon purchase of ABACOAL, the Parties shall appoint members of the Board of Directors of ABACOAL in accordance with and reflective of their respective interests in the Project as described above, unless otherwise agreed upon. The PARTIES shall likewise appoint as many independent directors as may be required under Rules of Good Corporate Governance.

3. Decisions after Due Diligence

After due diligence under Section 3 of Annex "A" hereof, the PARTIES shall jointly decide on any adjustments in the consideration to be paid to ABACON, including total consideration, terms of and period for payment, and other matters derived from the due diligence report.

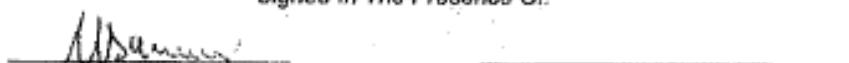
In the event of disagreement on whether or not to continue with the Project, the dissenting PARTY shall forfeit the remainder of its share in the Project in favor of the other PARTY. The dissenting PARTY shall, however, still keep any SHARE that said PARTY already invested and paid for into the Project, unless otherwise agreed upon between the PARTIES.

IN WITNESS WHEREOF, we have hereunto set our hand at the place and on the date first above-written.

MUSIC SEMICONDUCTORS CORPORATION (FIRST PARTY)
By: 
MICHAEL BURTON
President

LODESTAR INVESTMENT HOLDINGS CORPORATION (SECOND PARTY)
By: 
ALFONSO S. ANGGALA
President

Signed In The Presence Of:



ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES) SEP 24 2008
QUEZON CITY) S.S.
BEFORE ME, a Notary Public, for and in Quezon City, this _____ day of
_____, 2008, personally appeared the following:

NAME	CTC NO./I.D.	DATE/PLACE ISSUED
• Michael Burton	Passport 706255612	Exp 16 Mar 2017 / Manila
• Alfonso S. Anggala	09799494	14 Jan 2008 / Cebu

known to me and known to be the same persons who executed the foregoing Heads of Agreement, consisting of three (3) pages including this acknowledgement, and they acknowledge to me that the same is their own free and voluntary act and deed, as well as the voluntary act and deed of the corporations that they represent.

IN WITNESS HEREOF, I have hereunto set my hand on the date and at the place first above written.

Doc. No. 347
Page No. 20
Book No. LXVI
Series of 2008

Notary Public
Commissioned: 10 JULY (2008-2009)
N.B.P. No. 686012/11-13-07/Q.C.
PTR No. 9764075/I-2-08/Q.C
Roll No. 34845

AMENDMENT TO AGREEMENT FOR JOINT INVESTMENT

KNOW ALL MEN BY THESE PRESENTS:

This Amendment to Agreement for Joint Investment ("Amended Agreement", hereinafter) entered into by and between the following PARTIES at QUEZON CITY, this MAY 19 day of 2009:

MUSX CORPORATION (formerly Music Semiconductors Corporation) a corporation duly organized and existing under Philippine laws with address at 110 Excellence Avenue corner Accuracy Drive SEPZ 1 Carmelray Industrial park, Canlubang, Laguna, herein represented by its President, Mr. Michael Burton, hereinafter referred to the **FIRST PARTY**;

-and-

LODESTAR INVESTMENT HOLDINGS CORPORATION, a corporation duly organized and existing under Philippine laws with address at 3/F Certeza Building, 795 EDSA, Bo. South Triangle, Diliman, Quezon City, herein represented by its President, Jerry C. Angping, hereinafter referred to as the **SECOND PARTY**;

FIRST and **SECOND PARTIES** are jointly referred to the **PARTIES**.

WITNESSETH, That:

WHEREAS, **PARTIES** are both duly organized and existing publicly-listed corporations under Philippine laws with primary purposes as holding corporations.

WHEREAS, on 24 September 2008, the **PARTIES** entered into a Heads of Agreement ("Heads of Agreement", hereinafter) with Abacus Consolidated Resources Holdings, Inc. ("**ABACON**", hereinafter), a publicly listed corporation duly organized and existing under Philippine laws. The Heads of Agreement was for the purchase of one hundred percent (100%) of the outstanding and issued shares of **ABACON** in Abacus Coal Exploration Development Corporation ("**ABACOAL**", hereinafter) including the Coal Operating Contract covering a seven thousand (7,000) hectare property located at Mimi Tandag, Surigao del Sur ("**COAL PROPERTY**", hereinafter) assigned to **ABACOAL**. A photocopy of said Abacon Agreement between the **PARTIES** and **ABACON** with its Annexes are hereto attached as Annex "A", "A-1", "A-2" and "A-3", respectively.

WHEREAS, also on 24 September 2008, the **PARTIES** entered into an Agreement for Joint Investment ("Joint Investment", hereinafter) defining their respective covenants in their joint investments into **ABACOAL**, specifically relating to the following: (1) their respective sharing in the total consideration to be paid to **ABACON** for the **ABACOAL** shares (consideration is partly in cash and shares of stock of the **PARTIES**), (2) their respective contributions into the funding requirements to operate the Coal Property subject of their investments, and (3) their respective participations in the net profits / incomes from the development of the **COAL PROPERTY**.

WHEREAS, the **PARTIES** desire to amend their respective covenants in their joint investments into **ABACOAL** in accordance with this Amended Agreement.

1

WHEREFORE, PARTIES hereunto adopt certain changes via amendment of the Joint Investment in accordance with the following terms and conditions:

1. Assignment of Investment Interests and Participation

In exchange for the consideration provided under Section 2 hereof, the **FIRST PARTY** hereby **ASSIGNS** its right to acquire **FIFTY FIVE (55%) PERCENT** participation and equity interest in **ABACOAL** and the **COAL PROPERTY** to the **SECOND PARTY**. As a result of such assignment, the **SECOND PARTY** shall have the right to acquire **ONE HUNDRED (100%) PERCENT** participation and equity interest in **ABACOAL** and the **COAL PROPERTY**. Thus, Section 1 of the Joint Venture Agreement shall be amended accordingly, to wit:

- The entire cash and shares component in the joint-investment to acquire **ABACOAL** and the resulting consideration to be paid to **ABACon** shall be for the sole account of the **SECOND PARTY**. The unit price per share of stock shall be equivalent to the 90-day moving average of the shares of **SECOND PARTY** prior to date of the Subscription or Share Purchase Agreements to be executed pursuant to the Abacon Agreement attached hereto as Annex "A".
- Costs to operate the Coal Property of **ABACOAL**, shall be for the sole account of the **SECOND PARTY**, its assignee, and / or appointed operator for the Project.
- As a result, the entire profits or income from the Project shall pertain and inure exclusively to **SECOND PARTY**, subject only to the consideration stipulated under this Amended Agreement to be paid to the **FIRST PARTY** for the assignment herein.

2. Consideration for Assignment

The **SECOND PARTY** shall pay the **FIRST PARTY** the following consideration for the assignment of the **FIRST PARTY**'s right to acquire **FIFTY FIVE (55%) PERCENT** participation and equity interest in **ABACOAL** under Section 1 above:

- Upon signing of this Agreement, **TWELVE MILLION PESOS (PHP12,000,000.00)**, *Philippine Currency*, as and by way of reimbursement of certain expenses and payments that the **FIRST PARTY** already made into the **ABACOAL** Project;
- On or before the 31st day of December 2009, a second tranche amounting to **TEN MILLION PESOS (PHP10,000,000.00)**, *Philippine currency*, as and by way of reimbursement of the remainder of the expenses and payments that the **FIRST PARTY** already made and advanced into the Project. The **PARTIES** may agree to advance or extend the deadline stated in this paragraph depending on the conditions of the initial operations of the Project. Notwithstanding any agreement between the **PARTIES** to advance or extend the deadline, the **FIRST PARTY** shall have the option to convert the second tranche into equivalent number of new shares to be issued by the **SECOND PARTY** on the basis of the closing price of the shares of the **SECOND PARTY** as traded in the Philippine stock market at the date of the exercise of such option without prejudice to an agreement between the **PARTIES** on a discount thereon; and

- ONE-FOURTH (0.25%) PERCENT of the gross coal price per ton based on FOB loaded to vessel payable within 5 days from receipt of payment by the SECOND PARTY therefor, as and by way of ROYALTIES in the PROJECT. These royalty payments are payable only for the period of the first FIVE (5) years of the operations of the ABACOAL Project. The PARTIES may agree on advanced ROYALTIES on a discounted basis depending on results of initial operations of the Project.

3. Management Group

The SECOND PARTY shall have the exclusive right to create a Management Group to manage the development and production of the COAL PROPERTY to protect the interests of the PARTIES herein. Section 2 of the Joint Venture Agreement shall be amended accordingly.

IN WITNESS WHEREOF, we have hereunto set our hand at the place and on the date first above-written.

MUSX CORPORATION
(FIRST PARTY)

By:

MICHAEL BURTON
President

LODESTAR INVESTMENT HOLDINGS
CORPORATION
(SECOND PARTY)

By:

JERRY C. ANGPING
President

Signed In The Presence Of:

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

BEFORE ME, a Notary Public, for and in QUEZON CITY, this MAY 21 2009
of 2009, personally appeared the following:

NAME	CTC NO./I.D.	DATE/PLACE ISSUED
• Michael Burton	Passport 706255612	Exp. 16 Mar. 2017 / Manila
• Jerry C. Angping	" XX2545749 "	19 Nov. 2019 / MNL

known to me and known to be the same persons who executed the foregoing Amended Agreement, consisting of three (3) pages including this acknowledgement, and they acknowledge to me that the same is their own free and voluntary act and deed, as well as the voluntary act and deed of the corporations that they represent.

IN WITNESS HEREOF, I have hereunto set my hand on the date and at the place first above written.

Doc. No. 376
Page No. 1
Book No. 39:
Series of 2009.

NOTARY PUBLIC
ATTY. DESMOND ABBANIA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2009
51 NICANOR REYES STREET
LOYOLA HEIGHTS QUEZON CITY
ROLL NO. 37618 3
IOP NO. LRH-0106/5-10-53/11/09
OTR NO. 2723836 12-09 MAR/09

EXECUTION OF PAYMENT AND WAIVER

KNOW ALL MEN BY THESE PRESENTS:

This Execution of Payment and Waiver ("Execution" or "Payment", hereinafter) entered into by and between the following PARTIES at QUEZON CITY, this FEB 21 2011 day of 2011:

MUSX CORPORATION (formerly Music Semiconductors Corporation) a corporation duly organized and existing under Philippine laws with registered address at L14 Net Cube Centre, 3rd Ave. corner 30th St., E-Square Crescent Park, West Bonifacio Global City, City of Taguig 1634, Philippines, herein represented by its Chairman and CEO, Mr. Antonio L. Tiu, hereinafter referred to the FIRST PARTY;

-and-

LODESTAR INVESTMENT HOLDINGS CORPORATION, a corporation duly organized and existing under Philippine laws with postal address at 12 Jaime Street, Carmel I, Bahay Toro, Quezon City, herein represented by its President and COO, Richard N. Palou, hereinafter referred to as the SECOND PARTY;

FIRST and SECOND PARTIES are jointly referred to the PARTIES.

WITNESSETH, That:

WHEREAS, PARTIES are both duly organized and existing publicly-listed corporations under Philippine laws with primary purposes as holding corporations.

WHEREAS, on 24 September 2008, the PARTIES entered into a Heads of Agreement ("Heads of Agreement", hereinafter) with Abacus Consolidated Resources Holdings, Inc. ("ABACON", hereinafter), a publicly listed corporation duly organized and existing under Philippine laws. The Heads of Agreement was for the purchase of one hundred percent (100%) of the outstanding and issued shares of ABACON in Abacus Coal Exploration Development Corporation ("ABACOAL", hereinafter) including the Coal Operating Contract covering a seven thousand (7,000) hectare property located at Mimi Tandag, Surigao del Sur ("COAL PROPERTY", hereinafter) assigned to ABACOAL. A copy of said 24 September 2008 Heads of Agreement is hereto attached as Annex "A" and made an integral part hereof.

WHEREAS, also on 24 September 2008, the PARTIES entered into an Agreement for Joint Investment ("Joint Investment", hereinafter) defining their respective covenants in their joint investments into ABACOAL. A copy of the Agreement for Joint Investment is hereto attached as Annex "B" and made an integral part hereof. On 21 May 2009, the PARTIES amended said Joint Investment through an Amendment to Agreement for Joint Investment (Amended Agreement, hereinafter), a copy of which is hereto attached as Annex "C" and made an integral part hereof. Under said Amended Agreement the FIRST PARTY assigned all its rights under the Heads of Agreement to the SECOND PARTY and as such the SECOND PARTY obtained the exclusive right to acquire ONE HUNDRED (100%) PERCENT participation and equity interest in ABACOAL and its COAL PROPERTY.



WHEREFORE, as an Execution and to effect Payment per the various Agreements between the PARTIES described above, the PARTIES hereunto recognize the FINAL PAYMENT made by the SECOND PARTY herein and the corresponding waiver and recognition of full Payment by the FIRST PARTY of the the same.

1. Effecting Payment

The SECOND PARTY hereby pays the FIRST PARTY the amount of TEN MILLION PESOS (PHP 10,000,000.00), Philippine Currency as and by way of full and final payment of any and all of its obligations under Section 2 of the Amended Agreement.

2. Waiver and Acceptance of Payment

The FIRST PARTY hereby acknowledges full receipt of said Payment stated above and accepts the same to its full satisfaction. As a result, the SECOND PARTY has fully complied with all its obligations to the FIRST PARTY under the Heads of Agreement, the Joint Investment, and the Amended Agreement. The FIRST PARTY hereby waives in full any and all other possible collectible from the SECOND PARTY as a result of said Agreements, including but not limited to its percentage share in the sales of ABACOAL upon the operation thereof.

IN WITNESS WHEREOF, we have hereunto set our hand at the place and on the date first above-written.

MUSX CORPORATION
(FIRST PARTY)
By: 
ANTONIO L. TIU
Chairman and CEO

LODESTAR INVESTMENT HOLDINGS
CORPORATION (SECOND PARTY)

Signed In The Presence Of:

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.
BEFORE ME, a Notary Public, for and in QUEZON CITY, this FEB day of 2011
. 2009, personally appeared the following:

NAME **CTC NO./I.D.** **DATE/PLACE ISSUED**

- Antonio L. Tiu
 - Richard N. Palou

known to me and known to be the same persons who executed the foregoing Execution, consisting of three (3) pages including this acknowledgement, and they acknowledge to me that the same is their own free and voluntary act and deed, as well as the voluntary act and deed of the corporations that they represent. IN WITNESS WHEREOF, I have hereunto set my hand on the date and at the place first above written.

Doc. No. 121
Page No. 34
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Series of 2011.

deed, as well as the voluntary act
LESS HEREOF, I have hereunto set
my hand this 1st day of November,
in the year of our Lord One Thousand
Ninety-Four, and in the year of the
Independence of the United States
of America, One Hundred and Sixty-
Four.

REVISED HEADS OF AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This Revised Heads of Agreement entered into by and between the following PARTIES
at QUEZON CITY, this 03 day of November 2010:

ABACUS CONSOLIDATED RESOURCES HOLDINGS, INC. a corporation duly organized and existing under the laws of Republic of the Philippines with address at Number 28 N. Domingo Street corner Gilmore Street, New Manila, Quezon City duly represented by its President and Chief Executive Officer, Leonardo S. Gayao, hereinafter referred to as ABACON / FIRST PARTY;


-and-

LODESTAR INVESTMENT HOLDINGS CORPORATION, a corporation duly organized and existing under Philippine laws with address at 12 Jaime St., Carmel 1, Bahay Toro, Quezon City, herein represented by its President, Richard William N. Palou, hereinafter referred to as the LODESTAR / SECOND PARTY;

FIRST and SECOND PARTY are jointly referred to herein as the PARTIES.

WITNESSETH, That:

WHEREAS, FIRST PARTY owns all or one hundred percent (100%) of the outstanding and issued shares of Abacus Coal Exploration and Development Corporation, hereinafter referred to as ABACOAL;

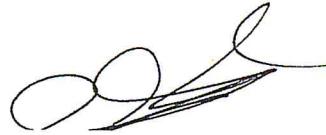
WHEREAS, ABACOAL is the Assignee of Coal Operating Contract No. 148 covering seven thousand (7,000) hectare property located at Mimi Tandag, Surigao del Sur (COAL PROPERTY) under a Deed of Assignment executed by FIRST PARTY in favor of ABACOAL. Photocopies of the Coal Operating Contract, Deed of Assignment and DOE approval are hereto attached as Annexes "A", "B" and "C" respectively;

WHEREAS, LODESTAR is a duly organized and existing publicly-listed corporation under Philippine laws with an authorized capital stock of One Hundred Million Pesos (P 100,000,000.00) divided into One Billion (1,000,000,000) common shares with a par value of Ten Centavos (P 0.10), of which seven hundred forty million (740,000,000) shares have been subscribed;

WHEREAS, LODESTAR desires to acquire and own all the issued and outstanding shares of stock of ABACOAL and operate the COAL PROPERTY, exploit and maximize the potential thereof, which per the appraisal conducted by Cuervo Appraisers, Inc. is valued at approximately Two Billion Seven Hundred Million Pesos (P 2,700,000,000.00), Philippine currency. A photocopy of the Appraisal Report prepared by Cuervo Appraisers, Inc. is hereto attached as Annex "D" and made an integral part hereof;

NOW THEREFORE, for and in consideration of the foregoing premises and the mutual covenants of the PARTIES herein, PARTIES have agreed to enter into this Heads of Agreement under the following terms and conditions:





1. Merger and Acquisition

SECOND PARTY shall acquire the COAL PROPERTY and all the other assets and liabilities of ABACOAL by and through a merger of the SECOND PARTY and ABACOAL, with the SECOND PARTY as the surviving corporation. By virtue of said merger, the SECOND PARTY shall issue two hundred fifty million (250,000,000) new common shares at a par value of Ten Centavos (P 0.10) and an agreed issue value of Ninety Centavos (P 0.90) to the FIRST PARTY. SECOND PARTY undertakes to list the said 250,000,000 new common shares with the Philippine Stock Exchange at the soonest possible time. These terms and conditions shall be incorporated in a Merger Agreement and Plan of Merger which the PARTIES hereby agree to execute at the proper time.

2. Participation in Operating Revenues

As an indispensable component of this agreement, SECOND PARTY shall make staggered cash payments to the FIRST PARTY which shall be deemed as constituting a participation in operating revenues from the COAL PROPERTY in the total amount of Seventy Five Million Pesos (P 75,000,000.00), in accordance with the following schedule:

Date or Period of Payment	Amount
• September 24, 2008, June 1, 2009 and June 8, 2009 - Advance Deposit on First Party's Participation	Thirty Million Pesos (P 30,000,000.00)
• Amounts to be paid upon and to be taken from the sale of the first production of Coal Products from the Coal property	
○ Upon consummation of said first (1 st) sale of Coal Products	Twenty Million Pesos (P 20,000,000.00)
○ Thirty (30) days from consummation of said 1 st sale of Coal Products	Twenty Five Million Pesos (P 25,000,000.00)

SECOND PARTY shall be entitled to a period of grace of ten (10) days from the dates the payments fall due.

3. Warranties

FIRST PARTY warrants as follows:

- a. That the transfer of the Coal Operating Contract from FIRST PARTY to ABACOAL has been approved by the Department of Energy.
- b. That ABACOAL has no outstanding loans, obligations and other indebtedness to third parties.
- c. That FIRST PARTY shall execute all the necessary authorizations and perform any and all acts necessary to obtain the Coal Operating Contract for Development and Production (COC-DP), Environmental Compliance Certificate (ECC), and other permits and licenses required to operate the COAL PROPERTY and produce Coal Products.



4. Closing

PARTIES shall, immediately after signing hereof and after obtaining their respective corporate approvals, proceed with the execution of the corresponding documents to implement their agreements herein and comply with the pertinent requirements of the Securities and Exchange Commission, Bureau of Internal Revenue and the Philippine Stock Exchange.

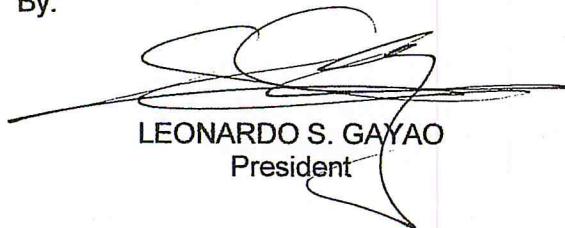
5. Shareholders' Approval

The PARTIES shall, whenever necessary and applicable, obtain the necessary shareholders' approval and / or ratification to effect their respective covenants under this Revised Heads of Agreement and its implementing contracts.

IN WITNESS WHEREOF, we have hereunto set our hand at the place and on the date first above-written.

**ABACUS CONSOLIDATED
RESOURCES HOLDINGS, INC.
(FIRST PARTY)**

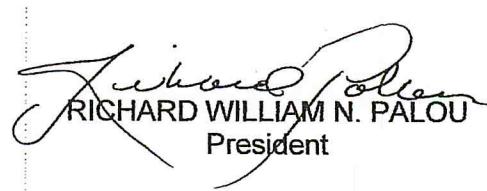
By:



LEONARDO S. GAYAO
President

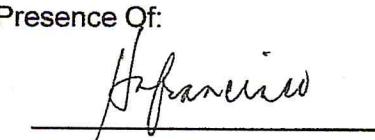
**LODESTAR INVESTMENT HOLDINGS
CORPORATION
(SECOND PARTY)**

By:



RICHARD WILLIAM N. PALOU
President

Signed In The Presence Of:



ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

NOV 08 2010

BEFORE ME, a Notary Public, for and in QUEZON CITY, this 8 day of November 2010, personally appeared the following:

NAME	ID NO.	PARTICULARS
LEONARDO S. GAYAO	PP No. XX0449982	Valid until January 30, 2013
RICHARD WILLIAM N. PALOU	N10-66-003241	Expiring 2-24-2012

known to me and known to be the same persons who executed the foregoing Revised Heads of Agreement, consisting of four (4) pages including this acknowledgement, and they acknowledged to me that the same is their own free and voluntary act and deed, as well as the voluntary act and deed of the corporations that they represent.

IN WITNESS HEREOF, I have hereunto set my hand on the date and at the place first above written.

Doc. No. 281
Page No. 13
Book No. X4A
Series of 2010

ATTORNEY GENERAL OF THE PHILIPPINES
Notary Public
NOTARY PUBLIC
Until Dec 31, 2018
Adm. Matter No. NP 098
PTR No. 3176080 - 1-4-2010 QC
TIN No. 125-582-859
Atty's Roll No. 27386

G. Johnson

[Handwritten signature]