

# **LODESTAR INVESTMENT HOLDINGS CORPORATION**

7<sup>TH</sup> Floor Peaksun Bldg., 1505 Princeton St., Shaw Blvd., Mandaluyong City

6 November 2013

## **THE PHILIPPINE STOCK EXCHANGE, INC.**

Philippine Stock Exchange Plaza,  
Ayala Triangle, Ayala Ave., Makati City

Attention : Ms. Janet A. Encarnacion  
Head, Disclosure Department

Gentlemen:

In compliance with the Revised Disclosure Rules of the Exchange, Lodestar Investment Holdings Corporation (LIHC) submits the Amended SEC Form 17A as of 31 December 2012 with changes in its Statement of Management Responsibility attached in the financial statements.

Very truly yours,

  
**Atty. Venus L. Gregorio**  
Corporate Secretary and  
Corporate Information Officer

## COVER SHEET

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S.E.C. Registration Number

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																		

(Company's Full Name)

7	t	h	F	i	r.	P	e	a	k	s	u	n	B	I	d	g.,	P	r	i	n	c	e	t	o	n			
S	t.,	S	h	a	w	B	l	v	d.,	M	a	n	d	a	l	u	y	o	n	g	C	i	t	y				

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

Atty. Venus L. Gregorio	920-9306
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Contact Person

Company Telephone Number

1	2	3	1
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Month Day

Fiscal Year

Amended 17A 2012

0	5		
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Month Day

Annual Meeting

Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

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To be accomplished by SEC Personnel concerned

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File Number

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Cashier

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

**ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended: **December 31, 2012**
  2. SEC Identification Number: **54106**      3. BIR Tax Identification No.: **200-751-430-000**
  4. Exact name of issuer as specified in its charter:

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
(Formerly: LODESTAR MINING CORPORATION)

5. **Philippines** Province, Country or other jurisdiction of incorporation or organization

6. \_\_\_\_\_ ( SEC Use Only)  
Industry Classification Code:

7. **7<sup>TH</sup> Floor Peaksun Bldg., 1505 Princeton St., Shaw Blvd., Mandaluyong City**  
Address of principal office Postal Code

8. **(632) 920-9306**  
Issuer's telephone number, including area code

8. c/o 12 Jaime St., Carmel 1, Bahay Toro, Quezon City, 1600  
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
(Par Value: ₱0.10)	740,000,000
<b>Common Shares</b>	<b>740,000,000</b>

11. Are any or all of these securities listed on a Stock Exchange.

Yes [ / ]      No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange Common Shares : 640,000,000**

12. Check whether the issuer:

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

Yes [ / ]      No [ ]

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

Yes [ / ]      No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this form. (See definition of "affiliate" in "Annex B").

The aggregate market value as at 10 April 2013 of the voting stock held by non-affiliates of the registrant is ₦ 651,167,440.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS.**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

**Not Applicable**

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

**None**

(b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);

**None**

(c) Any prospectus filed pursuant to SRC Rule 8.1-1.

**None**

## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

On January 3, 1974, Lodestar Mining Corporation (now Lodestar Investment Holdings Corporation) (“LIHC” or the Company”) was incorporated in the Philippines and established primarily as a mining and natural resources exploration company. The Company was engaged in the development of several gold and chromite mining claims in Masbate, Cebu, Negros Occidental and Palawan.

In 1988, the Company filed with the Securities and Exchange Commission (“SEC”) an application for the increase of its capital stock to ₱50,000,000.00 divided into 50,000,000 shares with par value of ₱1.00 per share from ₱10,000,000.00 divided into 1,000,000,000 shares with par value of ₱0.01 per share. The Company also filed with the then Manila and Makati Stock Exchanges, now referred to as the Philippine Stock Exchange (“PSE”) an application for the listing of the 30,000,000 common shares. On October 11, 1988, the SEC issued to the Company a Certificate of Permit to Offer Securities for Sale and rendered the Registration Statement to be effective. The Company was able to complete its initial public offering and the listing of the Company’s shares was made effective on May 26, 1989.

In October 2003, the name and primary purpose of the Company were changed to reflect a change from a mining company to an investment holding company, among others. On September 23, 2003, the Board of Directors filed with the SEC the proposed amendments to the Company’s Articles of Incorporation and By-laws. As an investment holding company, the Company will have flexibility in pursuing new business ventures that would enhance shareholder value over time.

On July 7, 2005, the Board of Directors approved the write-off of the aforementioned mining properties or claims in its financial statement as of June 30, 2005. The mining properties were reviewed as to impairment in accordance with SFAS 36/IAS 36: Impairment of Assets.

The Company, as an investment holding company, continues to evaluate various business opportunities that are viable, growing, and profitable business ventures. On September 26, 2008, the Board of Directors authorized the Company to enter into a Heads of Agreement with Abacus Consolidated Resources and Holdings, Inc. (“ABACON”) and Musx Corporation (“Musx”) for the joint acquisition by the Company and Musx of all the outstanding and issued shares of Abacus Coal Exploration and Development Corporation (“ABACOAL”). The Company and Musx have likewise entered into an Agreement for Joint Investment whereby the investment parameters for such investment into ABACOAL are set forth.

Under the Heads of Agreement and the Agreement for Joint Investment, upon completion of the transactions contemplated thereunder, Musx will own fifty five percent (55%) of the issued and outstanding capital stock of ABACOAL, while the Company will own forty five (45%) of the issued and outstanding capital stock of ABACOAL. The consideration for the sale of the issued and outstanding shares of stock of ABACOAL shall be in the form of cash and shares of stock. The cash component due from the Company amounting to Thirty Three Million Seven Hundred Fifty Thousand Pesos (₱33,750,000.00) shall be effected in staggered payments.

The Board of Directors, during its special meeting held on October 28, 2008, approved the private placement offering of 12,694,000 LIHC shares at the price of ₱ 2.50 per share. On 12 December 2008, the stockholders of the Company likewise approved the capital increase of the Company from ₱50,000,000.00 divided into 50,000,000 shares at ₱1.00 per share to ₱100,000,000.00 divided into 100,000,000 shares at ₱1.00 per share. In line with this application for capital increase, the Board of Directors of the Company, during its special meeting held on 13 March 2009, approved

the private placement offering of 14,000,000 shares at the price of ₱1.20 per share. Said private placement shall fund the increase in authorized capital stock. The increase in capital and private placement will be undertaken in preparation for the stock rights offering to existing stockholders to take place immediately after the increase in capital is approved by the SEC.

On May 21, 2009, the Company executed an Amendment to the Agreement for Joint Investment with Musx Corporation. The amendment primarily consists in the assignment to the Company of Musx's fifty five percent (55%) interest in ABACOAL subject to the terms and conditions provided in the said agreement. As a result, the Company acquired the right to purchase one hundred percent (100%) of the shares of stock of ABACOAL which necessitated a bigger capital expenditure on the part of the Company.

On May 31, 2009, the Company executed a Memorandum of Agreement with Oriental Vision Mining Corporation ("Oriental") (to undertake exploration and development activities of the coal properties of ABACOAL over which the Company has controlling stake. Oriental has built a good reputation as a premiere mining operations company. Under the agreement, Oriental shall develop and operate the Coal Property and pay the Company a royalty fee of Eight Percent (8%) of gross coal price per ton based on FOB loaded to vessel payable within 45 days from receipt of payment by Oriental Vision. Oriental likewise paid the company Twenty Five Million Pesos (₱25,000,000.00) upon signing of the MOA, as and by way of reimbursement of expenses incurred by the Company in the development of the ABACOAL project.

On September 14, 2010, the Securities and Exchange Commission approved the reduction in the par value of the shares of stock of the Company from One Peso (₱ 1.00) to Ten Centavos (₱0.10), thereby, adjusting the authorized capital stock to one billion (1,000,000,000) common shares of which seven hundred forty million (740,000,000) shares have been subscribed.

On December 22, 2010, the stockholders during its annual meeting approved the proposed reduction in the par value of the shares of stock of the Company from Ten Centavos (₱0.10) per share to One Centavo (₱0.01) per share resulting in a stock split of ten (10) shares for every one (1) share owned. This plan to reduce the par value of the Company's shares of stock is not yet implemented.

On April 12, 2011, the Department of Energy has issued its approval on the company's proposed 5-year work program relative to the application for conversion of Coal Operating Contract no. 148 located in Tago, Surigao del Sur from Exploration Phase to Development and Production Phase.

The Company has never been engaged in any bankruptcy, receivership or other similar proceedings. Neither has the Company undergone any material reclassification, merger, consolidation or purchase or sale of a significant amount of assets not in the ordinary course of business.

## **Item 2. Properties**

The Company has a contracted interest in ABACOAL. Thus, the Company has a contingent and prospective ownership interest in one hundred percent (100 %) of the shares of stock of ABACOAL, a coal development company with a Coal Operating Contract over a 7,000 hectare property in Surigao del Sur.

The Company has no real properties.

### **Item 3. Legal Proceedings**

The Company has never been a subject or party to any legal proceeding, material or otherwise. Neither is any property of the Company a subject to any legal proceeding, material or otherwise.

### **Item 4. Submission of Matters to a Vote of Security Holders**

During the Annual Stockholders' Meeting of 22 December 2010, Stockholders representing a total of 504,033,000 shares or 68.1126% of the outstanding capital stock of the Company approved the proposed reduction in the par value of the shares of stock of the Company from Ten Centavos (₱0.10) per share to One Centavo (₱ 0.01) per share resulting in a stock split of ten (10) shares for every one (1) share owned. This plan of reduction in the par value of the shares of stock of the Company is not yet implemented.

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

### **Item 5. Market for Issuer's Common Equity and Related Stockholder Matters**

The principal market of the Company's shares is the PSE.

Closing market price as at April 10, 2013 is pegged at ₱ 0.88

The high and low sales prices of each quarter covering the years 2012, 2011 and 2010 are as follows:

	<u>High</u>	<u>Low</u>
2013		
First Quarter	₱ 0.91	₱ 0.91
2012		
First Quarter	₱ 1.49	₱ 0.76
Second Quarter	1.28	1.02
Third Quarter	1.33	1.01
Fourth Quarter	0.98	0.95
2011		
First Quarter	₱ 0.93	₱ 0.66
Second Quarter	0.95	0.69
Third Quarter	1.35	0.75
Fourth Quarter	0.88	0.61
2010		
First Quarter	₱ 0.70	0.67
Second Quarter	0.76	0.74
Third Quarter	0.62	0.59
Fourth Quarter	0.81	0.71

*Source: Technistock*

The number of shareholders as of 31 December 2012 is 54<sup>1</sup>. Common shares outstanding as at 31 December 2012 are 740,000,000 shares per the records of RGFS Registry and Agency Services, Inc. The following table presents the Company's top 20 shareholders as at 31 December 31, 2012:

Name of Shareholder	Class of Security	Number of Shares	Percentage to Total
PCD Nominee Corporation-Filipino	Common	605,491,430	81.82%
Renato L. Reyes	Common	72,000,000	9.73%
Ramon L. Abad, Jr.	Common	28,000,000	3.78%
PCD Nominee Corporation- Non-Filipino	Common	27,001,000	3.65%
Jones R. Castro	Common	1,700,000	0.23%
Renato Lumague	Common	600,000	0.08%
William T. Enrile &/or William R. Enrile II &/or Nelly R. Enrile	Common	500,000	0.07%
Joel S. Diaz	Common	500,000	0.07%
Joaquin Corpus	Common	500,000	0.07%
Ross W. Garling	Common	400,000	0.05%
John T. Mesina	Common	300,000	0.04%
Jovenal Gonzalez	Common	300,000	0.04%
Jose De Peralta	Common	300,000	0.04%
Cesar Hablero	Common	160,000	0.02%
William Stone	Common	100,010	0.01%
Merlin Villanueva	Common	100,000	0.01%
Oscar Tomaneng	Common	100,000	0.01%
Sun Hung Kai Sec. (Phils.) Inc	Common	100,000	0.01%
Tomas Pusing	Common	100,000	0.01%
Malcolm Morrison	Common	100,000	0.01%

No dividends were declared by the Corporation for the period covered by this report.

## Item 6. Management's Discussion and Analysis or Plan of Operation

On September 24, 2008, the Company entered into a Heads of Agreement with Music Semiconductors Corporation (“MSC”) and Abacus Consolidated Resources Holdings, Inc. (“ACRHI”) for the joint acquisition by the Company and MSC of all issued and outstanding shares of stock of ABACOAL, a subsidiary of ACRHI. The Company and MSC have likewise entered into an Agreement for Joint Investment whereby the investment parameters for such investment in ABACOAL were set forth. Under the same agreement, MSC will own 55% of the issued and outstanding capital stock of ABACOAL while the company will own 45% of ABACOAL.

ABACOAL is a company engaged in the commercial exploration and development of coal and is the Assignee (whereby AVRHI is the Assignor) of a Coal Operating Contract over a 7,000-hectare property located in Tago and Marihatag, Surigao Del Sur (“Coal Project”). Due diligence over the coal property has been undertaken for purposes of verifying the reserves and studying the financial viability of the Coal Project.

On May 21, 2008, the Board of Directors approved resolutions authorizing the Company to amend the Agreement for Joint between the Company and MSC whereby all the rights and interests of MSC were assigned to Lodestar.

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<sup>1</sup> Per the records of RGFS Registry and Agency Services, Inc.

On November 3, 2010, ABACOAL and the Company further revised the terms of the Heads of Agreement. In the revised agreement, The Company shall acquire the Coal property and all the other assets and liabilities of ABACOAL by and through a merger, with the Company as the surviving entity. By virtue of said merger, the Company shall issue 250,000,000 new common shares at a par value of ₱0.10 and an agreed issue value of ₱0.90 to ABACOAL. The Company undertakes to list the said shares with the PSE. These terms and conditions shall be incorporated in a Merger Agreement and Plan of Merger which ABACOAL and the Company agree to execute at the proper time.

On April 12, 2011, the Department of Energy approved the conversion of Coal Operating Contract 148 to Development and Production phase. The proposed 5-year work program of Abacus Coal Exploration and Development Corporation (ACEDC) was evaluated and found to be technically and financially qualified to undertake development and production of coal resources located at Tago, Surigao del Sur., subject to the following terms and conditions:

1. The COC for Exploration No. 148 is converted into COC for Development and Production effective 10 January 2010 for a period of ten (10) years and thereafter renewable for series of three (3) year period not exceeding twelve (12) years under such terms and condition as may be agreed upon by the DOE and the Contractor.
2. The area subject of the COC for development and production shall cover seven (7) blocks.
3. Section IV, sub-paragraph 4.3 of COC for exploration shall be amended to provide for the development and production commitments.
4. The training component of the approved COC for development and production, shall be ₱200,000 per year cumulative during the Development and Production Phase.
5. ACEDC shall implement its health, safety and environmental protection program as well as its emergency response program, as the need arises, as approved by the DOE.

On 16 October 2012, the Board of Directors of Lodestar authorized the Chairman to sign and execute a Plan of Merger with ABACOAL. Draft copy of the Plan of Merger was presented to the Board. The following are the main obligations of the Parties under the Plan of Merger:

1. ABACOAL shall convey, assign and transfer to LODESTAR all their assets and liabilities existing as of 30 September 2012 and such assets and liabilities that may exist, now or in the future, and until the Effective Date of Merger.
2. Up until the Effective Date of Merger and in additional to the aforementioned liabilities of ABACOAL as stated in their Audited FS as of 30 September 2012, LODESTAR shall assume any and all liabilities of ABACOAL, if any.
3. LODESTAR shall issue Three Hundred Thirty Three Million Three Hundred Thirty Three Thousand Three Hundred Thirty Three (333,333,333) LODESTAR shares valued at Ninety Centavos (₱0.90) per share or a total value of Three Hundred Million Pesos (₱300,000,000.00) in favor of ACRHI, the owner of the entire issued and outstanding capital stock of ABACOAL.

During the annual stockholders' meeting of Lodestar held on 13 December 2012, the approval of the Plan of Merger with ABACOAL was not discussed for lack of the necessary votes of 2/3 majority to pass the same.

## **Business Plan:**

Management expects that the acquisition and operation of the South Surigao Coal will still be its main business concern. Licensing and compliance with statutory requirements are primarily being undertaken. In the meantime, still in line with the primary purpose of the Company as a holdings corporation, business outlook for 2013 is geared towards expansion. Thus, the Company may again tap into various sources to look for opportunities in the mining sector. Specifics of such deals, if any, will be properly disclosed in accordance with the continuing disclosure requirements of the SEC and the PSE.

## **Financial Performance In Philippine Pesos**

Key Financial Indicator	Year 2012	Year 2011	Year 2010
Revenues	11,183	25,060	32,752
Cost and Expenses	4,327,074	4,242,497	10,883,500
Other Losses	15,724,330		
Net Income (Loss)	(20,040,222)	(4,217,437)	(10,850,748)
Current Assets	11,382,422	24,893,653	65,544,510
Current Liabilities	110,946	2,890,674	16,112,087
Total Assets	48,389,944	61,931,265	65,544,510
Total Liabilities	110,946	2,890,674	16,112,087
Stockholders' Equity	48,278,998	59,040,591	49,432,423
Current Ratio	102.59	8.61	4.07
Current Assets / Current Liabilities	11,382,422 / 110,946	24,893,653 / 2,890,674	65,544,510 / 16,112,087
Debt to Equity Ratio	0.00	0.05	0.33
Total Liabilities/Stockholders' Equity	110,946 / 48,278,998	2,890,674 / 59,040,591	16,112,087 / 49,432,423
Return on assets	NA	NA	NA
Net Income / Total Assets			
Earnings (Loss) Per Share	(0.027)	(0.006)	(0.015)
Net Income (Loss) /No. of shares outstanding	(20,040,222)/ 740 M	(4,217,437)/ 740 M	(10,850,748)/ 740 M

## **Full Fiscal Years**

### Calendar Year 2012

For the year 2012, the Company reported interest income earned on bank accounts amounting to ₱11,183 was ₱13,877 or 55.38% lower than the interest recorded for the year 2011 of ₱ 25,060.

The ₱4.325 million operating expenses for 2012 was 2.06% or ₱ 0.087 million higher when compared to 2011. The increase was attributed to project costs incurred by the Company with regard to its investment with ABACOAL.

An increase of 114% or ₱1.817 in cash and cash equivalents from ₱1.589 million in 2011 to ₱3.406 million in 2012 was due to disposal of shares traded in the Philippine Stock Exchange.

Other current assets increased by ₱1.374 million due to net effect of the following:

1. Increase in input vat; and
2. deposit made to supplier amounting to ₱1.101 million on the exploration/ survey activities being conducted in the coal project.

An increase of ₱ 4.077 million or 100% in advances to a stockholder represent advances made by a key officer and stockholder.

Total liabilities of ₱ 0.111 million in 2012 is 96.16% or ₱ 2.780 million lower when compared to 2011 due to use of fund from deposit made by Oriental Vision Mining Philippines Corporation (ORVI) for the exploration and development activities of the coal properties of Abacoal and settlement of liabilities and liquidation of some long outstanding payables.

A net reduction of 18% or ₱10.762 million in equity is due to the following:

1. Disposal of traded shares during the year resulted to a loss amounting to ₱ 15.724 million and offset of negative revaluation of shares amounting to ₱ 9.279 million.
2. Operating expenses of ₱4.324 million incurred during the year also contributed to an increase in deficit.

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.

There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligation), and other relationships of the Company with unconsolidated entities or other persons created during the year.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

There are no seasonal aspects that had a material effect on the Company's financial condition or results of operations.

There are no material events and uncertainties known to management that would address the past and would have an impact on future operations of the Registrant.

#### Calendar Year 2011

Interest income earned on bank accounts for the year ended December 31, 2011 totaled ₱25,060, 23.48% lower than the interest recorded for the year 2010 of ₱ 32,752.

Total operating expenses for 2011 amounted to about ₱4.237 million, 61.04% or ₱ 6.639 million lower when compared to 2010. The decrease was attributed to lower management fees, legal and professional fees due to management's decision to trim down hiring of professionals in various fields beginning 2011.

Cash and cash equivalents amounted to ₱1.589 million in 2011 or an increase of ₱1.315 million when compared to 2010. The increase was due to collection of subscriptions receivable totaling ₱37.875 million and the fund was used to (a) exploration and development activities of the coal properties of Abacoal; (b) partial settlement of accounts payable and accrued expenses; (c) full payment of advances from stockholders and (d) acquisition of traded shares from open market of the PSE.

During the year, the Company has acquired a total of ₱ 7.733 million worth of traded shares from the open market of the PSE. However, the decrease in market price of the traded shares resulted to lower value by ₱ 24.049 million. This likewise resulted to a negative revaluation reserve in the equity account of ₱ 9.279 million in 2011 from positive ₱ 14.771 million in 2010.

Other current assets increased by ₱1.35 million due mainly to additional input value-added tax on management fees, legal fees, professional fees and PSE annual maintenance fees incurred in 2011.

The acquisition of one unit laptop in 2011 accounts for the increase in non-current asset.

Total liabilities of ₱ 2.891 million in 2011 is 82.06% or ₱ 13.221 million lower when compared to 2010 due to settlement of payables as discussed with cash and cash equivalents above and the use of fund from deposit made by Oriental Vision Mining Philippines Corporation (ORVI) for the exploration and development activities of the coal properties of Abacoal.

Collection of subscription receivable brought about by various capital raising activities to finance working capital requirements and general corporate purposes resulted to an increase in capital stock and additional paid-in capital by ₱ 37.875 million.

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.

There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligation), and other relationships of the Company with unconsolidated entities or other persons created during the year.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

There are no seasonal aspects that had a material effect on the Company's financial condition or results of operations.

There are no material events and uncertainties known to management that would address the past and would have an impact on future operations of the Registrant.

### Calendar Year 2010

The Company did not earn any operational revenue since it did not have any commercial operations as of that year. Interest earned from bank accounts were reported as other income. For 2010, the Company earned ₱32,752 interest as compared to ₱30,645 in 2009.

Operating Expenses decreased primarily from ₱12.480 million in 2009 to ₱ 10.877 million in 2010 due to non recurrence of losses on sale of available-for-sale financial assets. This was offset by higher management and legal fees. This increase is due to the BOD's decision to hire employees and professionals in various fields.

The Company incurred a net loss after tax of ₱ 10.850 million primarily due to lower operating expenses incurred in 2010.

Total Assets amounted to ₱65.544 million and were all composed of current assets. Because of the decrease in market price of traded shares in the PSE, available –for-sale financial assets and revaluation reserve account in the equity section of the Balance Sheet decreased by ₱ 12.292 million

Corporate liabilities decreased by ₱11.118million or 40.83% from ₱27.230 million in 2009 to ₱ 16.112 million in 2010 due to (a) partial settlement of accounts payable and accrued expenses; (b) partial payment of advances from stockholders and (c) use of fund from deposit made by Oriental Vision Mining Philippines Corporation (ORVI) for the exploration and development activities of the coal properties of Abacoal.

Collection of subscription receivable brought about by various capital raising activities to finance working capital requirements and general corporate purposes resulted to an increase in capital stock and additional paid-in capital by ₱ 12.600 million.

### **Item 7. Financial Statements**

The Company's Financial Statements together with the notes thereto are incorporated and attached to this report in its entirety.

### **INFORMATION ON INDEPENDENT ACCOUNTANT**

#### **Audit Fees**

Punongbayan and Araullo, has been the Company's independent auditor since 2009 up to present. Fees paid by the Company covering year 2012 amounted to ₱205,000.00, ₱198,000.00 for year 2011 and ₱ 220,000.00 in 2010.

Except for annual audit of financial statements, PNA was not commissioned to perform any special audit for the group.

#### **Audit Committee's Approval Policies and Procedures**

The Audit Committee and PNA meet to discuss its audit plan, new accounting standards for adoption by the group, timetable, professional staff assigned to perform the engagement and service fees to be charged by the auditor, among others. Before the audit report is finalized, the PNA will present with the Audit Committee and secure its approval for release of the audited financial statements.

## **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

The Company retained the External Auditors who prepared the financial statements for the calendar year ended 31 December 2011 and 2010. Thus, the financial statements and notes thereto for the calendar year ended 31 December 2012 were likewise prepared by Punongbayan & Araullo (P&A). There were no disagreements with Accountants on accounting and financial disclosure.

Pursuant to the General Requirements of SRC Rule 68, Section 3.b.iv (Qualifications of Independent Auditors), the external auditors shall be rotated every after five (5) years of engagement. In case of a firm, the signing partner shall be rotated every after said period. The Company is in compliance with SRC Rule 68, Section 3.b.iv.

## **PART III – CONTROL AND COMPENSATION INFORMATION**

### **Item 9. Directors and Executive Officers of the Issuer**

The Company's Board of Directors is responsible for the over-all management and direction of the Company. The Board meets to review and monitor the Company's future plans. Each Board member serves for a term of one year and until his successor is duly elected and qualified.

The following table presents the members of the Board of Directors and Officers as at 13 December 2012:

Name	Age	Nationality	Present Position	Date Elected and / or Appointed
Antonio V.F. Gregorio III	40	Filipino	Director and Chairman	May 15, 2009 as Director and Dec. 13, 2012 as Chairman
Chi Ho Co	40	Filipino	Director and President	Sept. 22, 2008 as Director and Dec. 13, 2012 as President
Leonardo S. Gayao	66	Filipino	Director	December 22, 2010
Venus L. Gregorio	43	Filipino	Corporate Secretary and Corporate Information Officer	December 13, 2012
Jose Francisco Miranda	35	Filipino	Director, CFO and Treasurer	December 13, 2012
Manuel Acenas	67	Filipino	Director	December 13, 2012
Eduardo Mañalac	65	Filipino	Independent Director	December 13, 2012
Felixes Latonero	38	Filipino	Independent Director	April 13, 2011

The following information is furnished with respect to each incumbent director and officer of the Company, with their respective ages, citizenship, and past business experiences from the last five years:

**ANTONIO VICTORIANO F. GREGORIO III**, 40, Filipino/ Director/ Chairman/ Chairman, Nomination Committee/ Member, Audit Committee

Atty. Antonio Gregorio III graduated Second Honors, with a Juris Doctor from the Ateneo de Manila University in 1998 and passed the bar examinations of 1998. He also has a Bachelor of Science Major in Management Engineering and a Bachelor of Arts, Major in Economics-Honors, both from the Ateneo de Manila University, Magna Cum Laude. He was a valedictorian of his high school class in the Ateneo. Atty. Gregorio is a Partner at Gregorio Law Offices and sits as director and officer of

various public and private companies, including Asiabest Group International Inc. (Chairman and President from 2011 to present and Corporate Secretary/ Director from 2008 to 2011), NiHAO Mineral Resources International, Inc., (Chairman and President from 2012 to present) Dizon Copper-Silver Mines (Treasurer/Director from 2012 to present), Abacus Consolidated Resources and Holdings, Inc.,(Director, 2009 to present), GNA Resources International Limited (2011 to present), Cuervo Far East, Inc.(Corporate Secretary/Director, 2005 to present), Alta Minera, Inc., Breccia Resources, Inc., and Millionaire's Offices and Properties, Inc. (Chairman, 2011 to present), Beaver Q Corporation and Barnyard Realty Corporation ( Corporate Secretary, 2002 to present), Big Herald Link International Corporation (Corporate Secretary/Treasurer/Director, 2004 to present), Tajima Yakiniku, Inc. (Director, 2005 to present), Tanba Yakiniku, Inc. (Treasurer/Director, 2011 to present) , 4A9T Scholarship foundation, Inc. (Corporate Secretary/Trustee from 1999 to present) and World Wide Manpower Overseas, Inc. (President/Director, 2007 to present). He was formerly the Corporate Secretary/Director of the following companies, Active Earnings, Inc. (2003 to 2011), Buddybuds, Inc. (2003 to 2011), Cangoc, Inc. (2002 to 2011), Carellan, Inc. (2003 to 2011), Cuisine Allurements, Inc. (2002 to 2011), Grand Pin Development Corporation (2004 to 2011), Hobbiton, Inc. (2003 to 2011), Pinecrest Realty Corporation (2003 to 2011); Treasurer/ Director of Carom, Inc. (2003 to 2011), Los Boldos, Inc. (2003 to 2011) and Onion and Chives, Inc. (2003 to 2011), Corporate Secretary of JMARR Realty, Inc. (2002 to 2011), PPARR Management and Holdings Corporation (2004 to 2010) , Cuervo Appraisers, Inc. (2007 to 2009) and RF Cuervo, Inc. (2003 to 2008); Asst. Corporate Secretary/Treasurer/Director of Weathertop, Inc. from 2004 to 2011 and former Director of Musx Corporation from 2007to 2010 and Outsource Leverage Systems International, Inc. (Corporate Secretary/Director, 2004 to 2009).

**CHI HO CO**, 40, Filipino/ Director and President/ Member, Audit Committee/ Member, Nomination Committee.

Mr. Chi Ho Co is a businessman who currently serves as Director and Officer of various publicly listed and private companies including Asiabest Group International Inc. (2011 to present), Hightower, Inc. of which he is the President (2003 to present), Glomedic Philippines, Inc. (Chairman, 2004 to present), Banquets in Style, Inc.(Chairman, 2003 to present), Cavite Apparel Corporation (VP, 1998 to present), Subic Bay Apparel Corporation (VP, 1998 to present), Julia Realty & Development Corp. ( Treasurer, 2006 to present), Edgeport Properties, Inc. (Treasurer/Secretary, 2006 to present), Fastrack Realty & Development, Inc. (Chairman, 2004 to present) and CAC Motors Corp. (President, 2002 to present) among other companies.

**LEONARDO S. GAYAO**, 66, Filipino/ Director/ Member, Remuneration Committee

Atty. Gayao is currently the Director/President of Philippine Regional Investment Development Corporation (1995 to present), President/Director of Abacus Consolidated Resources & Holdings, Inc. (2009 to present) and Director of Pacific Online Systems Corporation (2007 to present),President/Director of Blue Stock Development Farms, Inc. (2009 to present), Chairman of Omnicor Industrial Estate & Realty Center, Inc. (2009 to present), Director of Rural Bank of Batangas, Inc.(1997 to present), Director of Abacus Global Technovisions, Inc.(1993 to present), Director/Corporate Secretary Click Communications, Inc.(1997 to present) , Chairman of Batangan Plaza, Inc.( 1996 to present) , and Director of Alpha Asia Hotels and Resorts, Inc.(1991 to present). He is formerly the President of Abacus Consolidated Resources & Holdings, Inc. and Blue Stock Development Farms, Inc. He was former president of Omnicor Industrial Estate & Realty Center, Inc. He finished his Bachelor of Laws degree from San Beda College and his Bachelor of Arts degree from Manuel L. Quezon University. He is a member of Philippine Bar and the Integrated Bar of the Philippines.

**VENUS L. GREGORIO, 43, Filipino/ Corporate Information Officer/ Corporate Secretary**

Atty. Gregorio graduated with a Juris Doctor from the Ateneo de Manila University in 1998 and passed the bar examinations in 1999. She has a Bachelor of Arts degree major in Political Science from the University of the Philippines. Atty. Gregorio is a Partner at Gregorio Law Offices and sits as Corporate Secretary and Corporate Information Officer of Asiabest Group International Inc. (2011 to present) and Assistant Corporate Information Officer and Assistant Corporate Secretary of Dizon Copper-Silver Mines, Inc. Asst. Corporate Secretary/Director of Cuervo Far East, Inc. (2005 to present), and Corporate Secretary of Tajima Yakiniku Inc. (2005 to present). She was formerly a Director of Active Earnings Inc. (2003 to 2011), Carellan, Inc. (2003 to 2011), Carom, Inc. (2003 to 2011), Grand Pin Development Corporation (2004 to 2011), Hobitton, Inc. (2003 to 2011) and Weathertop, Inc. (2004 to 2011); Corporate Secretary of Cuisine Allurements, Inc. (2002 to 2011), Los Boldos, Inc. (2003 to 2011) , Onion and Chives, Inc. (2003 to 2011) and Corporate Secretary of RF Cuervo, Inc. (2007 to 2008).

**JOSE FRANCISCO MIRANDA, 35, Filipino/ Director**

Mr. Miranda was elected Director of the Company on 13 December 2012 and became a member of the Remuneration Committee on the same date. He is currently the Company's Chief Financial Officer and Treasurer. He graduated from the University of the Philippines, Diliman, Quezon City, with a degree in B. S. Geodetic Engineering He sits as a director and officer of various public and private corporations including Geograce Resources Philippines, Inc., Dizon-Copper Silver Mines, Inc., NiHAO Mineral Resouces International, Inc. among others.

**MANUEL G. ACENAS, 67, Filipino/ Director**

Mr. Acenas was elected Director of the Company on 13 December 2012. He is a Philippine registered geologist currently working as a mineral exploration and geological consultant for various companies. He was a Senior Geologist for Eldore Mining Corp. . Ltd. in Australia from 2005 to 2008 and in the Philippines from 2008 to 2011. Mr. Acenas graduated with a Bachelor of Arts Major in Geology from the Adamson University in 1969.

**EDUARDO V. MANALAC, 65, Filipino/ Independent Director**

Mr. Mañalac was elected Independent Director of the Company on 13 December 2012 and became the Chairman of Audit and Remuneration Committees on the same date. He attended the University of the Philippines, Diliman where he received a Bachelor of Science Degree in Geology in 1967 and his post-graduate studies in petroleum geology in 1969. His professional career spans 35 years of experience in international petroleum exploration and production, management, acreage acquisition, production sharing contracts and other joint venture negotiations. He is currently the President of TransEnergy International Limited, Non-executive director of Nido Petroleum Limited, Non-executive director of Basic Energy Corporation and Non-Executive Director and Chairman of Wellex Industries. He was President and CEO of the Philippine Naitonal Oil Company from 2004-2006.

**FELIXES G. LATONERO, 38**, Filipino/ Independent Director.

Mr. Latonero is currently the President of Nontrad Advertising and FGL Modular Cabinet System, Inc. He was an Art Director at Eat Bulaga (TAPE) from 2000-2003, and Art Director of ABS-CBN Corporation from 1995-1998.

**Family Relationships**

Atty. Antonio Victoriano F. Gregorio III and Atty. Venus L. Gregorio are spouses.

Other than the relationship disclosed above, the company is not aware of any other family relationships up to the fourth civil degree, either by consanguinity or affinity, among the directors and officers of the Company.

**Involvement in Certain Legal Proceedings**

The Company is not aware of:

- (a) any bankruptcy petition filed by or against any business or which any director or member of senior management was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;
- (b) any conviction by final judgment, of any director or member of senior management, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) of any director or member of senior management being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign permanently or temporarily enjoining, barring, suspending or otherwise limiting such director's or member of senior management's involvement in any type of business, securities, commodities or banking activities; and
- (d) any director or member of senior management being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self regulatory been reversed, suspended, or vacated, during the last five (5) years up to the date of filing.

## **Item 10. Executive Compensation**

### **SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Amount of Compensation
	2013 (est)	993,382 sum of the aggregate annual cash compensation of the named executives
Antonio V.F. Gregorio III, Chairman (1) Chi Ho Co, President (2) Jose Francisco Miranda, CFO (3) No other officers receiving compensation as a group	2012	1,237,827 sum of the aggregate annual cash compensation of the named executives
Antonio V.F. Gregorio III, Chairman (1) Chi Ho Co (2) Jose Francisco Miranda (3) No other officers receiving compensation as a group	2011	1,171,160 sum of the aggregate annual cash compensation of the named executives
Antonio V.F. Gregorio III, Chairman (1) Chi Ho Co, President (2) Jose Francisco Miranda, COO (3) No other officers receiving compensation as a group	2010	1,266,454 sum of the aggregate annual cash compensation of the named executives

(1) No compensation for services rendered

(2) Starting Feb.2013, no compensation for services rendered. Prior to Feb 2013, compensation in the form of management fees subject to expanded withholding tax. Resigned as Treasurer and was elected President on 16 October 2012.

(3) Compensation as Treasurer and CFO. Appointed as Treasurer on 12 November 2012.  
Prior to appointment, he was the COO.

- Compensation of Directors**

Other than a minimal per diem in the amount of ₱5,000.00 for each Board meeting attended, the Directors of the Company are not compensated, directly or indirectly, for any services provided as such including committee participation or any special assignments.

- Employment Contracts and Termination of Employment and Change-in-control Arrangement**

There are no special arrangements as to the employment contract of any executive officer such that said officer will be compensated upon his resignation, retirement or other termination from the Company or its subsidiaries, or as may result from a change-in-control except as provided by law.

- Warrants and Options Outstanding**

There are no outstanding warrants and options outstanding held by the Company's President, the named executive officers and all officers and directors as a group.

### **Item 11. Security Ownership of Certain Record and Beneficial Owners and Management**

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

The following are the owners of record of more than five percent (5%) of the Company's outstanding capital stock, the number of shares and percentage of shareholdings of each of them as of 31 December 2012.

Type of Class	Name, address of owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Amount of Ownership	Percent of Class
Common	<b>PCD Nominee Corporation</b>	<b>Various Owners</b> 1. Abacus Securities Corporation – 82,194,900 (11.11%) 2. King's power Securities - 66,620,000 (9.00%) 3. Tower Securities Inc.- 38,972,000 (5.27%)	Filipino	<b>592,083,930*</b>	<b>80.01%</b>
Common	<b>Renato Reyes</b>		Filipino	<b>85,407,500**</b>	<b>11.54%</b>

\*Excludes 13,407,500 shares owned by Mr. Reyes

\*\*Includes 13,407,500 shares already with PCD

#### *Security Ownership of Management*

The following are the number of common shares owned of record by the directors and executive officers of the Company and the percentage of shareholdings of each of them, as of December 31, 2012:

Title of Securities	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (D) direct/ (I) indirect	Citizenship	Percent of Class
Common	Antonio V.F. Gregorio III Chairman and Director	10,000 (Direct)	Filipino	0.000%

Title of Securities	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (D) direct/ (I) indirect	Citizenship	Percent of Class
Common	Chi Ho Co President and Director	10,000 (Direct)	Filipino	0.00%
Common	Leonardo S. Gayao Director	1,000 (Direct)	Filipino	0.00%
Common	Jose Francisco Miranda Director, CFO and Treasurer	2,000 (Direct)	Filipino	0.00%
Common	Manuel Acenas Director	2,000 (Direct)	Filipino	0.00%
Common	Eduardo Mañalac Independent Director	2,000 (Direct)	Filipino	0.00%
Common	Felixes Latonero Independent Director	10,000 (Direct)	Filipino	0.00%
Common	Venus L. Gregorio Corporate Secretary and Corporate Information Officer	10,000 (Indirect) From Antonio V.F. Gregorio	Filipino	0.00%
	Aggregate for above named Officers and Directors	37,000		0.00%

*Changes in Control*

No arrangements are in place, which may result in a change in the control of the Company.

**Item 12. Certain Relationships and Related Transactions**

The Company extend advances to a stockholder amounting to ₱5,798,661 as of December 31, 2012. These advances are non-interest bearing.

The Company obtains short-term and non interest-bearing advances from stockholders for working capital requirements. Total advances amounted to NIL and ₱1,050,000 as of December 2011 and 2010, respectively.

## **PART IV – CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

**(i) The evaluation system established by the Company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance.**

The Corporation complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with corporate governance

**(ii) Measures being undertaken by the Company to fully comply with the adopted leading practices on good corporate governance.**

Some of the Board of Directors are yet to attend a 2-day seminar on Corporate Governance and are planning to attend at the earliest schedule offered by the SEC

**(iii) Any deviation from the Company's Manual of Corporate Governance. It shall include a disclosure of the name and position of the person/s involved, and the sanctions imposed on said individual.**

The Company does not know of any deviation from its Manual of Corporate Governance.

**(iv) Any plan to improve corporate Governance of the Company.**

The Board of Directors will study the need to improve the corporate governance of the Company.

In compliance with the Securities and Exchange Commission Memorandum Circular No. 2 dated April 5, 2002; a certification was issued and submitted by the Company on 15 January 2013.

## **PART V – EXHIBITS AND SCHEDULES**

### **Item 14. Exhibits and Reports on SEC Form 17-C**

#### **(a) Exhibits**

None.

#### **(b) Reports on SEC Form 17-C**

The following SEC Form 17-C (Current Reports) have been filed by the Company during the last twelve-month period covered by this report on the dates mentioned hereunder:

**Date of Event Reported**

**Event Reported**

April 18, 2012

- (1) Postponement of the Annual Meeting scheduled to be held on the second Thursday of May per the By-Laws of the Corporation and calling of the Annual Stockholders Meeting including determination of the venue and preparation of necessary reports to shareholders. The Chairman has likewise been authorized to move the meeting date as may be justified by logistical and other compliance requirements.
- (2) Authorization for Increase of the authorized capital stock of the Company from One hundred million pesos (₱ 100,000,000.00) divided into One billion shares (1,000,000,000) at Ten Centavos (₱0.10) per share to Two Hundred Million Pesos (₱200,000,000.00) divided into Two billion (2,000,000,000) shares at Ten Centavos (₱0.10) per share. This shall be the first tranche of capital increase being undertaken per the approval of the shareholders during the 17 December 2009 stockholders' meeting.
- (3) Approval for issuance of Five Hundred Million Shares out of and to support the Company's increase in authorized capital stock using the subscription of the investors who will subscribe to the shares of the Company via private placement at the subscription price of Seventy centavos (₱0.70) per share.
- (4) Approval of the increase in the number of directors of the Company from seven (7) to nine (9) directors and amendments of the Articles of Incorporation and By-laws of the Corporation reflecting said change.
- (5) Creation of at least two (2) subsidiaries to engage in the businesses of management consultancy and mining which subsidiaries maybe used by the Company for the expansion of its investments and acquisition of interest in the fields of finance and mining development.

April 19,2012

Correction of item (2) above:

Authorization for Increase of the authorized capital stock of the Company from One hundred million pesos (₱ 100,000,000.00) divided into One billion shares (1,000,000,000) at Ten Centavos (₱0.10) per

share to Three Hundred Million Pesos (₱300,000,000.00) divided into Two billion (3,000,000,000) shares at Ten Centavos (₱0.10) per share. This shall be the capital increase being undertaken per the approval of the shareholders during the 17 December 2009 stockholders' meeting.

October 16, 2012

- (1) Resignation of Mr. Jerry Angping as Chairman and President of the Company.
- (2) Resignation of Mr. Chi Ho Co as Treasurer, Atty. Antonio Gregorio III as Corporate Secretary and of Atty. Venus Gregorio as Assistant Corporate Secretary of the Corporation.
- (3) Election of Mr. Chi Ho Co as President of the Company.
- (4) Election of Atty. Antonio V. F. Gregorio as Chairman of the Company.
- (5) Election of Atty. Venus L. Gregorio as Corporate Secretary of the Company.
- (6) Calling of the Annual Stockholders' Meeting of Lodestar Investment Holdings Corporation in December 2012 at a day and in a venue to be determined by the Chairman. Details of the meeting will be announced via the proper disclosure.
- (7) Authorization upon the Chairman to sign and execute a Plan of Merger with Abacus Coal Exploration and Development Corporation. The draft of the plan of Merger will be disclosed in the Information Statement for the Annual Stockholders' meeting for purposes of submitting the same to the approval of shareholders.

October 30, 2012

Board of Directors approval of the appointment of Mr. Antonio Victoriano F. Gregorio III as Chairman, Mr. Chi Ho Co and Mr. Felixes Latonero as members of the Nominations Committee of the Corporation.

November 28, 2012

Adoption of Audit Committee Charter and plan to comply with Guidelines for the Assessment of the Performance of Audit Committees of the companies listed on the Exchange pursuant to SEC memorandum Circular No. 4, Series of 2012.

December 13, 2012

The following resolutions, items and matters were approved without objection by the stockholders

representing a total of 370,790,986 shares or 50.10% of the outstanding and issued and capital stock of the Corporation during the annual meeting of the stockholders of Lodestar Investment Holdings Corporation held at 1PM at AIM Conference Center In Makati:

- (1) Approval of Minutes of the Annual Stockholders' Meeting held on 22 December 2010.
- (2) Annual report of the President and Management.
- (3) Adoption of the Audited Financial Statements for years ended 31 December 2011 and 2010.
- (4) Ratification of all acts of the Board of Directors and Management for the period covered from 22 December 2010 to 13 December 2012.
- (5) Appointment of Punongbayan and Araullo as the Company's External Auditor.
- (6) The stockholders elected the following Directors of Lodestar to serve as such for the ensuing year and until the election and qualification of their successors:

1. Antonio V. F. Gregorio III
2. Chi Ho Co
3. Leonardo S. Gayao
4. Jose Francisco Miranda
5. Manuel G. Acenas

Independent Directors  
6. Felixes Latonero  
7. Eduardo Mañalac

- (7) In the organizational Meeting of the Board of Director immediately succeeding the shareholders' meeting, the following were elected officers of Lodestar to serve as such for the ensuing year and until the election and qualification of their successors:

- a) Chairman - Antonio V.F. Guerrero III
- b) President – Chi Ho Co
- c) CFO/ Treasurer - Jose Francisco Miranda
- d) Corporate Secretary/ Corporate Information Officer – Venus L. Gregorio

- (8) The following persons were likewise appointed to the following Committee memberships:

**Audit Committee:**

Chairman - Eduardo Mañalac  
Members - Antonio V.F. Gregorio II  
Chi Ho Co

**Nomination Committee:**

Chairman - Antonio V.F. Gregorio III  
Members - Chi Ho Co  
Felixes Latonero

**Remuneration Committee**

Chairman - Eduardo Mañalac  
Members - Leonardo S. Gayao  
Jose Francisco Miranda

December 14, 2012

Additional information during the annual stockholders' meeting:

- (1) The 9<sup>th</sup> item of the Agenda (Approval of the Plan of Merger with Abacus Coal Exploration and Development Corporation) was not discussed during the meeting for the lack of the necessary votes of 2/3 majority to pass the same.
- (2) Likewise, the 10<sup>th</sup> item in the Agenda (Approval of the increase of the number of Directors from (7) to (09) was not discussed during the meeting for lack of the necessary 2/3 votes majority to approve the same.

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in  
on April 1, 2013.

QUEZON CITY  
By:

APR 11 2013

ANTONIO VICTORIANO F. GREGORIO III  
Chairman of the Board

CHI HO CO  
President

JOSE FRANCISCO MIRANDA  
CFO/ Treasurer

VENUS I. GREGORIO  
Corporate Secretary

SUBSCRIBED AND SWORN to before me on the day of April 2013 affiants exhibiting  
to me APR 11 2013

Name	ID No.	Issued on/at
Antonio V.F. Gregorio III	TIN 201-897-602	
Chi Ho Co	TIN 167-858-435	
Jose Francisco Miranda	TIN 291-271-321	
Venus Gregorio	TIN 181-964-522	

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Series of 2013.	:	

Notary Public  
**ATTY. JOEL G. GORDOLA**  
**NOTARY PUBLIC**  
**NOTARIAL COMMISSION NO. 066**  
**COMMISSION EXPIRES DEC. 31, 2013**  
**PTR NO. 7561083, 1/02/2013, Q.C.**  
**IBP NO. 834489, 1/02/2013, Q.C.**  
**ROLL OF ATTORNEY NO. 25103**



Punongbayan & Araullo

An instinct for growth™

Financial Statements and  
Independent Auditors' Report

**Lodestar Investment Holdings Corporation**

December 31, 2012, 2011 and 2010

# LODESTAR INVESTMENT HOLDINGS CORPORATION

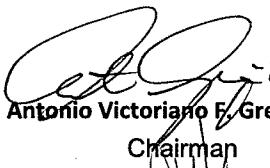
7<sup>th</sup> Floor Peaksun Bldg., Shaw Boulevard corner Princeton St., Mandaluyong City

## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Lodestar Investment Holdings Corporation** is responsible for the preparation and fair presentation of the financial statements for the years ended **December 31, 2012 and 2011**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and the implementing internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

**Punongbayan & Araullo**, the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and its report to the stockholders or members, has expressed opinion on the fairness of presentation upon completion of such examination.

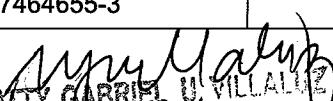
  
Antonio Victoriano F. Gregorio III  
Chairman  
  
Chi Ho Co  
President  
  
Jose Francisco E. Miranda  
Chief Financial Officer / Treasurer

06 NOV 2013

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2013 at \_\_\_\_\_ exhibiting to me their competent identification as follows:

Name	Identification Number	Expiry
Antonio Victoriano F. Gregorio III	Passport # EB2635337	06/06/2016
Chi Ho Co	Driver's License # N03-89-080012	04/30/2016
Jose Francisco E. Miranda	SSS 33-7464655-3	

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Book No. 7  
Series of 2013.

  
ATTY. GABRIEL U. VILLALUZ  
NOTARY PUBLIC FOR CUEZON CITY  
UNTIL DECEMBER 31, 2013  
PTR NO. 7561024 / 1-2-2013  
IBP NO. 834426 / 1-2-2013  
ROLL NO. 36085 / ADNP-012 (2013-2014)



# Punongbayan & Araullo

An instinct for growth™

## Report of Independent Auditors

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The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

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F +63 2 886 5506  
[www.punongbayan-araullo.com](http://www.punongbayan-araullo.com)

**The Board of Directors and the Stockholders  
Lodestar Investment Holdings Corporation  
3rd Floor, Certeza Building  
795 EDSA, Diliman  
Quezon City**

### Report on the Financial Statements

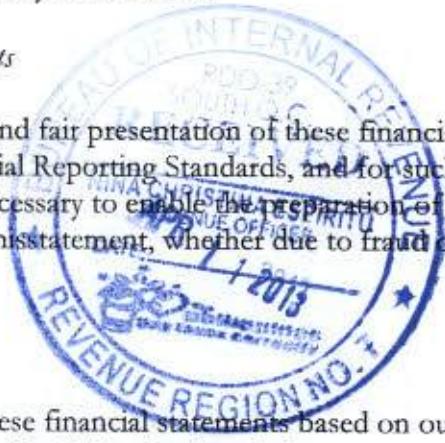
We have audited the accompanying financial statements of Lodestar Investment Holdings Corporation which comprise the statements of financial position as at December 31, 2012 and 2011, and statements of income, the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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



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

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

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lodestar Investment Holdings Corporation as at December 31, 2012 and 2011, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates that the Company has incurred net losses of P20,040,221 P4,217,437 and P10,850,748 for the years ended December 31, 2012, 2011 and 2010, respectively, and has accumulated deficit of P92,435,860 and P72,395,639 as of December 31, 2012 and 2011, respectively. These conditions raise material uncertainty on the Company's ability to continue as a going concern. However, as discussed in Note 1, the Company has a plan to enter into a merger with Abacus Coal Exploration and Development Corporation which the Company intends to settle in 2013. Moreover, the Company is currently in the process of searching for possible mining opportunities. Consequently, the accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of assets and the amounts and settlement of liabilities that might result from the outcome of this uncertainty.

We have performed sufficient audit procedures and obtained evidence to verify the validity of management plans and actions regarding this matter.



### Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2012 required by the Bureau of Internal Revenue as disclosed in Note 19 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### PUNONGBAYAN & ARAULLO

By:   
Romualdo V. Murcia III  
Partner

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 3671457, January 2, 2013, Makati City  
SEC Group A Accreditation  
Partner - No. 0628-AR-1 (until Aug. 25, 2013)  
Firm - No. 0002-FR-3 (until Jan. 18, 2015)  
BIR AN 08-002511-22-2011 (until Feb. 3, 2014)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

April 10, 2013



**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012 AND 2011**  
*(Amounts in Philippine Pesos)*

	Notes	<b>2012</b>	<b>2011</b>
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash	7	P 3,406,425	P 1,589,125
Available-for-sale financial assets	8	-	20,779,600
Advances to a stockholder	13	4,076,772	-
Other current assets	9	<u>3,899,225</u>	<u>2,524,928</u>
Total Current Assets		<b><u>11,382,422</u></b>	<b><u>24,893,653</u></b>
<b>NON-CURRENT ASSET</b>			
Deposit for future stock investment	10	37,000,000	37,000,000
Office furniture - net		<u>7,522</u>	<u>37,612</u>
Total Non-Current Assets		<b><u>37,007,522</u></b>	<b><u>37,037,612</u></b>
<b>TOTAL ASSETS</b>		<b>P 48,389,944</b>	<b>P 61,931,265</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	11	P 107,897	P 1,804,416
Advances from third parties	12	<u>3,049</u>	<u>1,086,258</u>
Total Current Liabilities		<b><u>110,946</u></b>	<b><u>2,890,674</u></b>
<b>EQUITY</b>			
Capital stock	14	74,000,000	74,000,000
Additional paid-in capital	14	66,714,858	66,714,858
Revaluation reserve	8	9,278,628	9,278,628
Deficit		<u>( 92,435,860 )</u>	<u>72,395,639</u>
Total Equity		<b><u>48,278,998</u></b>	<b><u>59,040,591</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 48,389,944</b>	<b>P 61,931,265</b>

*See Notes to Financial Statements.*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**  
*(Amounts in Philippine Pesos)*

	Notes	2012	2011	2010
REVENUE		P -	P -	P -
<b>EXPENSES</b>				
Loss on sale of available-for-sale financial assets	8	15,724,330	-	-
Professional fees		1,400,667	762,922	1,558,552
Legal fees		830,000	915,000	2,085,000
Salaries and wages	13	645,180	643,815	736,191
Membership dues		250,000	250,000	250,000
Transportation and travel		243,941	87,091	15,568
Representation		227,237	13,380	44,500
Commission		187,364	-	-
Printing and office supplies		126,950	48,508	92,707
Directors' fees		116,667	35,000	245,500
Depreciation		30,090	22,567	-
Trustee fees		16,384	62,422	95,633
Taxes and licenses	19	11,604	13,273	11,633
Management fees		-	1,200,000	5,040,000
Listing and other regulatory fees		-	61,200	190,121
Permits		-	-	184,390
Others		238,753	122,307	327,155
		<b>20,049,167</b>	<b>4,237,485</b>	<b>10,876,950</b>
<b>OPERATING LOSS</b>		<b>20,049,167</b>	<b>4,237,485</b>	<b>10,876,950</b>
<b>INTEREST INCOME</b>	7	<b>11,183</b>	<b>25,060</b>	<b>32,752</b>
<b>LOSS BEFORE TAX</b>		<b>20,037,984</b>	<b>4,212,425</b>	<b>10,844,198</b>
<b>TAX EXPENSE</b>	16	<b>2,237</b>	<b>5,012</b>	<b>6,550</b>
<b>NET LOSS</b>		<b>P 20,040,221</b>	<b>P 4,217,437</b>	<b>P 10,850,748</b>
<b>LOSS PER SHARE</b>	15	<b>P 0.027</b>	<b>P 0.006</b>	<b>P 0.015</b>

*See Notes to Financial Statements*



**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**  
*(Amounts in Philippine Pesos)*

	Note	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>NET LOSS</b>		(P 20,040,221)	(P 4,217,437)	(P 10,850,748)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Reclassification adjustment due to disposal of available-for-sale financial assets	8	9,278,628	-	-
Unrealized losses on available-for-sale financial assets		-	( 24,049,395 )	( 12,292,000 )
		<u>9,278,628</u>	<u>( 24,049,395 )</u>	<u>( 12,292,000 )</u>
<b>TOTAL COMPREHENSIVE LOSS</b>		(P 10,761,593)	(P 28,266,832)	(P 23,142,748)

*See Notes to Financial Statements.*



**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**  
*(Amounts in Philippine Pesos)*

*See Notes to Financial Statements.*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**  
*(Amounts in Philippine Pesos)*

	Notes	2012	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before tax		( P 20,037,984 )	( P 4,212,425 )	( P 10,844,198 )
Adjustments for:				
Loss on sale of available-for-sale financial assets	8	15,724,330	-	-
Depreciation		30,090	22,567	-
Interest income	7	( 11,183 )	( 25,060 )	( 32,752 )
Operating loss before working capital changes		( 4,294,747 )	( 4,214,918 )	( 10,876,950 )
Increase in other current assets		( 1,374,297 )	( 1,350,173 )	( 463,627 )
Increase in advances to a stockholder		( 4,076,772 )	-	-
Decrease in accounts payable and accrued expenses		( 1,696,519 )	( 503,756 )	( 109,016 )
Decrease in advances from third parties		( 1,083,209 )	( 11,667,657 )	( 1,372,623 )
Cash used in operations		( 12,525,544 )	( 17,736,504 )	( 12,822,216 )
Interest received		11,183	25,060	32,752
Cash paid for final taxes	16	( 2,237 )	( 5,012 )	( 6,550 )
Net Cash Used in Operating Activities		( 12,516,598 )	( 17,716,456 )	( 12,796,014 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of available-for-sale financial assets		14,333,898	-	-
Deposit for future stock investment	9	-	( 10,000,000 )	-
Acquisition of available-for-sale financial assets	8	-	( 7,733,495 )	-
Acquisition of office furniture		-	( 60,179 )	-
Net Cash From (Used in) Investing Activities		14,333,898	( 17,793,674 )	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from subscribed capital stock	14	-	37,875,000	12,600,000
Repayments of advances from stockholders		-	( 1,050,000 )	( 9,636,095 )
Net Cash From Financing Activities		-	36,825,000	2,963,905
<b>NET INCREASE (DECREASE) IN CASH</b>		1,817,300	1,314,870	( 9,832,109 )
<b>CASH AT BEGINNING OF YEAR</b>		1,589,125	274,255	10,106,364
<b>CASH AT END OF YEAR</b>		P 3,406,425	P 1,589,125	P 274,255

*See Notes to Financial Statements.*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012, 2011 AND 2010**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE MATTERS**

***1.1 Corporate Information***

Lodestar Investment Holdings Corporation (the Company) was incorporated on January 3, 1974 and its shares are listed with the Philippine Stock Exchange (PSE). The Company's primary purpose is to engage as an investment holding company. At present, the Company has no commercial operations but is in the process of searching for mining opportunities.

The Company's registered office is located at 3rd Floor, Certeza Building, 795 EDSA, Diliman, Quezon City.

***1.2 Status of Operations***

The Company has incurred net losses of P20,040,221, P4,217,437 and P10,850,748 for the years ended December 31, 2012, 2011 and 2010, respectively, and has accumulated deficit of P92,435,860 and P72,395,639 as of December 31, 2012 and 2011, respectively. These conditions raise uncertainty on the Company's ability to continue as a going concern. However, the Company has a plan to enter into a merger with Abacus Coal Exploration and Development Corporation (ABACOAL) which the Company intends to settle in 2013 (see Note 17). Moreover, the Company is currently in the process of searching for possible mining opportunities. Consequently, the financial statements have been prepared assuming that the Company will continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of assets and settlement of liabilities that might result from the outcome of this uncertainty.

***1.3 Approval of Financial Statements***

The financial statements of the Company for the year ended December 31, 2012 (including the comparatives for the years ended December 31, 2011 and 2010) were authorized for issue by the Company's Board of Directors (BOD) on April 10, 2013.

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

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

### ***2.1 Basis of Preparation of Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

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

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

#### ***(b) Presentation of Financial Statements***

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expense in two statements: a statement of income and a statement of comprehensive income.

Two comparative periods are presented for the statement of financial position when the Company applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

#### ***(c) Functional and Presentation Currency***

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

## **2.2 Adoption of New and Amended PFRS**

### *(a) Effective in 2012 that is Relevant to the Company*

There are new amendments to PFRS that are effective for financial statements for the annual period beginning on or after July 1, 2011 or January 1, 2012. Among those amendments, only PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets*, is relevant to the Company and hence, adopted by the Company in 2012. The amendment requires additional disclosures that will allow users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and, to evaluate the nature of, and risk associated with any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. The Company did not transfer any financial asset involving this type of arrangement; hence, the amendment did not result in any significant change in the Company's disclosures in its financial statements.

### *(b) Effective in 2012 that are not Relevant to the Company*

The following amendments and improvements to PFRS are mandatory for accounting periods beginning on or after July 1, 2011 or January 1, 2012 but are not relevant to the Company's financial statements:

PFRS 1 (Amendment)	:	First-time Adoption of PFRS
PAS 12 (Amendment)	:	Income Taxes – Deferred Tax: Recovery of Underlying Assets

### *(c) Effective Subsequent to 2012 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards that are effective for periods subsequent to 2012. Management has initially determined the following pronouncements, which the Company will apply in accordance with their transitional provisions, to be relevant to its financial statements:

- (i) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in Other Comprehensive Income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Company's management expects that this will not affect the presentation of items in other comprehensive income, since the Company's other comprehensive income pertains only to unrealized fair value gains and losses on available-for-sale (AFS) financial assets, which can be reclassified to profit or loss when specified conditions are met.

- (ii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's financial position. The Company has initially assessed that the adoption of the amendment will not have a significant impact on its financial statements.
- (iii) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to assess the impact of the new standard on the Company's financial statements.
- (iv) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Company does not expect this amendment to have a significant impact on its financial statements.

(v) PFRS 9, *Financial Instruments: Classification and Measurement* (effective from January 1, 2015). This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. This chapter covers the classification and measurement of financial assets and financial liabilities and it deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangement, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed.

Further, in November 2011, the IASB tentatively decided to consider making limited modifications to International Financial Reporting Standards 9's financial asset classification model to address certain application issues.

The Company does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, the Company will continue to assess the possible effect of this standard considering the impact of all changes until its implementation in 2015.

(vi) 2009-2011 Annual Improvements to PFRS. Annual improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after January 1, 2013. Among those improvements, the following amendments are relevant to the Company but management does not expect a material impact on the Company's financial statements:

- (a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies the requirements for presenting comparative information for the following:

- Requirements for opening statement of financial position

If an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period (i.e., opening statement of financial position), it shall present such third statement of financial position.

Other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- Requirements for additional comparative information beyond minimum requirements

If an entity presented comparative information in the financial statements beyond the minimum comparative information requirements, the additional financial statements information should be presented in accordance with PFRS including disclosure of comparative information in the related notes for that additional information. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

- (b) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity.

### **2.3 Financial Assets**

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

The Company's financial assets pertain to loans and receivables and AFS financial assets.

#### *(a) Loans and Receivables*

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The Company's financial assets categorized as loans and receivables are presented as Cash, Receivables (under Other Current Assets) and Advances to a Stockholder in the statement of financial position. Cash is defined as cash on hand and demand deposits which are subject to insignificant risk of changes in value.

#### *(b) AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are presented as current assets in the statement of financial position since management intends to dispose of the investments within twelve months from the reporting period. Otherwise, AFS financial assets are presented as non-current assets. The Company's AFS financial assets include listed equity securities.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, and are reported as part of the Revaluation Reserves account in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as Interest Income and Loss on Sale of AFS Financial Assets in the statement of income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred.

#### **2.4 Other Current Assets**

Other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

## ***2.5 Office Furniture***

Office furniture are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation of office furniture is computed on the straight-line basis over the estimated useful life of two years.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than the estimated recoverable amount.

The residual value and estimated useful life of office furniture are reviewed and adjusted if appropriate, at the end of each reporting period.

The Company's office furniture are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment loss for office furniture is recognized for the amount by which the asset's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from such asset and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors determined reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Office furniture are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

An item of office furniture is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

## ***2.6 Financial Liabilities***

Financial liabilities, which include accounts payable and accrued expenses (except for tax-related liabilities) and advances from third parties, are recognized when the Company becomes a party to the contractual terms of the instrument.

Accounts payable and accrued expenses and advances from third parties are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

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

### ***2.7 Offsetting Financial Instruments***

Financial assets and liabilities are set-off and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

### ***2.8 Provisions and Contingencies***

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provisions due to the passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

## ***2.9 Revenue and Expense Recognition***

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Company, and the costs incurred or to be incurred can be measured reliably.

Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

Costs and expenses are recognized in profit or loss upon utilization of goods or services at the date they are incurred. Any finance costs are reported in the statement of income on an accrual basis.

## ***2.10 Income Taxes***

Tax expense recognized in the statement of income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from or obligations to fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of income.

Deferred tax is provided, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity, if any, are recognized in other comprehensive income or directly in equity.

### ***2.11 Related Party Relationships and Transactions***

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

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

### ***2.12 Equity***

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital represents any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves pertain to the unrealized gains or losses arising from the revaluation of AFS financial assets.

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

### ***2.13 Losses Per Share***

Losses per share are determined by dividing net loss by the weighted average number of common shares issued and outstanding during the year. Diluted losses per share are not computed since the Company has no potential dilutive common shares.

### ***2.14 Events After the End of the Reporting Period***

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

#### ***3.1 Critical Management Judgments in Applying Accounting Policies***

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

##### ***(a) Impairment of AFS Financial Assets***

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. As of December 31, 2011, management concluded that the Company's AFS financial assets are not impaired. The Company disposed its entire AFS financial assets in 2012.

##### ***(b) Recognition of Provisions and Contingencies***

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition of provisions and contingencies are discussed in Note 2.8 and disclosures on relevant provisions and contingencies are presented in Note 18.

#### ***3.2 Key Sources of Estimation Uncertainty***

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

##### ***(a) Fair Value Measurements for Financial Instruments***

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The fair value of the Company's AFS financial assets has been determined directly by reference to published prices quoted in an active market.

The carrying values of the Company's AFS financial assets and the amounts of fair value changes recognized on those assets are disclosed in Note 8.

(b) *Determining Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As of December 31, 2012 and 2011, the Company did not recognize its deferred tax asset arising from net operating loss carry-over (NOLCO) as the Company may not have sufficient taxable income against which the NOLCO can be applied (see Note 16).

(c) *Impairment of Office Furniture*

The Company's policy on estimating the impairment of office furniture is discussed in Note 2.5. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on office furniture in 2012, 2011, and 2010.

#### 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from its use of financial instruments. The Company's risk management is coordinated in close cooperation with the BOD, and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

##### 4.1 *Market Risk*

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk and certain other price risk which result from both its operating and investing activities.

*(a) Interest Rate Risk*

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually made at fixed rates. At December 31, 2012 and 2011, the Company is exposed to changes in market interest rates through its cash, which are subject to variable interest rates (see Note 7). All other financial assets and liabilities have fixed rates.

The table below illustrates the sensitivity of the Company's profit before tax and equity to a reasonably possible change in interest rates of +/- 1.53% and +/- 2.30% in 2012 and 2011, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	2012		2011	
	+ 153	- 153	+230	-230
Loss before tax	(P 52,130)	P 52,130	(P 36,846)	P 36,846
Equity	( 41,704)	41,704	( 29,477)	29,477

*(b) Other Price Risk*

The Company's exposure to price risk arises from its investments in equity securities, which are classified as AFS Financial Assets in the statements of financial position. It manages its risk arising from changes in market indices by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, an average volatility of 16.40% has been observed during 2011. If the quoted price for these securities increased or decreased by that amount, equity would have changed by P3,408,045 in 2011. The Company is not exposed to this risk in 2012 since its AFS financial assets were entirely disposed during the year.

#### **4.2 Credit Risk**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for its financial assets.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the statements of financial position as follows:

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
Cash	7	P 3,406,425	P 1,589,125
Advances to a stockholder	13.1	4,076,772	-
Other current assets	9	-	2,950
		<u>P 7,483,197</u>	<u>P 1,590,025</u>

The Company's cash is actively monitored to avoid significant and unwarranted exposure to credit risk. The credit risk for the Company's cash in banks is considered negligible since the counterparty is a reputable bank with high liquid credit ratings. Cash in banks, which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per banking institution as provided for under Republic Act No. 9302, *Charter of Philippine Deposit Insurance Corporation*, are still subjected to credit risk.

#### **4.3 Liquidity Risk**

The Company manages its liquidity needs by obtaining additional advances from stockholders.

As at December 31, 2012 and 2011, the Company's financial liabilities having contractual maturities of twelve months are presented below.

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
Accounts payable and accrued expenses	11	P 33,138	P 1,764,244
Advances from third parties	12	<u>3,049</u>	<u>1,086,258</u>
		<u>P 36,187</u>	<u>P 2,850,502</u>

## 5. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

### 5.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of the Company's financial assets and liabilities presented in the statements of financial position are shown below.

Notes	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets</b>				
Loans and receivables				
Cash	7	P 3,406,425	P 3,406,425	P 1,589,125
Advances to a stockholder	13.1	4,076,772	4,076,772	2,950
Other current assets	9	65,483	65,483	2,950
		7,548,680	7,548,680	1,592,075
AFS financial assets	8	-	-	20,779,600
		P 7,483,197	P 7,483,197	P 22,371,675
				P 22,371,675
<b>Financial liabilities</b>				
At amortized cost				
Accounts payable and accrued expenses	11	P 33,138	P 33,138	P 1,764,244
Advances from third parties	12	3,049	3,049	1,086,258
		P 36,187	P 36,187	P 2,850,502
				P 2,850,502

See Notes 2.3 and 2.6 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 4.

### 5.2 Fair Value Hierarchy

The financial assets and liabilities measured at fair value in the statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

As of December 31, 2011 (nil in 2012), AFS financial asset is the only financial asset measured at fair value in the statement of financial position and the value is determined under Level 1. There were no financial liabilities measured at fair value as of December 31, 2012 and 2011.

There were no transfers between levels 1 and 2 in both years.

## 6. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

The Company monitors capital on the basis of the carrying amount of equity as presented on the statements of financial position.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares.

The Company's debt-to-equity ratio as of December 31, 2012 and 2011 follows:

	2012	2011
Total liabilities	P 110,946	P 2,890,674
Total equity	<u>48,278,998</u>	<u>59,040,591</u>
Debt-to-equity ratio	<u>0.002 : 1.00</u>	<u>0.049 : 1.00</u>

As discussed in Note 1.2, the Company has a plan to enter into a merger with ABACOAL where the Company shall acquire the coal property and all the other assets and liabilities of ABACOAL (see Note 17). Moreover, the Company is in the process of searching for other mining opportunities.

## 7. CASH

The Company's cash comprises cash in banks which generally earn interest at rates based on daily bank deposit rates. Total interest income earned arising from these deposits amounted to P11,183, P25,060 and P32,752 in 2012, 2011 and 2010, respectively, and is presented as Interest Income in the statements of income.

## 8. AVAILABLE-FOR- SALE FINANCIAL ASSETS

The reconciliation of the carrying amount of AFS financial assets in 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	P 20,779,600	P 37,095,500
Unrealized fair value losses - net	( 4,143,400)	( 24,049,395)
Disposals	( 16,636,200)	-
Acquisitions	-	7,733,495
 Balance at end of year	 <u>P -</u>	 <u>P 20,779,600</u>

AFS financial assets consist of shares of publicly-listed companies.

In 2012, the Company disposed its entire AFS financial assets at a selling price of P14.3 million. Accordingly, the cumulative fair value gains or losses recognized in other comprehensive income amounting to P9.3 million is reclassified from equity to profit or loss and presented as reclassification adjustment within other comprehensive income. Realized losses from the sale transaction which include the reclassification adjustment from equity to profit and loss amounting to P9.3 million, totaled P15.7 million and is shown as Loss on Sale of Available-for-Sale Financial Assets in the 2012 statement of income.

Unrealized fair value losses in 2011 are presented in the 2011 statement of comprehensive income.

The fair values of AFS financial assets as of December 31, 2011 have been determined directly by reference to the market value of the shares in the stock exchange based on the most recent transactions.

## 9. OTHER CURRENT ASSETS

This account is composed of the following:

	Note	<u>2012</u>	<u>2011</u>
Input value added tax (VAT)	19.1(b)	P 2,730,222	P 2,521,978
Advances to contractor		1,103,520	-
Others		<u>65,483</u>	<u>2,950</u>
		<u>P 3,899,225</u>	<u>P 2,524,928</u>

## 10. DEPOSIT FOR FUTURE STOCK INVESTMENT

This account pertains to amount of deposits made in 2009 to Abacus Consolidated Resources Holdings, Inc. (ACRHI) for the Company's 100% acquisition of ABACOAL, pursuant to the Agreement for Joint Investment executed by the Company and Music Semiconductors Corporation (MSC) on September 24, 2008 with certain amendments made on May 21, 2009 for the joint purchase by the Company and MSC of the 100% of the outstanding and issued shares of ABACOAL held by ACRHI (see Note 17). As of December 31, 2012 and 2011, the deposit for future stock investment amounted to P37,000,000.

## 11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of:

	<u>2012</u>	<u>2011</u>
Accrued expenses	P 107,897	P 82,526
Accounts payable	<u>-</u>	<u>1,721,890</u>
	<u>P 107,897</u>	<u>P 1,804,416</u>

Accrued expenses consist mainly of expanded withholding taxes and other government agency related payables.

## 12. ADVANCES FROM THIRD PARTIES

On May 31, 2009, the Company and Oriental Vision Mining Philippines Corporation (Orvi) entered into a Memorandum of Agreement (MOA) whereby Orvi will undertake exploration and development of a 7,000-hectare coal property in Surigao del Sur owned by ABACOAL. Under the MOA, Orvi shall have the right to explore, develop and operate the subject coal property in exchange for royalty fee at 8% of gross price per ton of any coal to be mined in the property. In addition, Orvi paid the Company P25,000,000 representing reimbursement of the Company's advances made and to be made to third parties related to the initial exploration and development of the coal property. Any settlement in excess of the P25,000,000 shall be collectible from Orvi and any excess of the P25,000,000 over the settlement made shall be payable to Orvi. In 2012 and 2011, the Company spent P1,083,209 and P11,667,657 in relation to the MOA, and charged the same to the Advances from Third Parties account. The remaining outstanding liability as of December 31, 2012 and 2011 amounted to P3,049 and P1,086,258, respectively, and are shown as Advances from Third Parties in the statements of financial position.

### 13. RELATED PARTY TRANSACTIONS

The Company's related party includes its stockholder and key management personnel.

#### *13.1 Advances to a Stockholder*

In 2012, the Company grants non-interest bearing advances to a stockholder for working capital purposes. The advances to the stockholder are unsecured and are due and demandable anytime. These advances are generally settled in cash.

The movements in the balance of advances to a stockholder, shown as Advances to a Stockholder account in the 2012 statement of financial position, are as follows:

Balance at beginning of year	P -
Additions	24,069,208
Collections	(19,924,436)
Balance at end of year	<u>P 4,076,772</u>

Collections include assumption of the stockholder of the Company's liabilities to certain third party totaling P1,721,890.

As at December 31, 2012, based on management's assessment, the outstanding balance of the Company's advances to a stockholder is not impaired, hence, no impairment loss is recognized.

#### *13.2 Key Management Personnel Compensation*

Key management personnel compensation amounted to P626,600 in both 2012 and 2011 is presented as part of Salaries and Wages under Expenses in the statements of income.

#### **14. CAPITAL STOCK**

The details of the Company's capital stock are as follows:

	Number of Shares			Amount		
	2012	2011	2010	2012	2011	2010
Authorized (R0.10 par value per share in 2012, 2011, and 2010)	1,000,000,000	1,000,000,000	1,000,000,000	P 100,000,000	P 100,000,000	P 100,000,000
Issued and outstanding:						
Issued:						
Balance at beginning of year	740,000,000	665,000,000	56,000,000	P 74,000,000	P 66,500,000	P 56,000,000
Issued during the year	-	75,000,000	10,500,000	-	7,500,000	10,500,000
Stock split	-	-	598,500,000	-	-	-
Balance at end of year	740,000,000	740,000,000	665,000,000	P 74,000,000	P 74,000,000	P 66,500,000
Subscribed:						
Balance at beginning of year	-	75,000,000	18,000,000	-	7,500,000	18,000,000
Paid during the year	-	( 75,000,000 )	( 10,500,000 )	-	( 7,500,000 )	( 10,500,000 )
Stock split	-	-	67,500,000	-	-	-
Balance at end of year	-	-	75,000,000	-	-	7,500,000
Total issued and outstanding	740,000,000	740,000,000	740,000,000	P 74,000,000	P 74,000,000	P 74,000,000
Subscription receivable						
				P 74,000,000	P 74,000,000	P 66,500,000

On May 26, 1989, the Securities and Exchange Commission (SEC) approved the listing of the Company's shares. As of December 31, 2012, 88% of the issued and outstanding shares are held by the public. Such listed shares closed at P16 per share as of December 28, 2012.

On November 6, 2009, the Company entered into another investment agreement with various investors whereas the investors agreed to subscribe by way of private placement of 10.0 million common shares of stock to be issued out of the unissued and unsubscribed portion of the authorized capital stock of the Company. The shares were subscribed at a price of P5.05 per share or for a total of P50.5 million, of which 25% or P12.6 million was initially paid in 2009. The transaction was approved by the BOD on September 14, 2009. The remaining amount of P37.9 million was fully paid in 2011.

In 2011, the Company has an outstanding subscription receivable at a par of P7.5 million with an additional paid in capital of P30.4 million. Such subscription receivable was collected in the same year.

On a special meeting of the BOD held on November 6, 2009, the BOD approved the following:

- (i) Proposed reduction in the par value of the shares of stock of the Company from P1.00 to P0.10 per share, resulting in a stock split of ten shares for every one share issued. A share buy-back program was also adopted, which will depend on the Company's retained earnings and the market price of the Company's shares under such terms and conditions to be determined and set by the BOD.
- (ii) Proposed increase in the authorized capital stock of the Company from P100.0 million divided into 100 million shares at P1.00 par value per share to P300.0 million divided into 3 billion shares at P0.10 par value per share.
- (iii) Issuance of shares of stock from the proposed capital increase through pre-emptive stock rights offering. The pre-emptive stock rights offering shall be implemented on a 1:1 proportion, i.e., one share held by qualified stockholders entitled the said stockholders to subscribe to one share under the offering. The stock rights offer price shall be at par of P0.10, representing the reduced par value of the shares at the expected time of the stock rights offering, or at P1.00 if the stock rights offering happens at the time prior to the reduction in the par value of the shares.

The foregoing proposed transactions were approved by the Company's stockholders on its annual meeting on December 17, 2009. On September 14, 2010, the SEC approved the reduction in the par value of the shares of stock of the Company from P1.00 to P0.10. In effect, the authorized capital stock shall be P100.0 million divided into 1.0 billion shares. As of December 31, 2012, the Company has yet to secure the approval of the SEC on the remaining transactions.

Further, on a meeting held on November 3, 2010, the BOD approved the proposed reduction in the par value of the shares of stock of the Company from P0.10 to P0.01 per share resulting in a stock split of ten shares for every one share owned. However, the reduction in par value has not been applied with the SEC as of December 31, 2012.

## 15. LOSS PER SHARE

Loss per share is computed as follows:

	2012	2011	2010
Net loss	P 20,040,221	P 4,217,437	P 10,850,748
Divided by the weighted average number of outstanding common shares	<u>740,000,000</u>	<u>740,000,000</u>	<u>740,000,000</u>
Loss per share	<u>P 0.027</u>	<u>P 0.006</u>	<u>P 0.015</u>

The Company has no potentially dilutive instruments, thus, basis and dilutive earnings per share are the same.

## 16. INCOME TAXES

The tax expense shown in profit or loss pertains to the final tax on the interest income earned on the Company's cash in banks.

The Company has no RCIT or MCIT because of its tax and gross loss position in each of the three years in the period ended December 31, 2012.

The Company did not recognize any deferred tax asset from its NOLCO as of December 31, 2012 and 2011 since it is doubtful that the Company will have sufficient taxable profit against which the deferred tax assets can be utilized. The amounts of unrecognized deferred tax assets as of December 31, 2012 and 2011 amounted to P5,728,610 and P6,880,494, respectively.

The breakdown of NOLCO, which can be claimed as deduction from future taxable income within three years from the year the taxable loss was incurred, is shown below.

<u>Year Incurred</u>		<u>Original Amount</u>		<u>Expired Balance</u>		<u>Remaining Balance</u>	<u>Expiry Year</u>
2012	P	3,980,933	P	-	P	3,980,933	2015
2011		4,237,485		-		4,237,485	2014
2010		10,876,950		-		10,876,950	2013
2009		<u>7,820,545</u>		<u>7,820,545</u>		<u>-</u>	<u>2012</u>
		<b>P 26,915,913</b>		<b>P 7,820,545</b>		<b>P 19,095,368</b>	

In 2012, 2011 and 2010, the Company opted to continue claiming itemized deductions.

## 17. AGREEMENT FOR JOINT INVESTMENT

### *17.1 Purchase of ABACOAL Shares*

On September 24, 2008, the Company and MSC agreed to purchase 100% of the outstanding and issued shares of ABACOAL held by ACRHI, including the Coal Operating Contract covering 7,000 hectare property at Mimi Tandag, Surigao del Sur (the Coal Property) assigned by ACRHI to ABACOAL. MSC and the Company shall acquire 55% and 45% participation and equity interest, respectively, in ABACOAL and the coal property. Unit price per stock of MSC and the Company shall be equivalent to the 90-day moving average of the shares prior to Date of Subscription or Share Purchase Agreements.

On May 21, 2009, the Company, MSC and ACRHI amended the agreement with the following revised terms and conditions:

(a) *Assignment of Investment Interests and Participation*

MUSX Corporation (formerly MSC) hereby assigns its right to acquire 55% participation and equity interest in ABACOAL and the coal property to the Company. As a result of the assignment, the Company shall have the right to acquire 100% participation and equity interest in ABACOAL and the coal property.

(b) *Consideration for the Assignment*

The Company shall pay MSC the following consideration for the assignment of the right to acquire 55% participation and equity interest in ABACOAL:

(1) P12.0 million upon signing of the Agreement as and by way of reimbursement of certain expenses and payments already made by MSC into the ABACOAL project; (2) P10.0 million on or before December 31, 2009, as and by way of reimbursement of the remainder of the expenses and payments already made and advanced by MSC into the Project; (3) One-fourth percent (0.25%) of the gross coal price per ton based on FOB loaded to vessel payable within 5 days from receipt of payment by the Company, as and by way of Royalties in the project. These royalty payments are payable only for the period of the first five years of the operations of the ABACOAL project. The P12.0 million and P10.0 million are recorded as part of Deposit for Future Stock Investment in the statements of financial position (see Note 10). Moreover, the Company made an additional deposit amounting to P5.0 million as part of the pending acquisition by the Company of ABACOAL.

On February 21, 2011, the Company paid MSC the amount of P10.0 million as and by way of full and final payment of any and all of its obligation. As a result, the Company has fully complied with its entire obligation to MSC as the latter waived in full any and all other possible collectibles from the Company as a result of the above agreements, including but not limited to the percentage shares in the sales of ABACOAL upon the operation, thereof.

**17.2 Acquisition of Coal Property and Plan of Merger**

In addition to the foregoing, the Company 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 therein (see Note 10).

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On November 3, 2010, ABACOAL and the Company further revised the terms of the agreement. In the revised agreement, the Company shall acquire the Coal Property and all the other assets and liabilities of ABACOAL by and through a merger, with the Company as the surviving entity. By virtue of said merger, the Company shall issue 250,000,000 new common shares at a par value of P0.10 and an agreed issue value of P0.90 to ABACOAL. The Company undertakes to list the said shares with the PSE. These terms and conditions shall be incorporated in a Merger Agreement and Plan of Merger which ABACOAL and the Company agree to execute at the proper time. As part of the agreement, the Company shall make staggered cash payments to ABACOAL which shall be deemed as constituting a participation in operating revenues from the Coal Property in the total amount of P75.0 million, payable as follows:

- P30.0 million advance deposit on ABACOAL's participation due on September 24, 2008, June 1, 2009 and June 8, 2009;
- Amounts to be paid upon and to be taken from the sale of the first production of coal products from the Coal Property:
  - a. P20.0 million upon consummation of said first sale of coal products; and,
  - b. P25.0 million payable thirty days from consummation of said first sale of coal products.

As of December 31, 2012, the merger between the Company and ABACOAL is not yet executed and no payment has been made to ABACOAL; however, the above agreements are still binding.

## **18. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the financial statements. As of December 31, 2012, management believes that losses, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

**19. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE**

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

***19.1 Requirements Under Revenue Regulations (RR) 15-2010***

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are presented below.

***(a) Output VAT***

In 2012, the Company had no revenues earned subject to output VAT.

***(b) Input VAT***

The movements in input VAT are summarized below.

Balance at beginning of year	P 2,521,978
Services lodged under operating expenses	<u>208,244</u>
Balance at end of year	<u>P 2,730,222</u>

The balance of input VAT is presented as Input VAT under Other Current Assets account in the 2012 statement of financial position (see Note 9).

***(c) Taxes on Importation***

The Company did not incur or pay any customs duties and tariff fees as it did not have any importation for the year ended December 31, 2012.

***(d) Excise Tax***

The Company did not have any transactions in 2012 which are subject to excise tax.

***(e) Documentary Stamp Tax***

The Company had not paid or accrued documentary stamp tax in 2012.

(f) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2012 are shown below.

Expanded Compensation and benefits	P	281,396
		<u>136,169</u>
	P	<u>417,565</u>

The Company has no transaction subject to final withholding taxes.

(g) *Taxes and Licenses*

The details of taxes and licenses for the year ended December 31, 2012 follow:

Permits	P	7,912
Barangay clearance		2,000
Fire inspection		492
Residence tax – basic and additional		700
Annual registration fee		<u>500</u>
	P	<u>11,604</u>

(h) *Deficiency Tax Assessment and Tax Cases*

As of December 31, 2012, the Company does not have any final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open years.

**19.2 Requirements Under RR 19-2011**

RR 19-2011 requires schedules of taxable revenues and other non-operating income, costs of services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts of revenues reflected in the 2012 statement of comprehensive income.

(a) *Taxable Revenues*

The Company has no taxable revenues in 2012.

(b) *Deductible Cost of Services*

The Company has no deductible cost of services in 2012.

(c) *Taxable Non-Operating and Other Income*

The Company has no taxable non-operating and other income in 2012.

(d) *Itemized Deductions*

The amounts of itemized deductions under the regular tax rate for the year ended December 31, 2012 are as follows:

Professional fees	P	1,400,667
Legal fees		830,000
Salaries and wages		645,180
Membership dues		250,000
Transportation and travel		243,941
Commission		187,364
Printing and office supplies		126,950
Depreciation		30,090
Trustee fees		16,384
Taxes and licenses		11,604
Miscellaneous		<u>238,753</u>
	<u>P</u>	<u>3,980,933</u>

**Lodestar Investment Holdings Corporation**  
**List of Supplementary Information**  
**December 31, 2012**

Schedule	Content	Page No.
<b>Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68</b>		
A	Financial Assets	
	Financial Assets at Fair Value Through Profit or Loss	1
	Held-to-maturity Investments	1
	Available-for-sale Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Intangible Assets - Other Assets	4
E	Long-term Debt	5
F	Indebtedness to Related Parties	6
G	Guarantees of Securities of Other Issuers	7
H	Capital Stock	8
<b>Others Required Information</b>		
	Reconciliation of Retained Earnings Available for Dividend Declaration	9
	Summary of Philippine Financial Reporting Standards Effective as of December 31, 2012	10
	Map Showing the Relationship Between the Company and its Related Entities	14
	Key Performance Indicators	15

## Lodestar Investment Holdings Corporation

**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**  
**December 31, 2012**

<i>Name and Designation of Debtor</i>	<i>Balance at Beginning of Year</i>	<i>Additions</i>	<i>Deductions</i>		<i>Ending Balance</i>		<i>Balance at End of Year</i>
			<i>Amounts Collected</i>	<i>Amounts Written-off</i>	<i>Current</i>	<i>Non - Current</i>	
Mr. Chi Ho Co <i>President</i>			P 24,069,208	P 19,992,436	P 4,076,772	P	P 4,076,772

Advances to a stockholder P - P 24,069,208 P 19,992,436 P - P 4,076,772 P - P 4,076,772

In 2012, the Company grants non-interest bearing advances to a stockholder for working capital purposes. The advances to the stockholder are unsecured and are demandable anytime. These advances are generally settled in cash.

Lodestar Investment Holdings Corporation  
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements  
December 31, 2012

<i>Name of Related Party</i>	<i>Balance at Beginning of Period</i>	<i>Additions</i>	<i>Amount collected</i>	<i>Amounts written off</i>	<i>Current</i>	<i>Non-current</i>	<i>Balance at end of period</i>

**N/A**

Lodestar Investment Holdings Corporation  
Schedule D - Intangible Assets - Other Assets  
December 31, 2012

<i>Description</i>	<i>Beginning Balance</i>	<i>Additions at costs</i>	<i>Charged to Cost and Expenses</i>	<i>Charged to Other Accounts</i>	<i>Other Changes Additions (Deductions)</i>	<i>Ending Balance</i>

N/A

## Schedule E - Long-term Debt

December 31, 2012

<i>Title of Issue and Type of Obligation</i>	<i>Amount Authorized by Indenture</i>	<i>Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Balance Sheet</i>	<i>Amount Shown Under Caption "Long-term Debt" in related Statement of Condition</i>
			N/A

N/A

Schedule F - Indebtedness to Related Parties (Long-term Loans from Related Companies)  
December 31, 2012

<i>Name of Related Party</i>	<i>Balance at Beginning of Year</i>	<i>Balance at End of Year</i>

N/A

Lodestar Investment Holdings Corporation  
Schedule G - Guarantees of Securities of Other Issuers  
December 31, 2012

<i>Name of Issuing Entity of Securities Guaranteed by the Company for which This Statement is Filed</i>	<i>Title of Issue of Each Class of Securities Guaranteed</i>	<i>Total Amount Guaranteed and Outstanding</i>	<i>Amount Owned by Person for which This Statement is Filed</i>	<i>Nature of Guarantee</i>

N/A

**Lodestar Investment Holdings Corporation**  
**Schedule H - Capital Stock**  
**December 31, 2012**

<i>Title of Issue</i>	<i>Number of Shares Authorized</i>	<i>Number of Shares Issued and Outstanding as Shown Under Related Balance Sheet Caption</i>	<i>Number of Shares Reserved for Options, Warrants, Conversion and Other Rights</i>	<i>Number of Shares Held by</i>		
				<i>Related Parties</i>	<i>Directors, Officers and Employees</i>	<i>Others</i>
Common shares	1,000,000,000	740,000,000	-	-	37,000	739,963,000

**Lodestar Investment Holdings Corporation**  
**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**December 31, 2012**

<b>DEFICIT AT BEGINNING OF YEAR</b>	( P	<u>72,395,639</u> )
Loss actually incurred during the year	(	<u>20,040,221</u> )
<b>DEFICIT AT END OF YEAR</b>	( P	<u>92,435,860</u> )

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
Map Showing the Relationship Between the Company and its Related Entities  
December 31, 2012

**N/A**

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**Schedule of Philippine Financial Reporting Standards and Interpretations**  
**Adopted by the Securities and Exchange Commission and the**  
**Financial Reporting Standards Council as of December 31, 2012**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b>		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
<b>Practice Statement Management Commentary</b>			✓	
<b><i>Philippine Financial Reporting Standards (PFRS)</i></b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans* ( <i>effective January 1, 2013</i> )			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities* ( <i>effective January 1, 2013</i> )			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* ( <i>effective January 1, 2013</i> )			✓
<b>PFRS 8</b>	Operating Segments			✓
<b>PFRS 9</b>	Financial Instruments ( <i>effective January 1, 2015</i> )			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures* ( <i>effective January 1, 2015</i> )			✓
<b>PFRS 10</b>	Consolidated Financial Statements* ( <i>effective January 1, 2013</i> )			✓
	Amendments to PFRS 10: Transition Guidance* ( <i>effective January 1, 2013</i> )			✓
	Amendments to PFRS 10: Investment Entities* ( <i>effective January 1, 2013</i> )			✓
<b>PFRS 11</b>	Joint Arrangements* ( <i>effective January 1, 2013</i> )			✓
	Amendments to PFRS 11: Transition Guidance* ( <i>effective January 1, 2013</i> )			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities* ( <i>effective January 1, 2013</i> )			✓
	Amendments to PFRS 12: Transition Guidance* ( <i>effective January 1, 2013</i> )			✓
	Amendments to PFRS 12: Investment Entities* ( <i>effective January 1, 2013</i> )			✓
<b>PFRS 13</b>	Fair Value Measurement* ( <i>effective January 1, 2013</i> )			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Accounting Standards (PAS)</i>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases			✓
PAS 18	Revenue	✓		
PAS 19	Employee Benefits			✓
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Revised)	Employee Benefits* ( <i>effective January 1, 2013</i> )			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate			✓
PAS 27 (Amended)	Separate Financial Statements* ( <i>effective January 1, 2013</i> )			✓
	Amendments to PAS 27 (Amended): Investment Entities* ( <i>effective January 1, 2013</i> )			✓
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures* ( <i>effective January 1, 2013</i> )			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities* ( <i>effective January 1, 2014</i> )			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	/		
PAS 34	Interim Financial Reporting	/		
PAS 36	Impairment of Assets	/		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	/		
PAS 38	Intangible Assets			/
PAS 39	Financial Instruments: Recognition and Measurement	/		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	/		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	/		
	Amendments to PAS 39: The Fair Value Option	/		
	Amendments to PAS 39 and PIFRS 4: Financial Guarantee Contracts	/		
	Amendments to PAS 39 and PIFRS 7: Reclassification of Financial Assets	/		
	Amendments to PAS 39 and PIFRS 7: Reclassification of Financial Assets – Effective Date and Transition	/		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	/		
	Amendment to PAS 39: Eligible Hedged Items	/		
PAS 40	Investment Property			/
PAS 41	Agriculture			/

*Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)*

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			/
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			/
IFRIC 4	Determining Whether an Arrangement Contains a Lease			/
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			/
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			/
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			/
IFRIC 9	Reassessment of Embedded Derivatives**	/		
	Amendments to Philippine Interpretation IFRIC-5 and PAS 39: Embedded Derivatives**	/		
IFRIC 10	Interim Financial Reporting and Impairment	/		
IFRIC 12	Service Concession Arrangements			/
IFRIC 13	Customer Loyalty Programmes			/
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			/
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement and their Interaction			/
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			/
IFRIC 17	Distributions of Non-cash Assets to Owners	/		
IFRIC 18	Transfers of Assets from Customers	/		
IFRIC 19	Extincting Financial Liabilities with Equity Instruments**	/		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine* ( <i>effective January 1, 2013</i> )			/

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i>				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**			✓
SIC-32	Intangible Assets - Web Site Costs			✓

\* These standards will be effective for periods subsequent to 2012 and are not early adopted by the Company.

\*\* These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
Map Showing the Relationship Between the Company and its Related Entities  
December 31, 2012

**N/A**

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**Key Performance Indicators**  
**December 31, 2012**

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
a.) Current Ratio				
	Current Assets	P 11,382,422	P 24,893,653	102.59
	Current Liabilities	110,946	2,890,674	8.61
b.) Quick Ratio				
	Cash	3,406,425	1,589,125	30.70
	Current Liabilities	110,946	2,890,674	0.55
c.) Debt-to-equity Ratio				
	Debt	110,946	2,890,674	0.00
	Equity	48,278,998	59,040,591	0.05
d.) Book value per share				
	Equity	48,278,998	59,040,591	0.07
	No. of Shares Outstanding	740,000,000	740,000,000	0.08
e.) Net Profit Margin				
	<i>Not applicable. The Company is in a net loss position in 2012 and 2011 since it has not yet started its commercial operations.</i>			
f.) Asset to Equity Ratio				
	Asset	48,389,944	61,931,265	1.00
	Equity	48,278,998	59,040,591	1.05
g.) Interest Rate Coverage Ratio				
	<i>Not applicable. The Company has no borrowings in 2012 and 2011.</i>			
h.) Gross Profit Margin				
	<i>Not applicable. The Company has no revenue in 2012 and 2011 since it has not yet started its commercial operations.</i>			

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: LODESTAR INVESTMENT HOLDINGS CORPORATION  
CURRENT ADDRESS: c/o 12 Jaime St., Carmel 1 Bahay Toro, Quezon City  
TEL. NO.: 928-9246 FAX NO.: 928-9246  
COMPANY TYPE : Holding Company PSIC: \_\_\_\_\_

*If these are based on consolidated financial statements, please so indicate in the caption.*

Table 1. Balance Sheet

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)
<b>A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)</b>	<b>48,390.00</b>	<b>61,931.00</b>
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	48,382.00	61,894.00
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	3,406.00	1,589.00
A.1.1.1 On hand	5.00	5.00
A.1.1.2 In domestic banks/entities	3,401.00	1,584.00
A.1.1.3 In foreign banks/entities		
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)		0.00
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)		
A.1.2.1.1 Due from customers (trade)		
A.1.2.1.2 Due from related parties		
A.1.2.1.3 Others, specify (A.1.2.1.3.1 + A.1.2.1.3.2)		0.00
A.1.2.1.3.1		
A.1.2.1.3.2		
A.1.2.1.4 Allowance for doubtful accounts ( <b>negative entry</b> )		
A.1.2.2 Due from foreign entities, specify (A.1.2.2.1 + A.1.2.2.2 + A.1.2.2.3 + A.1.2.2.4)		
A.1.2.2.1		
A.1.2.2.2		
A.1.2.2.3		
A.1.2.2.4 Allowance for doubtful accounts ( <b>negative entry</b> )		
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)		
A.1.3.1 Raw materials and supplies		
A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)		
A.1.3.3 Finished goods		
A.1.3.4 Merchandise/Goods in transit		
A.1.3.5 Unbilled Services (in case of service providers)		
A.1.3.6 Others, specify (A.1.3.6.1 + A.1.3.6.2)		
A.1.3.6.1		
A.1.3.6.2		
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6)	0.00	20,780.00
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities: (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)		
A.1.4.1.1 National Government		
A.1.4.1.2 Public Financial Institutions		
A.1.4.1.3 Public Non-Financial Institutions		
A.1.4.1.4 Private Financial Institutions		
A.1.4.1.5 Private Non-Financial Institutions		
A.1.4.2 Held to Maturity Investments - issued by domestic entities: (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)		
A.1.4.2.1 National Government		
A.1.4.2.2 Public Financial Institutions		
A.1.4.2.3 Public Non-Financial Institutions		
A.1.4.2.4 Private Financial Institutions		
A.1.4.2.5 Private Non-Financial Institutions		

NOTE:

This special form is applicable to Investment Companies and Publicly-held Companies (enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks and insurance companies). As a supplemental form to PHFS, it shall be used for reporting Consolidated Financial Statements of Parent corporations and their subsidiaries.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: LODESTAR INVESTMENT HOLDINGS CORPORATION  
CURRENT ADDRESS: c/o 12 Jaime St., Carmel 1 Bahay Toro, Quezon City  
TEL. NO.: 928-9246 FAX NO.: 928-9246  
COMPANY TYPE : Holding Company PSIC:

*If these are based on consolidated financial statements, please so indicate in the caption.*

Table 1. Balance Sheet

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)
A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)	0.00	0.00
A.1.4.3.1 National Government		
A.1.4.3.2 Public Financial Institutions		
A.1.4.3.3 Public Non-Financial Institutions		
A.1.4.3.4 Private Financial Institutions		
A.1.4.3.5 Private Non-Financial Institutions		
A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)	0.00	20,780.00
A.1.4.4.1 National Government		
A.1.4.4.2 Public Financial Institutions		
A.1.4.4.3 Public Non-Financial Institutions		20,780.00
A.1.4.4.4 Private Financial Institutions		
A.1.4.4.5 Private Non-Financial Institutions		
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)		
A.1.4.5.1 Financial Assets at fair value through profit or loss		
A.1.4.5.2 Held-to-maturity investments		
A.1.4.5.3 Loans and Receivables		
A.1.4.5.4 Available-for-sale financial assets		
A.1.4.6 Allowance for decline in market value (negative entry)		
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)	44,976.00	39,525.00
A.1.5.1 Deposit for future stock investment	37,000.00	37,000.00
A.1.5.2 Advances sto stockholder	4,077.00	0.00
A.1.5.3 Others	3,899.00	2,525.00
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+ A.2.8)	8.00	37.00
A.2.1 Land		
A.2.2 Building and improvements including leasehold improvement		
A.2.3 Machinery and equipment (on hand and in transit)		
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment		
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)		
A.2.5.1 Property, or equipment used for education purposes		
A.2.5.2 Construction in progress		
A.2.5.3 Office Equipment	60.00	60.00
A.2.5.4		
A.2.5.5		
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4 + A.2.6.5)		
A.2.6.1		
A.2.6.2		
A.2.6.3		
A.2.6.4		
A.2.6.5		
A.2.7 Accumulated Depreciation (negative entry)	-52.00	-23.00
A.2.8 Impairment Loss or Reversal (if loss, negative entry)		
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3 + A.3.4)		
A.3.1 Equity in domestic subsidiaries/affiliates		
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3 + A.3.3.4 + A.3.3.5)		
A.3.3.1		
A.3.3.2		
A.3.3.3		
A.3.3.4		
A.3.3.5		
A.4 Investment Property		
A.5 Biological Assets		
A.6 Intangible Assets		
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2)		
A.6.1.1		
A.6.1.2		
A.6.2 Others, specify (A.6.2.1 + A.6.2.2)		
A.6.2.1		
A.6.2.2		
A.7 Assets Classified as Held for Sale		
A.8 Assets included in Disposal Groups Classified as Held for Sale		

SPECIAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: LODESTAR INVESTMENT HOLDINGS CORPORATION  
CURRENT ADDRESS: c/o 12 Jaime St., Carmel 1 Bahay Toro, Quezon City  
TEL. NO.: 928-9246 FAX NO.: 928-9246  
COMPANY TYPE: Holding Company PSIC: \_\_\_\_\_

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)		
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3)		
A.9.1.1		
A.9.1.2		
A.9.1.3		
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3)		
A.9.2.1		
A.9.2.2		
A.9.2.3		
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)		
A.10.1 Deferred charges - net of amortization		
A.10.2 Deferred Income Tax		
A.10.3 Advance/Miscellaneous deposits		
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4+A.10.4.5)		
A.10.4.1		
A.10.4.2		
A.10.4.3		
A.10.4.4		
A.10.4.5		
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)		
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	111.00	2,890.00
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)	111.00	2,890.00
B.1.1 Trade and Other Payables to Domestic Entities	111.00	2,890.00
(B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 + B.1.1.5 + B.1.1.6)		
B.1.1.1 Loans/Notes Payables		
B.1.1.2 Trade Payables	108.00	1,804.00
B.1.1.3 Payables to Related Parties		
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders	0.00	1,050.00
B.1.1.5 Accruals, specify material items (B.1.1.5.1 + B.1.1.5.2 + B.1.1.5.3)		
B.1.1.5.1		
B.1.1.5.2		
B.1.1.5.3		
B.1.1.6 Others, specify (B.1.1.6.1 + B.1.1.6.2 + B.1.1.6.3)	3.00	1,086.00
B.1.1.6.1 Advances from third parties	3.00	1,086.00
B.1.1.6.2		
B.1.1.6.3		
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1 + B.1.2.2 + B.1.2.3)		
B.1.2.1		
B.1.2.2		
B.1.2.3		
B.1.3 Provisions		
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions)		
(B.1.4.1 + B.1.4.2 + B.1.4.3 + B.1.4.4 + B.1.4.5)		
B.1.4.1		
B.1.4.2		
B.1.4.3		
B.1.4.4		
B.1.4.5		
B.1.5 Liabilities for Current Tax		
B.1.6 Deferred Tax Liabilities		
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) (B.1.7.1 + B.1.7.2 + B.1.7.3 + B.1.7.4 + B.1.7.5 + B.1.7.6)		
B.1.7.1 Dividends declared and not paid at balance sheet date		
B.1.7.2 Acceptances Payable		
B.1.7.3 Liabilities under Trust Receipts		
B.1.7.4 Portion of Long-term Debt Due within one year		
B.1.7.5 Deferred Income		
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabilities, specify:		
B.1.7.6.1		
B.1.7.6.2		
B.1.7.6.3		

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: LODESTAR INVESTMENT HOLDINGS CORPORATION  
CURRENT ADDRESS: c/o 12 Jaime St., Carmel 1 Bahay Toro, Quezon City  
TEL. NO.: 928-9246 FAX NO.: 928-9246  
COMPANY TYPE : Holding Company PSIC: \_\_\_\_\_

*If these are based on consolidated financial statements, please so indicate in the caption.*

Table 1. Balance Sheet

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)		
B.2.1 Domestic Public Financial Institutions		
B.2.2 Domestic Public Non-Financial Institutions		
B.2.3 Domestic Private Financial Institutions		
B.2.4 Domestic Private Non-Financial Institutions		
B.2.5 Foreign Financial Institutions		
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)		
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale		
B.5 Other Liabilities (B.5.1 + B.5.2)		
B.5.1 Deferred Tax		
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4 + B.5.2.5)		
B.5.2.1		
B.5.2.2		
B.5.2.3		
B.5.2.4		
B.5.2.5		
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)	48,279.00	59,041.00
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)	74,000.00	74,000.00
C.1.1 Common shares	74,000.00	74,000.00
C.1.2 Preferred Shares		
C.1.3 Others		
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)		0.00
C.2.1 Common shares		
C.2.2 Preferred Shares		
C.2.3 Others		
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)		
C.3.1 Common shares		
C.3.2 Preferred Shares		
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus	66,715.00	66,715.00
C.5 Minority Interest		
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3)		
C.6.1 Revaluation reserve on available-for-sale financial assets		(9,279.00)
C.6.2		
C.6.3		
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		
C.8 Retained Earnings (C.8.1 + C.8.2)	(92,436.00)	(72,395.00)
C.8.1 Appropriated		
C.8.2 Unappropriated	(92,436.00)	(72,395.00)
C.9 Head / Home Office Account (for Foreign Branches only)		
C.10 Cost of Stocks Held in Treasury (negative entry)		
<b>TOTAL LIABILITIES AND EQUITY (B + C)</b>	<b>48,390.00</b>	<b>61,931.00</b>

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: LODESTAR INVESTMENT HOLDINGS CORPORATION  
CURRENT ADDRESS: c/o 12 Jaime St., Carmel 1 Bahay Toro, Quezon City  
TEL. NO.: 928-9246 FAX NO.: 928-9246  
COMPANY TYPE : Holding Company PSIC: \_\_\_\_\_

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 2. Income Statement**

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)	2010 (in P'000)
<b>A. REVENUE / INCOME (A.1 + A.2 + A.3)</b>	11.00	25.00	33.00
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)			
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for			
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)			
A.3.1 Rental Income from Land and Buildings			
A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)			
A.3.3 Sale of Real Estate or other Property and Equipment			
A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)			
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7 + A.3.5.8)			
A.3.5.1 Rental Income, Equipment			
A.3.5.2			
A.3.5.3			
A.3.5.4			
A.3.5.5			
A.3.5.6			
A.3.5.7			
A.3.5.8			
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	11.00	25.00	33.00
A.4.1 Interest Income	11.00	25.00	33.00
A.4.2 Dividend Income			
A.4.3 Gain / ( <b>Loss</b> ) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4)			
A.4.3.1 Income from derecognition of advances from stockholder	0.00	0.00	0.00
A.4.3.2			
A.4.3.3			
A.4.3.4			
A.4.4 Others, specify (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)			
A.4.4.1 Gain / ( <b>Loss</b> ) on Foreign Exchange			
A.4.4.2			
A.4.4.3			
A.4.4.4			
<b>B. COST OF GOODS SOLD (B.1 + B.2 + B.3)</b>			
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)			
B.1.1 Direct Material Used			
B.1.2 Direct Labor			
B.1.3 Other Manufacturing Cost / Overhead			
B.1.4 Goods in Process, Beginning			
B.1.5 Goods in Process, End ( <b>negative entry</b> )			
B.2 Finished Goods, Beginning			
B.3 Finished Goods, End ( <b>negative entry</b> )			
<b>C. COST OF SALES (C.1 + C.2 + C.3)</b>			
C.1 Purchases			
C.2 Merchandise Inventory, Beginning			
C.3 Merchandise Inventory, End ( <b>negative entry</b> )			
<b>D. GROSS PROFIT (A - B - C)</b>	11.00	25.00	33.00

*NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.*

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: LODESTAR INVESTMENT HOLDINGS CORPORATION  
 CURRENT ADDRESS: c/o 12 Jaime St., Carmel 1 Bahay Toro, Quezon City  
 TEL. NO.: 928-9246 FAX NO.: 928-9246  
 COMPANY TYPE : Holding Company PSIC: \_\_\_\_\_

*If these are based on consolidated financial statements, please so indicate in the caption.*

Table 2. Income Statement

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)	2010 (in P'000)
<b>E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4)</b>	<b>20,049.00</b>	<b>4,237.00</b>	<b>10,877.00</b>
E.1 Selling or Marketing Expenses			
E.2 Administrative Expenses			
E.3 General Expenses			
E.4 Other Expenses, specify (E.4.1 + E.4.2 + E.4.3 + E.4.4 + E.4.5 + E.4.6 + E.4.7 + E.4.8 + E.4.9 + E.4.10)	20,049.00	4,237.00	10,877.00
E.4.1 Education-related expenditures			
E.4.2 Loss on sale of available-for-sale financial assets	15,724.00		0.00
E.4.3 Management fees	0.00	1,200.00	5,040.00
E.4.4 Professional fees	1,401.00	763.00	1,559.00
E.4.5 Salaries and wages	645.00	644.00	736.00
E.4.6 Legal fees	830.00	915.00	2,085.00
E.4.7 Dues and subscriptions	250.00	250.00	250.00
E.4.8 Directors' fees	117.00	35.00	246.00
E.4.9 Printing and office supplies	127.00	48.00	93.00
E.4.10 Others	955.00	382.00	868.00
<b>F. FINANCE COSTS (F.1 + F.2 + F.3 + F.4 + F.5)</b>			
F.1 Interest on Short-Term Promissory Notes			
F.2 Interest on Long-Term Promissory Notes			
F.3 Interest on bonds, mortgages and other long-term loans			
F.4 Amortization			
F.5 Other interests, specify (F.5.1 + F.5.2 + F.5.3 + F.5.4 + F.5.5)			
F.5.1			
F.5.2			
F.5.3			
F.5.4			
F.5.5			
<b>G. NET INCOME (LOSS) BEFORE TAX (D - E - F)</b>	<b>-20,038.00</b>	<b>-4,212.00</b>	<b>-10,844.00</b>
<b>H. INCOME TAX EXPENSE (negative entry)</b>	<b>-2.00</b>	<b>-5.00</b>	<b>-7.00</b>
<b>I. INCOME(LOSS) AFTER TAX</b>	<b>-20,040.00</b>	<b>-4,217.00</b>	<b>-10,851.00</b>
J. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on the Measurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)			
J.1			
J.2			
<b>K. PROFIT OR LOSS ATTRIBUTABLE TO MINORITY INTEREST</b>			
<b>L. PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>			
<b>M. EARNINGS (LOSS) PER SHARE</b>			
M.1 Basic	0.03	0.01	0.02
M.2 Diluted			

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: LODESTAR INVESTMENT HOLDINGS CORPORATION

CURRENT ADDRESS: c/o 12 Jaime St, Carmel 1 Bahay Toro, Quezon City

TEL. NO.: 928-9246 FAX NO.: 928-9246

COMPANY TYPE Holding Company

PSIC: \_\_\_\_\_

*If these are based on consolidated financial statements, please so indicate in the caption.*

Table 3. Cash Flow Statements

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)	2010 (in P'000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income (Loss) Before Tax and Extraordinary Items	-20,038.00	-4,212.00	-10,844.00
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation	30.00	22.00	
Amortization, specify:			
Others, specify:     Interest income	-11.00	-25.00	-33.00
Loss on available-for-sale financial assets	15,724.00	0.00	0.00
Write-down of Property, Plant, and Equipment			
Changes in Assets and Liabilities:			
Decrease (Increase) in:			
Receivables			
Inventories			
Other Current Assets	-1,374.00	-1,350.00	-464.00
Others, specify:     Advances to stockholder	-4,077.00		
Increase (Decrease) in:			
Trade and Other Payables	-1,697.00	-504.00	-109.00
Income and Other Taxes Payable			
Others, specify:     Advances from third parties	-1,083.00	-11,668.00	-1,373.00
Interest received	11.00	25.00	33.00
Cash paid for income taxes	-2.00	-5.00	-7.00
<b>A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)</b>	<b>-12,517.00</b>	<b>-17,717.00</b>	<b>-12,797.00</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase) Decrease in Long-Term Receivables			
(Increase) Decrease in Investment			
Reductions/(Additions) to Property, Plant, and Equipment			-60.00
Others, specify: Acquisition of available-for-sale financial assets			-7,733.00
Proceeds from sale of available-for-sale financial assets	14,334.00		
Increase in deposit for future stock investment			-10,000.00
<b>B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)</b>	<b>14,334.00</b>	<b>-17,793.00</b>	<b>0.00</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Loans			
Long-term Debt			
Issuance of Securities		0.00	0.00
Others, specify:     Additional advances from stockholders		-1,050.00	-9,636.00
Proceeds from subscribed capital stock		37,875.00	12,600.00
Payments of:			
(Loans)			
(Long-term Debt)			
(Stock Subscriptions)			
Others, specify ( <b>negative entry</b> ):			
<b>C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)</b>	<b>0.00</b>	<b>36,825.00</b>	<b>2,964.00</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)</b>			
Cash and Cash Equivalents	1,817.00	1,315.00	-9,833.00
Beginning of year	1,589.00	274.00	10,107.00
End of year	3,406.00	1,589.00	274.00

*NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.*

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: LODESTAR INVESTMENT HOLDINGS CORPORATION

CURRENT ADDRESS: c/o 12 Jaime St., Carmel 1 Bahay Toro, Quezon City

TEL. NO.: 928-9246

FAX NO.: 928-9246

COMPANY TYPE : Holding Company

PSIC: \_\_\_\_\_

*If these are based on consolidated financial statements, please so indicate in the caption.*

Table 4. Statement of Changes in Equity

(Amount in P'000)

FINANCIAL DATA	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Translation Differences	Retained Earnings	TOTAL
A. Balance, 2010	66,500.00	36,340.00	14,771.00	0.00	-68,179.00	49,432.00
A.1 Correction of Error(s)						
A.2 Changes in Accounting Policy						
B. Restated Balance						
C. Surplus						
C.1 Surplus ( <b>Deficit</b> ) on Revaluation of Properties						
C.2 Surplus ( <b>Deficit</b> ) on Revaluation of Investments						
C.3 Currency Translation Differences						
C.4 Other Surplus (specify)						
C.4.1						
C.4.2						
C.4.3						
C.4.4						
C.4.5						
D. Net Income (Loss) for the Period			-24,050.00		-4,217.00	-28,267.00
E. Dividends ( <b>negative entry</b> )						
F. Appropriation for (specify)						
F.1						
F.2						
F.3						
F.4						
F.5						
G. Issuance of Capital Stock						
G.1 Common Stock	7,500.00	30,375.00				37,875.00
G.2 Preferred Stock						
G.3 Others						
H. Balance, 2011	74,000.00	66,715.00	-9,279.00	0.00	-72,396.00	59,040.00
H.1 Correction of Error (s)						
H.2 Changes in Accounting Policy						
I. Restated Balance						
J. Surplus						
J.1 Surplus ( <b>Deficit</b> ) on Revaluation of Properties						
J.2 Surplus ( <b>Deficit</b> ) on Revaluation of Investments						
J.3 Currency Translation Differences						
J.4 Other Surplus (specify)						
J.4.1						
J.4.2						
J.4.3						
J.4.4						
J.4.5						
K. Net Income (Loss) for the Period			9,279.00		-20,040.00	-10,761.00
L. Dividends ( <b>negative entry</b> )						
M. Appropriation for (specify)						
M.1						
M.2						
M.3						
M.4						
M.5						
N. Issuance of Capital Stock						
N.1 Common Stock						0.00
N.2 Preferred Stock						
N.3 Others						
O. Balance, 2012	74,000.00	66,715.00	0.00	0.00	-92,436.00	48,279.00