

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
7<sup>TH</sup> Floor Peaksun Building  
Princeton cor. Shaw Blvd., Wackwack  
Mandaluyong City

25 October 2016

**To all the Stockholders:**

**Notice is hereby given that the Annual Stockholders' Meeting of Lodestar Investment Holdings Corporation will be held on 8 December 2016 at 2:00 p.m. at the 7<sup>TH</sup> Floor Peaksun Building, Princeton St., Wackwack, Mandaluyong City. Agenda for the meeting is as follows:**

**AGENDA**

1. Call to Order.
2. Certification of Notice and Quorum.
3. Reading and approval of the minutes of the Annual Meeting of the Stockholders held on 11 December 2015.
4. Adoption of the Audited Financial Statements and Annual Reports for the calendar year ended 31 December 2015.
5. Change of Corporate Address
6. Approval of the sale and issuance of a total of Two billion two hundred sixty million (2,260,000,000) shares of the Company at Ten Centavos (₱ .10) per share to various Investors, under private placements and listing of said shares in the Philippine Stock Exchange ("PSE") and, whenever applicable, waiver of the requirement to conduct a rights or public offering of the shares to be approved by a majority vote representing the outstanding shares held by the minority present or represented in the meeting
7. President's Report for the calendar year 2015.
8. Election of Directors.
9. Ratification of all acts of the Board of Directors and Management for the period covered from 11 December 2015 to the date of the Annual Stockholders Meeting.
10. Appointment of Punongbayan and Araullo as the Company's External Auditor.
11. Other Matters.
12. Adjournment.

Only stockholders of record at the close of business on 14 November 2016 are entitled to notice of and to vote at the Annual Stockholders' Meeting, or any adjournment thereof.

Stockholders and Proxies are requested to bring proper identification documents for purposes of registration.

  
**Venus L. Gregorio**  
Corporate Secretary

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

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter:  
**LODESTAR INVESTMENT HOLDINGS CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization: **Philippines**
4. SEC Identification Number: **54106**
5. BIR Tax Identification Code: **200-751-430-000**
6. Address of principal office: **7<sup>th</sup> Floor, Peaksun Bldg., Princeton St.  
Wackwack, Mandaluyong City** Postal Code: **1555**
7. Issuer's telephone number, including area code: **c/o (632) 920-9306**
8. Date, time and place of the meeting of security holders

**7<sup>th</sup> Floor Peaksun Building  
Princeton St, Wackwack  
Mandaluyong City  
8 December 2016, 2:00 p.m.**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **14 November 2016**
10. In case of proxy solicitations

Name of Person Filing the Statement/Solicitor  
**The Board of Directors of the Company**

Address and Telephone No.  
**Lodestar Investment Holdings Corporation**  
7<sup>TH</sup> Floor Peaksun Building  
Princeton St., Wackwack  
Mandaluyong City  
(632) 920-9306; fax c/o (632) 2758309

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<b>Common Shares</b>	<b>740,000,000 (P.10 par value)</b>

12. Are any or all of registrant's securities listed in a Stock Exchange?  
 Yes [ / ]      No [   ]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

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

## PART I

### INFORMATION REQUIRED IN INFORMATION STATEMENT

#### 1. GENERAL INFORMATION

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

The enclosed Proxy is solicited for the Annual Stockholders' Meeting of **LODESTAR INVESTMENT HOLDINGS CORPORATION** (the "**Company**"), or any adjournment thereof (the "**Annual Meeting**"), details of which are as follows:

(a)	Date : <b>8 December 2016</b>
	Time : <b>2:00 p.m.</b>
	Place : <b>7<sup>TH</sup> Floor Peaksun Building Princeton St., Wackwack Mandaluyong City</b>
Complete Mailing Address of Company :	<b>Lodestar Investment Holdings Corporation 7<sup>th</sup> floor, Peaksun Bldg., Princeton St. Wackwack, Mandaluyong City</b>

- (b) Approximate Date on which copies of the Information Statement are first to be sent or given to security holders entitled to notice of and to vote at the Annual Meeting : **14 November 2016**

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

A stockholder may exercise his dissenter's right of appraisal in case of any amendment to the Articles of Incorporation of the Company that has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence, or in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets, or in case of merger or consolidation.

To exercise the right of appraisal, a dissenting stockholder may demand payment of the fair value of his shares by voting against the proposed corporate action and making a written demand on the Company within thirty (30) days after the date on which the vote was taken; otherwise, the failure to make the demand within the said period shall be deemed a waiver of the appraisal right of the dissenting stockholder. Within ten (10) days after demanding payment of his shares, the dissenting stockholder shall submit to the Company the certificate(s) of stock representing his shares for notation thereon that the shares are dissenting shares; otherwise, his failure to do so shall, at the option of the Company, terminate his appraisal rights.

If the action giving rise to the right of appraisal is effected, the Company shall pay to such stockholder, upon surrender of the certificate(s) of stocks representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any

appreciation or depreciation in anticipation of such corporate action. If within the period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third, by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after the award is made, provided that the Company has unrestricted retained earnings in its books to cover such payment and that upon payment by the Company of the agreed or awarded price, the stockholder shall immediately transfer his shares to the Company.

Any other right or action arising from the exercise of a dissenting stockholder of his appraisal rights shall be governed by and in accordance with Title X of the Corporation Code of the Philippines.

No action is to be taken which will give rise to the exercise by a shareholder of his appraisal right as provided under Title X of the Corporation Code of the Philippines.

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

- (a) *Substantial interest of directors / officers of the Registrant in any matter to be acted upon other than election to office*

There are no matters in which substantial interest of directors or officers of the Corporation are to be acted upon other than election to office.

- (b) *Director's opposition to any action intended to be taken by the Company during the Annual Meeting.*

No director has informed the Company in writing of any intention of opposing any action intended to be taken by the Company during the Annual Meeting.

**2. CONTROL AND COMPENSATION INFORMATION**

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

- (a) *Class entitled to vote*

As of 30 September 2016, there are 740,000,000 shares of the Company's common stock outstanding, consisting of 726,746,990 Filipino and 13,253,010 Non-Filipino shareholders. It is expected that on record date, 14 November 2016, the same total number of shares will be outstanding and entitled to vote at the Annual Meeting.

- (b) *Record Date*

The Record Date for the Annual Meeting is 14 November 2016. Thus, only stockholders of record at the close of business on 14 November 2016 are entitled to notice of and to vote at the Annual Meeting.

- (c) *Voting Rights*

Action will be taken with respect to the election of directors to which persons solicited have cumulative voting rights. A stockholder may vote the shares outstanding in his

name as of the date of record in the stock transfer books of the Company either in person or by proxy. At his option, a stockholder may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by seven shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. In all instances, the total number of votes shall not exceed seven times the number of shares owned by him. The seven nominees who receive the highest number of votes shall be declared elected.

(d) *Security Ownership of Certain Record and Beneficial Owners and Management*

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

The table below outlines the persons as of 30 September 2016 who are known to the Corporation to be directly or indirectly the record and / or beneficial owner of more than five (5%) of any class of the Corporation's voting securities:

<b>Title / Class</b>	<b>Name and Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent of Class</b>
Common	PCD Nominee Corporation G/F Tower One, Ayala Avenue, Makati City  No relationship with Issuer	<p>PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Depository and Trust Corporation, Inc. (PDTC) is the registered owner of the shares in the books of the Registrant's stock transfer agent. The beneficial owner of such shares entitled to vote the same are PDTC's participants, who hold the shares either in their own behalf or on behalf of their clients. The following PDTC participants hold more than 5% of the Registrant's voting securities:</p> <p>1. Abacus Securities Corporation – 89,800,986 – (12.13%)  2. AP Securities, Inc. – 140,741,000 – (19.02%)  3. Tower Securities, Inc. – 38,264,000 (5.17%)</p> <p>The Registrant has no information on the persons authorized to vote the shares of the above-named PDTC participants. They will only be made known to the Registrant once the proxies and /or proper board resolutions on such authorizations are transmitted to the Company.</p>	Filipino	620,202,430 <sup>1</sup>	83.811

<sup>1</sup>This includes the shares of Mr. Jerry C. Angping lodged with AP Securities, Inc.

Common	Renato L. Reyes 815 Torres St., Mandaluyong City Stockholder of Issuer	Renato L. Reyes	Filipino	72,000,000 <sup>2</sup>	9.73%
Common	Jerry C. Angping The Peak, Leviste St., Salcedo Village, Makati City Substantial stockholder of Issuer	Jerry C. Angping	Filipino	75,081,000 <sup>3</sup>	10.146%

*The clients of the PCD Nominee Corporation have the power to decide how their shares are to be voted.*

## (2) Security Ownership of Management

As of 30 September 2016, the shares owned by the directors and executive officers of the Company and the percentage of their shareholdings, are as follows:

Title of Securities	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (D) direct/ (I) indirect	Citizenship	Percent of Class
Common	Antonio Victoriano F. Gregorio III Director / Chairman	10,000 (Direct)	Filipino	Nil
Common	Chi Ho Co Director / President	10,000 (Direct)	Filipino	Nil
Common	Leonardo S. Gayao	(1,000) Direct	Filipino	Nil
Common	Delfin S. Castro, Jr.	(10,000) Direct	Filipino	Nil
Common	Ramoncito B. Cabalu	(1,000) Direct	Filipino	Nil
Common	Felices G. Latonero	10,000 (Direct)	Filipino	Nil
Common	Manuel G. Ong	1,000 (Direct)	Filipino	Nil
Common	Venus L. Gregorio Corporate Secretary / Corporate Information Officer	10,000 (Indirect – in the name of spouse, Antonio Victoriano F. Gregorio III already counted above)	Filipino	Nil
<b>Aggregate for above named Officers And Directors</b>		<b>43,000</b>	---	Nil

## (3) Voting Trust of Five Percent (5%) or More

The Company is not aware of any voting trust or similar arrangements involving securities of the Company or of any person who holds more than five percent (5%) of a class of securities under a voting trust or similar arrangements.

## (e) Change in Control

Management will report any change in control or arrangement that may result in a change in control of the Registrant, if any, for the calendar year.

<sup>2</sup> The Company reports the status of the shares of Mr. Renato L. Reyes including those lodged with his broker on the basis of reports made by Mr. Renato L. Reyes.

<sup>3</sup> Mr. Angping has 100,000 shares in his name. The rest are lodged with broker/s.

**Item 5. Directors and Executive Officers**

- (a) Disclosure of information concerning the background of the Registrant's officers, directors, and other key personnel.

As of 30 September 2016, the Board of Directors and Executive Officers of the Company consist of the following individuals:

Name	Position	Nationality	Period Served (as Director)
■ Antonio V.F. Gregorio III	Director / Chairman	Filipino	2009 to present
■ Chi Ho Co	Director / President	Filipino	2008 to present
■ Delfin S. Castro, Jr.	Director / CFO / Treasurer	Filipino	2015 to present
■ Leonardo S. Gayao	Director	Filipino	2011 to present
■ Ramoncito B. Cabalu	Director	Filipino	2015 to present
■ Felixes G. Latonero	Independent Director	Filipino	2011 to present
■ Manuel G. Ong	Independent Director	Filipino	2015 to present
■ Venus L. Gregorio	Corporate Information Officer / Corporate Secretary	Filipino	2012 to present

A brief background and business experience, for the last five (5) years, of the above-named Directors and Officers are provided herein as follows:

**ANTONIO VICTORIANO F. GREGORIO III, 43, Filipino, Director, Chairman.**

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 sits as director and officer of various public and private companies, including Asiabest Group International Inc. (Chairman and President from 2011 to present), Nihao Mineral Resources International, Inc., (President from 2011 and Chairman from 2012 to present) Dizon Copper-Silver Mines (Treasurer/Director from 2012 to present), Abacore Capital Holdings, Inc. (Director, 2009 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) and 4A9T Scholarship foundation, Inc. (Corporate Secretary/Trustee from 1999 to present). He was formerly the Corporate Secretary/Director of the following companies: GNA Resources International Limited (2011 to 2015) and World Wide Manpower Overseas, Inc. (2007 to 2014).

**CHI HO CO, 43, Filipino, Director and President.**

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), Nihao Mineral Resources International, Inc. (2013 to present), Geograce Resources Philippines, Inc. (2013 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), Fasttrack Realty & Development, Inc. (Chairman, 2004 to present) and CAC Motors Corp. (President, 2002 to present) among other companies.

**LEONARDO S. GAYAO**, 70, Filipino, Director.

Atty. Gayao graduated from the San Beda College in 1973 with a Bachelor of Laws degree. He has 40 years of proven track experience in the fields of corporate law, banking and finance and real estate. He is currently the Director/President of Abacore Capital & Holdings, Inc (1995 to present), Director/President of Philippine Regional Investment Development Corporation (1995 to present). He is also a Director of Dizon Copper-Silver Mines, Inc. (2014-present), Director/Chairman of Abacus Coal Exploration and Development Corporation (2009-present), Director/Chairman of Ominicor Industrial Estate & realty Center, Inc. (2009 to present), Director of Abacus Global Technovisions, Inc. (1993-present), Director/President of Blue Stock Development Holdings, Inc. (1993 – present), Director/President Hedge Issues Management & Leverage Advisors, Inc. (2009 – present), Director/President of Hedge Integrated Management Group, Inc. (2009-present), Director/Chairman of Alpha Asia Hotels & Resorts, Inc. (1991 – present), Director of Phil Star Development Bank (1997-present), Director/President of Vantage Relay Corporation (2009 –present) and Director/President fo Kapuluan Poprerties, Inc. (2009-present). He was a Director of Pacific Online Systems Corporation (2007-2014).

**RAMONCITO B. CABALU**, Filipino, 59.

Mr. Ramoncito Cabalu graduated with a Bachelor of Arts degree major in Economics and Social Sciences at the University of the Philippines in 1977. Mr. Cabalu is a director and President of a major entertainment company Circle Asia Group with major industry players to service the entertainment requirements of gaming companies in Manila and the emerging markets (2014). He is also currently a director and Partner of Maple Tree Investments (2014) and Vice-President/Partner for Business Development of Garco Minerals and Chemical Trading.

**DELFIN S. CASTRO, JR.** Filipino, 50.

Mr. Delfin S. Castro, Jr. holds a Masters Degree in Business Administration and a Bachelor of Science Degree in Business Administration from the University of the Philippines. He is currently a Director / Treasurer of AsiaBest Group International, Inc. (2010 – present), Director/Treasurer of Nihao Mineral resources International, Inc. (2012 – present), Director/Treasurer of Geograce Resources Philippines Incorporated (2006 – present), Director of Dizon Copper-Silver Mines, Inc. (2012 – present). He is also a Director and Corporate Secretary of Sunplaza Development Corporation and Treasurer of The Peak Condominium Corporation.

**FELIXES G. LATONERO**, 43, Filipino, Independent Director.

Mr. Latonero is an Independent Director of Nihao Mineral Resources International, Inc. (2014 – present). He is also the President of Nontrad Advertising and FGL Modular Cabinet System, Inc. (2003-present). He graduated in 1995 with a degree in Fine Arts from the EARIST.

**MANUEL G. ONG**, Filipino, 58.

Mr. Manuel Ong studied Bachelor of Science major in Chemical Engineering from the Xavier School. He is currently the Vice President and Technical Director of Industrial Welding Corporation.

**VENUS L. GREGORIO**, 47, Filipino, Corporate Information Officer and Corporate Secretary.

Atty. Venus L. Gregorio graduated with a Juris Doctor from the Ateneo de Manila University in 1998 and passed the bar examinations of 1998. She has a Bachelor of Arts degree major in Political Science from the University of the Philippines. Atty. Gregorio sits as Corporate Secretary and Corporate Information Officer of Asiabest Group International Inc. (2011 to present) and Asst. 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 Director of Tajima Yakiniku Inc. (2005 to present).

**Nominees**

During the Annual Stockholders Meeting, the following nominees shall be voted for election for the following positions for a term of one year until their successors are duly elected and qualified:

Name of Nominee	Position	Nationality
1. Antonio Victoriano F. Gregorio III	Director	Filipino
2. Chi Ho Co	Director	Filipino
3. Leonardo S. Gayao	Director	Filipino
4. Delfin S. Castro, Jr.	Director	Filipino
5. Ramoncito Cabalu	Director	Filipino
6. Manuel G. Ong	Independent Director	Filipino
7. Benjamin I. Espiritu	Independent Director	Filipino

The Nomination Committee passed upon and approved the nomination of the above-named Nominees for Directors. The Nomination Committee is composed of Messrs. Antonio Victoriano F. Gregorio III, Chi Ho Co and Felixes G. Latonero.

Mr. Benjamin I. Espiritu, who is currently not a director, has been nominated for the position of Independent Director.

Benjamin Espiritu is a Certified Public Accountant and is a corporate governance practitioner who has trained over 5,000 directors of banks, publicly listed companies, insurance companies and distribution utilities since 2002. He currently holds various corporate positions and officerships in both the private and government sector. He is the President of Risks, Opportunities Assessment and Management, President and CEO of Change Management International, Inc., Chairman and CEO of Ormin Realty Corporation, Chairman of Banco de Mindoro, Inc., Chairman and President of Konstruktura Development Resources Corp. and heads several other private corporation and two family foundations. He is also the Chairman of the Board of Regents of Pamantasan ng Lungsod ng Maynila, Chairman of the Board of Trustees of Ospital ng Maynila. He is a Director of Central Azucarera de Tarlac, Inc., and Dizon Copper Silver Mines, Inc., both of which are publicly listed companies, and of Instrastrata Assurance Corporation.

Per the Company's Amended By-Laws approved by the SEC on 14 September 2010, "the Corporation shall conform with the requirement to have such number of Independent Directors as may be required by law, possessed with such qualifications as may be prescribed by law. An "Independent Director" is a person who, apart from his fees and shareholdings, which shareholdings do not exceed two percent (2%) of the shares of the Corporation and/ or its related companies or any of its substantial shareholders, is independent of management and free from any business or other relationship which could,

or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Corporation x x x.” (*Article III, Section 4 of the Amended By-laws*).

The Nomination Committee approved the nominations of Messrs. Manuel G. Ong and Benjamin I. Espiritu for the positions of Independent Directors. Mr. Ong was nominated by Mr. Chi Ho Co and Mr. Espiritu was nominated by Atty. Antonio Victoriano F. Gregorio III. Messrs. Co and Gregorio are not related to any nominee for Independent Directors either by consanguinity or affinity.

Messrs. Ong and Espiritu submitted their credentials to support their qualifications and establish absence of grounds for disqualification for the positions of Independent Directors, as provided for under the Securities Regulation Code, its implementing rules and regulations, pertinent SEC circulars and the Code on Corporate Governance.

The Company considered and adhered to the requirements of SRC Rule 38, as amended, on the nomination and election of Independent Directors. The nominees were screened and included in the final list of candidates for election to the Board of Directors. All nominees were found to possess all the qualifications and none of the disqualifications for election to the positions of regular and independent directors.

(1) *Significant Employees*

The Company maintains a skeletal force of technical and administrative personnel. For 2016 and 2017, the Company does not know yet of any such personnel is expected to make significant contribution to the business, and thus has no significant employees to name and report.

(2) *Family Relations*

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.

(b) *Certain Relationships and Related Transactions*

(a) *Advances to a Stockholder*

The Company obtains short-term and non interest-bearing advances from stockholders for working capital requirements. Total advances amounted to NIL and P 1,050,000.00 as of December 2011 and 2010, respectively.

In 2015 and 2014, the Company granted noninterest-bearing advances to a stockholder for working capital purposes. The advances to a stockholder are unsecured and are due and collectible upon demand. 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 statements of financial position as at December 31 2015, are as follows:

	2015	2014
Balance at beginning of year	₱ 2,457,076	₱ 3,626,772
Collections	<u>( 600,000 )</u>	<u>( 1,169,696 )</u>
Balance at end of year	₱ 1,857,076	₱ 2,457,076

Based on management's assessment, the outstanding balance of the Company's advances to a stockholder is not impaired as at December 31, 2015 and 2014; hence, no impairment loss is recognized during those years.

(b) Legal Services

The Company avails of the services rendered by lawyers who are also key management personnel of the Company. The related legal fees amounted to ₱1,118,889 in 2015, ₱ 730,000 in 2014 and ₱ 920,000 in 2013. These services are necessary for the continued operations of the Company at rates that are competitive in the industry. The services are expected to continue until a notice of termination is served by the Company.

(c) Key management Personnel Compensation

Key management personnel compensation refers to the salaries and wages of Mr. Jose Francisco Miranda as Vice President for Operations for the Abacoal Project from 2012 to 2013. His compensation amounted to ₱598,400.00 in 2013 and ₱626,600 in 2012 and is presented as part of Salaries and Wages in the statements of profit or loss. For 2014 and January to April 2015, Mr. Miranda was paid the amounts of P 240,000.00 and P 80,000.00 respectively in his capacity as Treasurer / CFO of the Company. Mr. Miranda ceased to be a director and Treasurer / CFO as of 2015.

There are no other transactions with parties that do not strictly fall under the definition of related parties but with whom the Company or its related parties have a relationship that enable the parties to negotiate the terms of the material transactions that may not be available from independent parties on an arm's length basis.

(c) *Involvement in Certain Legal Proceedings*

To the best of Issuer's knowledge, there is no event listed below that occurred during the past five (5) years up to latest date that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter or control person of the registrant:

- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign;
- 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 his involvement in any type of business, securities, commodities or banking activities; and

- 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 other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

*(d) Disclosure of disagreements of Directors and Executive officers with the Registrant.*

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of security holders because of disagreements with the Registrant on any matter relating to the Registrant's operations, policies or practices. No director has furnished the Registrant with a letter describing such disagreement and requesting that the matter be disclosed.

**Item 6. Compensation of Directors and Executive Officers**

No action is to be taken at the Annual Meeting with respect to any bonus, profit sharing or other compensation plan, contract or arrangement in which any director or executive officer of the Company will participate, and pension, or retirement plan in which any such person will participate, or the granting or extension to any such person of option/s, warrant/s or right/s to purchase any securities, other than warrants or rights issued to security holders as such, on a pro rata basis.

Only minimal per diems or allowances were paid to executive officers and directors of the Company for the preceding fiscal year. Details of such compensation, allowances, and per diems of executive officers, directors, and employees are discussed below.

**(a) Directors' per diems**

Directors receive a minimal per diem of ₱ 5,000.00 to ₱ 10,000.00 for attendance in Board meetings of the Corporation.

No other allowances and bonuses are given to Directors of the Corporation by reason of their position as director.

**(b) Executive Compensation**

The aggregate total compensation for the Chairman, the President and Directors of the Company is shown below as of 30 September 2016:

Name	Position	Year	Salary & Benefits	Bonus	Per Diem
Antonio V.F. Gregorio III <sup>4</sup>	Chairman	2016	-	-	19,444
		2015	-	-	27,778
		2014	-	-	27,778
		2013	-	-	36,111
Chi Ho Co <sup>5</sup>	President	2016	-	-	11,111
		2015	-	-	16,668
		2014	-	-	11,111
		2013	-	-	11,111
		2012	-	-	19,444
Delfin S. Castro, Jr.	Treasurer	2016	-	-	11,111
		2015	-	-	5,555

<sup>4</sup> Atty. Antonio V.F. Gregorio III resigned as Corporate Secretary and was elected Chairman on 16 October 2012

<sup>5</sup> Mr. Chi Ho Co resigned as Treasurer and was elected President on 16 October 2012

Venus L. Gregorio <sup>6</sup>	Corporate Secretary / CIO	2016	-	-	19,444
		2015	-	-	27,778
		2014	-	-	38,889
		2013	-	-	36,111
		2012	-	-	25,000
All other officers and directors as a group		2016	-	-	38,889
		2015	-	-	55,556
		2014	-	-	22,222
		2013	-	-	38,889
		2012	-	-	38,889

The Chairman and the President did not receive or draw any salary, bonus, or other forms of Compensation from the Corporation except minimal per diems similarly

#### **Item 7. Independent Public Accountant**

The Company retained Punongbayan and Araullo, the External Auditors who audited the Company's financial statements for the fiscal years ended 31 December 2015. There were no disagreements with Accountants on accounting and financial disclosure. Punongbayan and Araullo will be recommended for re-appointment at the Annual Meeting. Representatives of the said firm are expected to be present at the Annual Meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions. The Company is compliant with SRC Rules 68, (3) (b) (iv) on rotation of external auditors.

#### **External Audit Fees and Services**

The fees paid by the Company for professional services rendered by an external auditor for the last three (3) years are as follows:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Audit fees	P 240,000.00	P 215,000.00	P 215,000.00

The scope of services rendered by the external auditor was to audit the Company's financial statements. Ms. Mailene Suge-Bisnar, a new partner, will be the signing partner for the fiscal year ending 31 December 2016.

#### **Audit Committee**

The Audit Committee of the Company is composed of the following:

<b>Member</b>	<b>Position</b>
• Felixes G. Latonero	Chairman
• Chi Ho Co	Member
• Antonio Victoriano F. Gregorio III	Member

As provided under the Audit Committee Charter, an Audit Committee was created to provide for the composition, powers and duties thereof. Among others, the Audit Committee is tasked to:

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<sup>6</sup> Atty. Venus L. Gregorio resigned as Assistant Corporate Secretary and was elected Corporate Secretary on 16 October 2012

- Assist the Board of Directors in performing oversight responsibility for the financial reporting processes.
- Supervise management activities and responsibilities in maintaining a sound system of internal control.
- Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system.
- Coordinate, monitor and facilitate compliance with laws, rules and regulations in financial reporting.
- Review reports and financial statements before their submission to the Board of Directors.

The Audit Committee shall be responsible for the preparation, review and approval and issuance of the Company's financial statements and reports. Among others, the Audit Committee shall:

- a. Review and approve audit scope and frequency and the annual internal audit plan.
- b. Provide oversight over the senior management's activities in managing credit, market liquidity, operational, Legal and other risks of the Company. The function shall include receiving from senior management periodic information on risk exposures and risk management activities.
- c. Review the quarterly, half year and annual financial statements before submission to the Board, focusing particularly on any change/s in accounting policies and practices.
- d. Determine and evaluate significant adjustment resulting from audit and going concern assumptions
- e. Ensure compliance with accounting standards and compliance with tax, legal, and stock exchange requirements
- f. Be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. It may also constitute a Compliance Unit for this purpose.
- g. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.
- h. Review and discuss with management and external auditor the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following:
  - Any change/s in accounting policies and practices;
  - Major judgmental areas;
  - Significant adjustments resulting from the audit;
  - Going concern assumptions;
  - Compliance with accounting standards;
  - Compliance with tax, legal and regulatory requirements;
- i. Review other relevant reports or financial information submitted by the company to any governmental body or the public or financial report and relevant reports rendered by the external auditor.

- j. Elevate to international standards the accounting and auditing processes, practices and methodologies of the Corporation.
- k. Check all financial reports against its compliance with pertinent accounting standards, including laws and regulatory requirements and review the management representation letter to the external auditor.

The Audit Committee shall have overall responsibility over the external audit of the Company from the selection process to the approval for issuance of financial statements for the statutory periods. Among others, the Audit Committee shall be responsible for the following:

- a. Recommend to the board of directors the selection of the external auditors among qualified and reputable audit firms, considering independence, effectiveness and professionalism.
- b. Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- c. Discuss with the external auditor before the audit commences the nature and scope of the audit and ensure coordination where more than one audit firm is involved.
- d. Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors. In performing this review, the committee will:
  - 1) At least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or per review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the company.
  - 2) Review and evaluate the lead partner of the independent auditor.
  - 3) Present its conclusions with respect to the external auditor to the Board.
- e. Ensure the rotation of the lead audit partner every five years and other audit partners, and consider whether there should be regular rotation of the audit firm itself.
- f. Periodically consult with the external auditors out of the presence of management about internal controls and fullness and accuracy of the company's financial statements.
- g. On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- h. Receive and review reports of external auditors and regulatory agencies, where applicable and ensure that management is taking appropriate corrective actions, in timely manner in addressing control and compliance functions with regulatory agencies.

- i. Pre-approve the engagement of the external auditor or other independent accountant to conduct any non-audit services to be performed during the year.
- j. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to external auditor both in relation to their significance to the auditor and in relation to the Company's total expenditure on consultancy. The non-audit work should be disclosed in the Annual Report

**Item 8. Compensation Plans**

There will be no cash or non-cash compensation plans, or adjustments or amendments in stock warrants or options that will be taken up during the Annual Meeting.

**3. ISSUANCE AND EXCHANGE OF SECURITIES**

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

Ratification is sought for two tranches of share issuances by the Company. All shares covered by said issuances consist of common shares. Said shares have equal dividend, voting and pre-emption rights as all other shares of the Company. The Company has no other classes of shares other than common shares. There are no provisions in the charter or by-laws of the Corporation that would delay, defer or prevent a change in control of registrant.

Precedent circumstances are as follows:

On 25 October 2016, the Board of Directors authorized the execution of the following:

1. Subscription Agreement with Nathaniel C. Go over 260,000,000 LIHC shares at the price of P .10 per share for a total subscription amount of P 26,000,000.00.
2. Subscription Agreement with Socorro P. Lim over 2,000,000,000 LIHC shares at the price of P .10 per share for a total subscription amount of P 200,000,000.00.

Mr. Nathaniel C. Go shall subscribe to the remaining and unissued portion of the Company's current authorized capital stock of One Hundred Million Pesos (P 100,000,000.00) consisting of One Billion (1,000,000,000) common shares with a par value of Ten Centavos (P.10) per share. Ms. Socorro P. Lim shall subscribe to shares of stock to be issued out of and support the increase in the Company's authorized capital stock from One Hundred Million Pesos (P 100,000,000.00) consisting of One Billion (1,000,000,000) common shares with a par value of Ten Centavos (P.10) per share to Three Hundred Million Pesos (P 300,000,000.00) consisting of Three Billion (3,000,000,000) common shares, with a par value of Ten Centavos (P.10) per share (hereinafter the "Increase in Capital").

In compliance with the disclosure requirements of the Philippine Stock Exchange, details of the transactions were submitted via Comprehensive Corporate Disclosure, copies of which are hereto attached as Annexes "A" and "B".

In the case of minority shareholders, a waiver of the requirement to conduct a rights or public offering of the above shares will be asked to be approved by a majority vote representing the outstanding shares held by the minority present or represented in the meeting.

Each common share of the Company entitles the holder thereof to one (1) vote. Each common share enjoys full dividend rights. The right of pre-emption of stockholders to subscribe to all issues or disposition of shares has been denied in the Company's Amended Articles of Incorporation. There are no other rights given to the stockholders other than the rights previously mentioned.

With the entry of new investors into the Company, the Company will have fresh capital to be used for maintenance and upkeep. Majority of the funds to be raised shall be used to invest in new business opportunities pursuant to the Work Program on uses of funds annexed to the Comprehensive Corporate Disclosures.

The share issuances may have some dilutive effects on other shareholders but this is greatly outweighed by the benefits of the share issuances not only to the Company but to shareholders as well as explained above. There are no preferences afforded to the shares covered by the Subscription Agreements as they enjoy the same dividend, pre-emptive and voting rights as all other shares of the Company.

#### **a. Financial and other Information**

1. The Audited Financial Statements as of 31 December 2015, Annual Report, and Unaudited Financial Statements 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2016 are hereto attached as Annexes "C", "D", "E" and "F".
2. The Management Report and Plans of Operation are discussed in a separate section.
3. There are no changes in and disagreements with accountants on accounting and financial disclosure; and
4. Representatives of the principal accountants for the current year and for the most recently completed fiscal year:
  - (i) are expected to be present at the security holders' meeting;
  - (ii) will have the opportunity to make a statement if they desire to do so; and
  - (iii) are expected to be available to respond to appropriate questions

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

There are no matters to be proposed to Shareholders under Modification or Exchange of Securities.

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

##### **A. Stockholders are furnished the following information and documents:**

- The Audited Financial Statements of the Company for the fiscal year 2015 is attached to this Information Statement as Annex "C" and incorporated herein by reference as part of the Financial Report of Management for the fiscal year 2015.
- During the Company's two (2) most recent fiscal years or any subsequent interim periods, the Company had no material disagreements with its external auditor, Punongbayan & Araullo, on accounting and financial disclosures.

- Representatives of Punongbayan & Araullo are expected to be present at the Annual Meeting and will have opportunity to make a statement, if they desire to do so, and are expected to be available to respond to appropriate questions.

**Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

There are no matters to be discussed under Mergers, Consolidations, Acquisitions and Similar Matters.

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

No action is to be taken with respect to the acquisition or disposition of any property.

**Item 14. Restatement of Accounts**

No action is to be taken with respect to the restatement of any asset, capital, or surplus account of the Registrant.

**4. OTHER MATTERS**

**Item 15. Action with Respect to Reports**

The following reports will be submitted for approval by the Stockholders:

1. The Minutes of the Annual Stockholders' Meeting held on 11 December 2015.
2. Audited Financial Statements for the year ended 31 December 2015.
3. Annual report for the year 2015.

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

Other than those mentioned, there are no other actions to be taken at the Annual Meeting with respect to any matter which is not required to be submitted to a vote of security holders.

**Item 17. Amendment of Charter, By-Laws or Other Documents**

*Change of Corporate Address*

In compliance with SEC Memorandum Circulars No. 6 and 16, Series of 2014, on 11 April 2014, the Board of Directors, approved the amendment of the Articles of Incorporation of the Company to change its principal office address from Metro Manila to 7<sup>th</sup> Floor, Peaksun Bldg., Princeton St., Bgy. Wackwack, Mandaluyong City. Approval of shareholders is being sought to enable the Company to amend its Articles of Incorporation to reflect said change of address.

*Increase in Authorized Capital*

The Company will undertake to increase its authorized capital stock to implement an approval made at the 17 December 2009 Annual Meeting of Stockholders. During said meeting, shareholders, holding at least 2/3 majority of the outstanding capital stock, voted in favor of the increase in the authorized capital stock of the Company from one hundred million pesos (₱100,000,000.00) divided into one hundred million (100,000,000) shares at a par value of one Peso (₱1.00) per share to three hundred million Pesos (₱300,000,000.00)

divided into three billion (3,000,000,000) shares at the reduced par value of Ten centavos (₱.10) per share without stockholders' pre-emptive right. The foregoing was likewise confirmed, ratified and re-adopted by shareholders owning at least a majority of the shares of the Company during its 11 December 2015 Annual Stockholders' Meeting. The Subscription of Socorro Lim, discussed under Item 9 above, will support said capital increase.

#### **Item 18. Other Proposed Actions**

- (a) *Ratification of All Acts of Management and the Board of Directors for the period 11 December 2015 to the date of the Stockholders' Meeting*

Stockholders' approval and / or ratification is sought with respect to the following results of meeting, actions and reports of the Board of Directors and Management for the period 11 December 2015 to the date of the Stockholders' Meeting :

<b>Date</b>	<b>Results of Meeting, Action and Report</b>
11 December 2015	<ul style="list-style-type: none"> <li>• Results of the Annual Stockholders' Meeting, consisting of the following matters:           <ul style="list-style-type: none"> <li>○ Approval of the Minutes of the Annual Stockholders' Meeting held on 13 December 2012.</li> <li>○ Adoption of the Audited Financial Statements and Annual Reports for the calendar years ended 31 December 2014, 2013 and 2012.</li> <li>○ President's Report for 2014.</li> <li>○ Confirmation, ratification and re-adoption of the 2009 Stockholders' Approval of the Increase in Authorized Capital Stock.</li> <li>○ Ratification of the Cancellation of the Heads of Agreement, Amended Heads of Agreement and Allied Contracts with Abacus Consolidated Resources Holdings, Inc. and Abacus Coal Exploration and Development Corporation.</li> <li>○ In the absence of the required quorum for approval, the Merger with Abacoal as well as the increase in the number of directors were not discussed during the meeting.</li> <li>○ All acts of the Board of Directors and Management for the period covered from the last Annual Stockholders Meeting of the Corporation held on 12 December 2012 to the date of the 2015 Annual Stockholders Meeting.</li> <li>○ Appointment of Punongbayan and Araullo as the Company's External Auditor.</li> <li>○ The matter of change of corporate address was not approved by shareholders due to the absence of the required vote of 2/3 majority of the total outstanding capital stock of the Corporation.</li> </ul> </li> </ul>
11 December 2015	<ul style="list-style-type: none"> <li>• Results of the Organizational meeting of the Board of Directors consisting of the following matters:</li> </ul>

	<ul style="list-style-type: none"> <li>○ Election of officers</li> <li>○ Election of members to the various committees</li> </ul>
6 April 2016	<ul style="list-style-type: none"> <li>• Results of meeting of the Board of Directors <ul style="list-style-type: none"> <li>○ Board Approval of the Annual Audited Financial Statements, Annual Report and Annual Corporate Governance Report (ACGR) for the year ended 31 December 2015.</li> <li>○ Postponement of the Annual Stockholders' Meeting scheduled to be held on 2nd Thursday of May the third quarter of 2016 at a specific date and time to be determined by the President and / or Chairman.</li> </ul> </li> </ul>
11 August 2016	<ul style="list-style-type: none"> <li>• Results of the meeting of the Board of Directors consisting of the following matters: <ul style="list-style-type: none"> <li>○ Board Approval of the Second Quarter Financial Statements.</li> <li>○ Postponement of the Annual Stockholders' Meeting scheduled, per by-laws, to be held on the 2nd Thursday of May to be held on the fourth quarter of 2016 at a specific date and time to be determined by the President.</li> </ul> </li> </ul>
25 October 2016	<ul style="list-style-type: none"> <li>• Results of the meeting of the Board of Directors consisting of the following matters: <ul style="list-style-type: none"> <li>○ Approval of the cancellation of the Investment Agreements with Messrs. Jerry C. Angping, Jose M. Crisostomo and Robert Fong.</li> <li>○ Approval of the Subscription Agreement with Nathaniel C. Go over 260,000,000 LIHC shares at the price of P .10 per share for a total subscription amount of P 26,000,000.00.</li> <li>○ Approval of the Subscription Agreement with Socorro P. Lim over 2,000,000,000 LIHC shares at the price of P .10 per share for a total subscription amount of P 200,000,000.00.</li> </ul> </li> </ul>

#### **Item 19. Voting Procedures**

*(a) Vote Required for Approval*

In all items for which stockholders' approval is sought as described in this Information Statement, each share of stock entitles its registered holder to one (1) vote.

All other matters subject to vote, except in cases where the law provides otherwise, shall be decided by the majority vote of stockholders present in person or by his proxy, if there be such proxy, and entitled to vote thereat, provided that a quorum is present.

*(b) Method by which votes will be counted*

There is no manner of voting prescribed in the By-Laws of the Company. Hence, voting may be done by *viva voce*, show of hands or by balloting.

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by stockholders who are present or represented by proxies at the Annual Meeting.

## **PART II.**

### **INFORMATION REQUIRED TO BE IN THE PROXY FORM**

#### **Item 1. Identification**

This Proxy is solicited by the Board of Directors of the Company to be voted at the Annual Stockholders' Meeting. The Information Statement and this Proxy shall be sent through the mail or courier services to stockholders of record as of 14 November 2016 starting 14 November 2016. Duly executed Proxies may be returned either by mail, fax or by hand at the mailing address of the Company. Proxies must be received on or before 7 December 2016 at 2:00 p.m.

The cost of solicitation will be borne by the Company. In addition to solicitation of the Proxies by use of the mail, officers and employees of the Company, without extra compensation, may solicit Proxies personally or by telephone. No person has informed the Company in writing that he intends to oppose any action intended to be taken by the Company at the Annual Meeting.

#### **Item 2. Instructions**

All proxies must be accomplished in writing in the form hereto attached. Proxies must be duly signed by the stockholder and delivered or returned either by mail, fax or by hand to the Company c/o the Corporate Secretary at the above address:

Proxies must be received for validation not later than 7 December 2016 at 2:00 p.m. Proxies sent by mail shall be considered only when *actually* received at the address stated above. Stockholders who mail their proxies have the burden of proof in establishing actual receipt of the proxies at the address above stated.

At their discretion, the Proxies are authorized to vote upon such matters as are set forth in the Agenda and such other matters as may properly come before the meeting.

Management is hereby authorized to use this proxy for subsequent stockholders' meetings within a period no longer than five (5) years from the date of this Proxy, unless the Proxy holder instructs otherwise.

#### **Item 3. Revocability of Proxy**

A stockholder returning a Proxy may revoke it any time prior to the voting at the Annual Stockholders' Meeting. A Proxy returned by a stockholder at least twenty four (24) hours before the Annual Meeting, which is not subsequently revoked, will be voted in accordance with the marked instructions indicated thereon.

A Proxy which revokes another Proxy shall not be allowed to vote unless it has passed the proxy validation process. The Proxy validation will be conducted by the Corporate Secretary and representatives from the stock transfer agent of the Company. All proxies submitted on or before the deadline will be checked and tallied. Proxy validation will be held at the Company's address on 7 December 2016 at 2:00 p.m.

**Item 4. Persons making the Solicitation**

This Proxy is solicited by the Board of Directors of the Company.

**Item 5. Interest of Certain Persons in Matters to be Acted Upon**

Other than the election into the Board, no director or executive officer, or associate of the foregoing persons, has any substantial interest in the matters to be acted upon by the stockholders at the Annual Meeting.

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
c/o 12 Jaime St., Carmel 1, Bahay Toro, Quezon City

**PROXY**

KNOW ALL MEN BY THESE PRESENTS:

That I, the undersigned, a shareholder or the authorized representative of the shareholder of LODESTAR INVESTMENT HOLDINGS CORPORATION, a Philippine corporation listed in the Philippine Stock Exchange, do hereby nominate, constitute and appoint

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or, in his absence the President or, in his absence, the Corporate Secretary of the Company, each of them with power of substitution, as my Attorney and Proxy to represent me and vote all shares registered in my name in the books of the Company or owned by me, at the Annual Meeting of Stockholders of the Company to be held on 8 December 2016 and any adjournment thereof, as fully to all intents and purposes as I might or could do if present and acting in person, hereby ratifying and confirming any and all matters which may properly come before any said meetings, or adjournment thereof.

I may revoke the Proxy at any time prior to the voting at the Annual Stockholders' Meeting. Should I fail to revoke this Proxy after returning to the Corporate Secretary at least twenty four (24) hours before the Annual Stockholders' Meeting, the same will be voted in accordance with the marked instructions indicated thereon. If no instructions are indicated on a returned and signed Proxy, the shares represented by the Proxy will be used to **Vote For Approval** of the matters indicted herein. This Proxy authorizes my attorney to act among other things on the following matters.

	<b>Vote For Approval</b>	<b>Vote Against</b>	<b>Abstain</b>
1. Reading and approval of the Minutes of the Annual Meeting held on 11 December 2015.			
2. Adoption of Audited Financial Statements and Annual Reports for the calendar year ended 31 December 2015.			
3. Notation of the President's Report for the calendar year.			
4. Approval of the amendment of the Articles of Incorporation and By-laws of the Company to reflect the change of address of the Corporation			
5. Approval of the sale and issuance of a total of Two billion two hundred sixty million (2,260,000,000) shares of the Company at Ten Centavos (P .10) per share to various Investors, under private placements and listing of said shares in the Philippine Stock Exchange ("PSE") and, whenever applicable, waiver of the requirement to conduct a rights or public offering of the shares to be approved by a majority vote representing the outstanding shares held by the minority present or represented in the meeting			
6. Ratification of all acts of the Board of Directors and Management for the period covered from the last			

Annual Stockholders Meeting of the Corporation held on 11 December 2015 to the date of this Annual Stockholders Meeting.			
7. Appointment of Punongbayan and Araullo as the Company's External Auditor			
8. Such other matters as may be properly be brought during the Annual Meeting			
9. Election of Directors	Vote For Approval	Vote Against	Abstain
▪ Antonio Victoriano F. Gregorio III			
▪ Chi Ho Co			
▪ Delfin S. Castro, Jr.			
▪ Leonardo S. Gayao			
▪ Ramoncito B. Cabalu			
▪ Benjamin I. Espiritu (Independent Director)			
▪ Manuel G. Ong (Independent Director)			

### **Revocability of Proxy**

A stockholder returning a Proxy may revoke it any time prior to the voting at the Annual Meeting. A Proxy returned by a stockholder at least twenty four (24) hours before the Annual Meeting, which is not subsequently revoked, will be voted in accordance with the marked instructions indicated thereon.

A Proxy which revokes another Proxy shall not be allowed to vote unless it has passed the proxy validation process. The Proxy validation will be conducted by the Corporate Secretary and representatives from the stock transfer agent of the Company. All proxies submitted on or before the deadline will be checked and tallied. The Proxy validation will be held at the 7<sup>th</sup> Floor, Peaksun Bldg., Princeton cor. Shaw Blvd., Wackwack, Mandaluyong City on 7 December 2016 at 2:00 p.m.

### **Persons Making the Solicitation**

This Proxy is solicited by the Board of Directors of the Company to be voted at the Annual Stockholders' Meeting. The Information Statement and this Proxy shall be sent through the mail or courier services to Stockholders of record as of 9 November 2016 starting 10 November 2016. Duly executed Proxies may be returned either by mail, fax or by hand at the mailing address of the Company. Proxies must be received on or before 7 December 2016 at 2:00 p.m.

The cost of solicitation will be borne by the Company. In addition to solicitation of the Proxies by use of the mail, officers and employees of the Company, without extra compensation, may solicit Proxies personally or by telephone. No person has informed the Company in writing that he intends to oppose an action intended to be taken by the Company at the Annual Meeting.

### **Interest of Certain Persons in Matters to be Acted Upon**

Other than election to the Board of Directors, no director or executive officer, or associate of the foregoing persons, has any substantial interest in the matters to be acted upon by the stockholders at the Annual Meeting.

At their discretion, the Proxies are authorized to vote upon such matters as are set forth in the Agenda and such other matters as may properly come before the meeting.

- Management is hereby authorized to use this proxy for subsequent stockholders' meetings within a period no longer than five (5) years from the date of this Proxy, unless the Proxy holder instructs otherwise.
- This proxy is to be used only for the Annual Stockholders' Meeting on 8 December 2016.

**This Proxy is solicited on behalf of the Board of Directors of Lodestar Investment Holdings Corporation.**

Important: The Office of the Corporate Secretary of the Company must receive this Proxy not later than 7 December 2016 at 2:00 p.m.

**Signature of Stockholder over Printed Name**  
Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016

**PART III.**

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, we certify that the information set forth in this report is true, complete and correct.

This report is signed in Quezon City on 25 October 2016.

**LODESTAR INVESTMENT  
HOLDINGS CORPORATION**

By:



**Antonio Victoriano F. Gregorio III**  
For the Board of Directors



**Venus L. Gregorio**  
Corporate Secretary

## **Management Report**

### **A. Management Discussion and Analysis and Plan of Operation**

#### **Management's Discussion and Analysis (MD&A) or Plan of Operations**

On July 21, 2015, the Company entered into Cancellation of the Heads of Agreement, Amended Heads of Agreement and Allied Contracts with Abacus Consolidated Resources Holdings, Inc. (ABACORE) and Abacus Coal Exploration and Development Corporation (ABACOAL). The cancellation was necessitated by the fact that the Merger with ABACOAL was not approved by LIHC shareholders for lack of quorum during the Annual Shareholder's Meetings called for the last three (3) years.

By way of background, On September 24, 2008, the Company entered into a Heads of Agreement with Music Semiconductors Corporation ("MSC") and ABACORE for the joint acquisition by the Company and MSC of all issued and outstanding shares of stock of ABACOAL, a subsidiary of ABACORE. The Company and MSC have likewise entered into an Agreement for Joint Investment which was amended in 2008 to effect a transfer of all the rights and interests of MSC in ABACOAL to Lodestar.

On November 3, 2010, ABACOAL and the Company further revised the terms of the Heads of Agreement and agreed that 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.

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 ABACOAL was evaluated and found to be technically and financially qualified to undertake development and production of coal resources located at Tago, Surigao del Sur.

On 16 October 2012, the Board of Directors of Lodestar authorized the Chairman to sign and execute a Plan of Merger with ABACOAL. The Plan of Merger with ABACOAL was not approved for lack of the necessary votes of 2/3 majority of Lodestar's shareholders. Considering the inability of the Company to have the Plan of Merger approved, the Board of Directors passed the necessary resolutions to cancel the Heads of Agreement.

Meantime, in line with the primary purpose of the Company as a holdings corporation, business outlook for 2015 and 2016 is geared towards looking for other business ventures. Thus, the Company may again tap into various sources to look for opportunities in the various business sectors that are viable, growing and profitable. The Company's strategy will be to invest-buy-in or acquire businesses where the Company will at least own a significant stake or interest of the investee Company's outstanding capital. The said investment amount will allow the Company to recognize its proportionate share of the equitized earnings from its investee companies.

Within the next twelve (12) months, subject to SEC approval, the Company will increase its authorized capital stock. This capital raising plan is intended to provide the Company investable funds and working capital for prospective projects. Specifics of such deals, if any, will be properly disclosed in accordance with the continuing disclosure requirements of the SEC and the PSE.

Likewise, for the next twelve (12) months, the Company's cash requirements may still be satisfied from the proceeds/ collection of advances from stockholder.

At the current time, the Company has no definitive plans of:

- a. undertaking any product research and development;
- b. acquiring, purchasing or selling of any plant and significant equipment; and
- c. increasing the number of employees.

## **Financial Condition**

### **Financial Performance**

#### **In Philippine Pesos**

	Year 2015	Year 2014	Year 2013
Revenues	50,809	762	5,483
Cost and Expenses	2,130,134	1,960,136	3,236,160
Other Losses	20,000,000		-
Net Income (Loss)	(22,079,325)	(1,959,374)	(3,230,677)
Current Assets	22,557,884	6,871,495	8,096,505
Current Liabilities	1,548,480	786,218	55,305
Total Assets	22,558,102	43,875,165	45,103,626
Total Liabilities	1,548,480	786,218	55,305
Stockholders' Equity	21,009,622	43,088,947	45,048,321
Current Ratio	14.57	8.74	146.40
Current Assets / Current Liabilities	22,557,884 / 1,548,480	6,871,495 / 786,218	8,096,505 / 55,305
Debt to Equity Ratio	0.07	0.02	0.00
Total Liabilities/Stockholders' Equity	1,548,480 / 21,009,622	786,218 / 43,088,947	55,305 / 45,048,321
Return on assets	NA	NA	NA
Net Income / Total Assets			
Earnings (Loss) Per Share	(0.030)	(0.003)	(0.004)
Net Income (Loss) /No. of shares outstanding	(22,079,325)/ 740 M	(1,959,374)/ 740 M	(3,230,677)/ 740 M

### **Second Quarter 2016 (Unaudited Financial Statements)**

#### **Revenues**

The Company did not earn any revenue during the six-month period ended June 30, 2016 as it has not undertaken commercial operations.

#### **Operating Expenses**

Operating expenses increased by ₱51.41 thousand or 8.21% from ₱ 626.37 thousand in June 2015 to ₱677.78 thousand in June 2016 due to full payment of audit fees net of nil salaries and benefits expense incurred during the current year.

#### **Net Loss**

After deducting interest income from regular savings account, the Company posted a net loss of ₱606.59 thousand for the period ended June 2016 which is 3.11% or ₱19.47 thousand lower as compared to net loss of ₱626.06 thousand for the same period in 2015.

## **Financial Condition**

The Company's Total Assets comprising of Current Assets amount to ₦21.87 million which is 3.03% or ₦0.68 million lower than that of June 30, 2015 balance amounting to ₦22.56 million. Total Assets on June 30, 2016 is comprised of ₦12.36 Million Cash, ₦ 1.86 million Advances to a stockholder and ₦7.65 million Other Current Asset.

The Company's Total Liabilities were comprised of accounts payable and accrued expenses. The Total Liabilities increased by ₦ 77.02 thousand or 4.97% from ₦1.548 million in June 2015 to ₦1.471 million in June 2016.

Stockholders' equity posted a 2.89 % or ₦ 0.606 million decrease from ₦21.01 million in June 2015 to ₦20.40million in June 2016.

### **Material Changes to the Company's pro-forma Balance Sheet as of June 30, 2016 as compared with pro-forma Balance Sheet as of June 30, 2015 (increase/decrease of 5 % or more)**

5237.98 % or ₦ 12.13 Million increase in Cash and cash equivalents from ₦ 0.23 million in June 2015 to ₦ 12.36 million in June 2016. The significant increase is due to partial payment on the cancellation of ABACORE investment.

87.19% or ₦ 3.56 million increase in other current assets from ₦ 4.10 million in June 2015 to ₦7.66 million in June 2015. The increase is brought about by receivables from the cancellation of the agreement with ABACORE.

100.00% or ₦ 37.00 million decrease in deposit for future stock investment due to the cancellation of agreement with ABACORE.

105.01% or ₦ 753.72 thousand increase in liabilities from ₦ 717.74 thousand in June 2015 to ₦1.47 million in June 2016 due to accrual of expenses.

100% or ₦ 3.05 thousand decrease in advances from third parties due to reversal of payable to other income.

22.45% or ₦ 22.06 million increase in deficit due to losses incurred during the period.

## **Key Performance Indicators**

Considering the Company's non-operational status, the key performance indicators of the Company are as follows:

	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Current Ratio (1)	14.86x	8.61x
Quick Ratio (2)	8.40x	0.32 x
Debt-equity ratio (3)	0.072x	0.017x
Book value per share (4)	0.03x	0.06x
Net Profit Margin (5)	NA	NA

(1) *Current Assets / Current Liabilities*  
June 2016   (₦ 21,874,490/ ₦ 1,471,456)  
June 2015   (₦ 6,178,679/ ₦ 717,735)

<i>(2) Cash / Current Liabilities</i>
June 2016     ( $\text{P} 12,361,397/\text{P} 1,471,456$ )
June 2015     ( $\text{P} 231,575/\text{P} 717,735$ )
<i>(3) Debt / Equity</i>
June 2016     ( $\text{P} 1,471,456/\text{P} 20,403,034$ )
June 2015     ( $\text{P} 717,735/\text{P} 42,462,888$ )
<i>(4) Equity /Subscribed Shares</i>
June 2016     ( $\text{P} 20,403,034/740,000,000$ )
June 2015     ( $\text{P} 42,462,888/740,000,000$ )

The Current Ratio is the general measure of a company's liquidity. It represents the ratio of all current assets to all current liabilities. It is sometimes called the "Working Capital Ratio" because working capital is the excess of current assets over current liabilities. Current ratio is higher than the same period last year due to increase in cash brought about by the cancellation of the ABACORE agreement.

The Quick Ratio is another measure of a company's liquidity. It is used to measure a company's ability to pay its liabilities using assets that are cash or very liquid. Since the Company does not have any marketable securities and accounts receivables, the computation of this ratio was based on cash alone. Quick ratio for the current period is higher as compared to the same period of last year due to the increase in cash brought about by the payment on the cancellation of the ABACORE agreement.

The Debt to Equity Ratio is a measure of leverage, or the relative amount of funds provided by lenders and owners. This measures the amount of debt being used by the Company. The ratio for the current period is higher as compared with that of last year.

Book value Per Share is a measure of stockholders' equity. It represents the difference between total assets and total liabilities divided by the total number of shares outstanding.

Net Profit Margin Ratio related to the profits of a company to its sales, assets or equity. It indicates the rate of profit from sales and other revenues. The Company is still in a no-operation status. The reported revenues are purely interests earned from bank deposits.

### **Additional Financial Soundness Indicators**

	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Asset to equity ratio (1)	1.07x	1.02x
Interest Rate coverage ratio (2)	NA	NA
Gross Profit Margin (3)	NA	NA

<i>(1) Total Assets / Total Equity</i>
June 2016     ( $\text{P} 21,874,490/\text{P} 20,403,034$ )
June 2015     ( $\text{P} 43,180,623/\text{P} 42,462,888$ )
<i>(2) Income before Interest and Taxes / Interest Expense</i>
June 2016
June 2015
<i>(3) Gross Profit / Sales</i>
June 2016
June 2015

Asset to Equity ratio measures the financial leverage and long term solvency of the Company. It is derived by dividing the total asset from its total equity.

Interest Coverage Ratio determines how easily a company can pay interest on outstanding debt. The Company did not incur any interest on its advances.

Gross Profit Margin is derived by dividing gross profit by the sales. The Company is still in a no-operation status. The reported revenues are purely interests earned from bank deposits.

### **First Quarter 2016 (Unaudited Financial Statements)**

#### **Revenues**

The Company did not earn any revenue during the three-month period ended March 31, 2016 as it has not undertaken commercial operations.

#### **Operating Expenses**

Operating expenses decreased by ₦43.41 thousand or 9.76% from ₦ 444.56 thousand in March 2014 to ₦401.15 thousand in March 2015 due to nil salaries and benefits expense incurred during the current year.

#### **Net Loss**

After deducting interest income from regular savings account, the Company posted a net loss of ₦384.75 thousand for the period ended March 2016 which is 13.42% or ₦59.63 thousand lower as compared to net loss of ₦444.38 thousand for the same period in 2015.

#### **Financial Condition**

The Company's Total Assets comprising of Current Assets amount to ₦22.18 million which is 1.68% or ₦0.38 million lower than that of March 31, 2015 balance amounting to ₦22.56 million. Total Assets on March 31, 2016 is comprised of ₦12.70 Million Cash, ₦ 1.86 million advances to a stockholder and ₦7.62 million Other Current Asset.

The Company's Total Liabilities were comprised of accounts payable and accrued expenses. The Total Liabilities increased by ₦ 5.61 thousand or 0.36% from ₦1.548 million in March 2015 to ₦1.554 million in March 2015.

Stockholders' equity posted a 1.83 % or ₦ 0.39 million decrease from ₦21.01 million in March 2015 to ₦20.62million in March 2016.

#### **Material Changes to the Company's pro-forma Balance Sheet as of March 31, 2016 as compared with pro-forma Balance Sheet as of March 31, 2015 (increase/decrease of 5 % or more)**

5484.34 % or ₦ 12.47 Million increase in Cash and cash equivalents from ₦ 0.23 million in March 2015 to ₦ 12.70 million in March 2015. The significant increase is due to down payment on the cancellation of ABACORE investment.

13.91% or ₦ 0.3 million decrease in Advances to a stockholder due to partial payment of advances.

87.73% or ₦ 3.56 million increase in other current assets from ₦ 4.06 million in March 2015 to ₦7.62 million in March 2015. The increase is brought about by receivables from cancellation of agreement of ABACORE.

94.10% or ₦ 753.41 thousand increase in liabilities from ₦ 800.68 thousand in March 2015 to ₦1.55 million in March 2016 due to accrual of expenses.

100% or ₦ 3.05 thousand decrease in advances from third parties due to reversal of payable to other income.

22.45% or ₦ 22.02.2 million increase in deficit due to losses incurred during the period.

## Key Performance Indicators

Considering the Company's non-operational status, the key performance indicators of the Company are as follows:

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Current Ratio (1)	14.27x	8.02x
Quick Ratio (2)	8.17x	0.28 x
Debt-equity ratio (3)	0.075x	0.019x
Book value per share (4)	0.03x	0.06x
Net Profit Margin (5)	NA	NA

(1) *Current Assets / Current Liabilities*

March 2016 (₦ 22,178,961/₦ 1,554,087)  
March 2015 (₦ 6,445,490/₦ 803,725)

(2) *Cash / Current Liabilities*

March 2016 (₦ 12,698,125/₦ 1,554,087)  
March 2015 (₦ 227,388/₦ 803,725)

(3) *Debt / Equity*

March 2016 (₦ 1,554,087/₦ 20,624,875)  
March 2015 (₦ 803,725/₦ 42,644,572)

(4) *Equity /Subscribed Shares*

March 2016 (₦ 20,624,875/740,000,000)  
March 2015 (₦ 42,644,572/740,000,000)

The Current Ratio is the general measure of a company's liquidity. It represents the ratio of all current assets to all current liabilities. It is sometimes called the "Working Capital Ratio" because working capital is the excess of current assets over current liabilities. Current ratio is lower than the same period last year due to higher unpaid liabilities.

The Quick Ratio is another measure of a company's liquidity. It is used to measure a company's ability to pay its liabilities using assets that are cash or very liquid. Since the Company does not have any marketable securities and accounts receivables, the computation of this ratio was based on cash alone. Quick ratio for the current period is lower as compared to the same period of last year due to higher unpaid payables.

The Debt to Equity Ratio is a measure of leverage, or the relative amount of funds provided by lenders and owners. This measures the amount of debt being used by the Company. The ratio for the current period is higher as compared with that of last year due to higher liabilities.

Book value Per Share is a measure of stockholders' equity. It represents the difference between total assets and total liabilities divided by the total number of shares outstanding.

Net Profit Margin Ratio related to the profits of a company to its sales, assets or equity. It indicates the rate of profit from sales and other revenues. The Company is still in a no-operation status. The reported revenues are purely interests earned from bank deposits.

## **Additional Financial Soundness Indicators**

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Asset to equity ratio (1)	1.08x	1.02x
Interest Rate coverage ratio (2)	NA	NA
Gross Profit Margin (3)	NA	NA

- (1) *Total Assets / Total Equity*  
*March 2016 (P 22,178,961/P 20,624,875)*  
*March 2015 (P 43,448,297/P 42,644,572)*
- (2) *Income before Interest and Taxes / Interest Expense*  
*March 2016*  
*March 2015*
- (3) *Gross Profit / Sales*  
*March 2016*  
*March 2015*

Asset to Equity ratio measures the financial leverage and long term solvency of the Company. It is derived by dividing the total asset from its total equity.

Interest Coverage Ratio determines how easily a company can pay interest on outstanding debt. The Company did not incur any interest on its advances.

Gross Profit Margin is derived by dividing gross profit by the sales. The Company is still in a no-operation status. The reported revenues are purely interests earned from bank deposits.

## **Full Fiscal Year**

### **Calendar Year 2015**

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 and Exploration and Development Corporation ("ABACOAL"). The joint acquisition was amended on May 21, 2009 whereby the Company acquires the right to purchase one hundred percent (100%) of the shares of stock of ABACOAL.

On July 21, 2015, the Company entered into Cancellation of the Head of Agreement and allied Contracts with Abacus Consolidated Resources Holdings, Inc. (ABACORE) and ABACOAL. The cancellation was necessitated by the fact that the Merger with ABACOAL was not approved by LIHC shareholders for lack of quorum during the Annual Shareholder's Meetings called for the last three (3) years. In consideration of signing the Cancellation Agreement, ABACORE shall pay the Company a portion of the deposit for future stock investment amounting to P17.0 million. Accordingly, the Company recognized a loss of P20.0 million for the unrecovered portion which is presented as Loss on Cancellation of an Agreement. Partial payment of P13.5 million contributed to the increase in cash while the balance was presented as collectible.

The reported interest income earned on bank accounts amounting to P47,760 was P46,998 or 6,168% higher than the interest recorded for the year 2014 of P 762. The increase was due mainly to additional cash as a result of cancellation of heads of agreement by and between Lodestar, ABACOAL and ABACORE. Other income of P 3,049 was derived from reversal of long outstanding liability.

The ₦2.12 million operating expenses for 2015 was 8.19% or ₦ 160.54 thousand higher when compared to 2014 expenses amounting to ₦1.96 million. The increase was attributed to the net effect of following expenses:

1. Legal Fees – 53.27% or ₦388.89 thousand higher from ₦730 thousand in 2014 to ₦1.12 million in 2015 due to legal fees incurred for cancellation of various contracts related to ABACOAL.
2. Salaries and Employee benefits – 68.51% or ₦190.99 thousand lower.
3. Director's fees – 14.29% or ₦ 16.66 thousand higher from ₦116.67 thousand in 2014 to ₦133.33 thousand in 2015 due to higher number of attendees.
4. Office supplies and other expenses – 48.73% or ₦ 37.46 thousand lower from ₦ 76.87 thousand in 2014 to ₦39.41 thousand in 2015.
5. Professional Fees – 8.79% or ₦ 13.11 thousand lower from ₦149.11 thousand in 2014 to ₦136 thousand in 2015 due to cancellation of a contract with a professional.
6. Representation Expense – 48.62% or ₦14.01 thousand lower from ₦ 28.81 thousand in 2014 to ₦ 14.8 thousand in 2015.
7. Transportation and Travel expenses – 66.40% or ₦3.56 thousand lower from ₦5.36 thousand in 2014 to ₦1.8 thousand in 2015.
8. Printing – 21.53% or ₦14.01 thousand increase from ₦ 65.06 thousand in 2014 to ₦ 79.07 thousand in 2015.
9. Taxes and Licenses – 0.66% or ₦0.1 thousand increase from ₦ 15.07 thousand in 2014 to ₦ 15.17 thousand in 2015.

The cancellation of the Heads of Agreement, Amended Heads of Agreement and Allied Contracts entails returned of payments made amounting to ₦ 17 million resulting to additional cash input of ₦13.5 million, receivables of ₦ 3.5 million and losses aggregating ₦20 million.

The above mentioned additional cash input net of expenses incurred during the year contributed to an increase in cash and cash equivalents of ₦ 12.72 million, from ₦ 383.75 thousand in 2014 to ₦ 13.11 million in 2015.

Likewise, this transaction plus a minimal increase in input vat of ₦ 62.6 thousand contributed to an increase in other current assets of ₦3.56 million.

Partial settlement of ₦0.6 million by a stockholder resulted to a decrease in advances from stockholder, from ₦ 2.46 million as of Dec. 2014 to ₦ 1.86 million in 2015.

Total liabilities of ₦ 1.55 million in 2015 is 96.95% or ₦ 762.26 thousand higher when compared to 2014 balances of only ₦ 786.22 thousand. The increase is due to additional legal fees incurred during the year.

Operating expenses net of interest earned from bank deposits and reversal of miscellaneous deposit plus other losses amounting to ₦20 million resulted to a net reduction in equity of ₦ 22.08 million, from ₦ 43.09 million in 2014 to ₦ 21.01 million in 2015.

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 2014**

For 2014, Lodestar has yet to undertake commercial operations, hence, reported losses in 2014 amount to ₦ 1.959 million. For the next twelve (12) months, the Company may increase its authorized capital. This capital raising plan is intended to provide the Company investable funds and working capital for prospective projects.

For 2014, reported interest income earned on bank accounts amounting to ₦ 762 was ₦ 4,721 or 86.10% lower than the interest recorded for the year 2013 of ₦ 5,483.

The ₦1.96 million operating expenses for 2014 was 39.41% or ₦1.27 million lower when compared to 2013 expenses amounting to ₦3.23 million. The decrease was attributed to the net effect of following expenses:

1. Audit Fees – 4.88% or ₦11 thousand higher from ₦230 thousand in 2013 to ₦241 thousand in 2014 due to higher audit fees for 2014.
2. Salaries and Employee benefits – 55.59% or ₦349 thousand lower.
3. Director's fees – 16.00% or ₦22 thousand lower from ₦139 thousand in 2013 to ₦117 thousand in 2014 due to lesser board meetings conducted during the year.
4. Office supplies and other expenses – 38.51% or ₦69 thousand lower from ₦179 thousand in 2013 to ₦110 thousand in 2014.
5. Professional Fees – 61.92% or ₦242 thousand lower from ₦392 thousand in 2013 to ₦149 thousand in 2014 due to cancellation of contracts of a professional.
6. Repairs and Maintenance – 100% or ₦6 thousand incurred in 2014 and nil in 2013.
7. Representation Expense – 93.00% or ₦382 thousand lower from ₦411 thousand in 2013 to ₦29 thousand in 2014. This expense is relative to the Company's COC 148 which is now into development and production phase.
8. Transportation and Travel expenses – 91.02% or ₦54 thousand lower from ₦ 59 thousand in 2013 to ₦5 thousand in 2014.
9. Depreciation – 67.92% or ₦ 7 thousand lower.
10. Insurance – 141.74% or ₦17 thousand higher from ₦12 thousand 2013 to ₦29 thousand in 2014.
11. Legal fees – 20.65% or ₦190 thousand lower from ₦920 thousand in 2013 to ₦730 thousand in 2014.
12. Taxes and Licenses – 27.62% or ₦3 thousand increase from ₦12 thousand in 2013 to ₦15 thousand in 2014.

The above expenses contributed to a decrease in cash and cash equivalents from ₦490 thousand in 2013 to ₦384 thousand in 2013.

Other current assets increased by ₦51 thousand due to input vat from purchase of goods and services net of decrease in receivables.

Partial settlement of ₦1.17 million by a stockholder resulted to a decrease in advances from stockholder, from ₦3.63 million as at Dec. 2013 to ₦2.46 million in 2014.

Total liabilities of ₦786 thousand in 2014 is 1,321.60% or ₦731 thousand higher when compared to 2013 balances of only ₦55 thousand. The increase is due to unsettled legal fees.

Operating expenses net of interest earned from bank deposits resulted to a net reduction in equity from ₦45.05 million in 2013 to ₦43.09 million in 2014.

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 2013**

The Company's reported interest income earned on bank accounts amounting to ₦5,483 was ₦5,700 or 50.97% lower than the interest recorded for the year 2012 of ₦11,183.

The ₦3.236 million operating expenses for 2013 was 25.21% or ₦1.09 million lower when compared to 2012. The decrease was attributed to the net effect of following expenses:

1. Audit Fees – 15.96% or ₦32 thousand higher from ₦198 thousand in 2012 to ₦230 thousand in 2013 due to higher audit fees for 2013.
2. Commission expense – 100% or ₦187 thousand lower due to liquidation of traded shares in 2012.
3. Salaries and Employee benefits – 2.77% or ₦17 thousand lower.

4. Director's fees – 19.05% or ₦ 22 thousand higher from ₦117 thousand in 2012 to ₦139 thousand in 2013 due to several board meetings conducted resulting to higher per diems.
5. Office supplies and other miscellaneous expenses – 27.91% or ₦ 64 thousand lower from ₦ 221 thousand million in 2012 to ₦156 thousand in 2013.
6. Professional Fees – 67.44% or ₦ 811 thousand lower from ₦1.203 million in 2012 to ₦392 thousand in 2013 due to cancellation of contracts of two professionals
7. Repairs and Maintenance – 100% or ₦8 thousand incurred in 2012 and nil in 2013.
8. Representation Expense – 81.02% or ₦184 thousand higher from ₦ 227 thousand in 2012 to ₦ 411 thousand in 2013. This expense is relative to the Company's COC 148 which is now into development and production phase.
9. Trustee Fees – 100% or ₦16 thousand in 2012 to nil in 2013. The company has sold all its shares traded in the stock market in 2012.
10. Transportation and Travel expenses – 75.53% or ₦184 thousand lower from ₦244 thousand in 2012 to ₦60 thousand in 2013.
11. Depreciation – 64.25% or ₦19 thousand lower due to full depreciation of some assets.
12. Insurance – 100% or ₦ 12 thousand in 2013 and nil in 2012.
13. Legal fees – 10.84% or ₦ 90 thousand higher from ₦830 thousand in 2012 to ₦ 920 thousand in 2013.
14. Project cost – 100% or ₦123 thousand in 2012 and nil in 2013.

The above expenses resulted to a decrease in cash and cash equivalents from ₦ 3.406 million in 2012 to ₦ 0.490 million in 2013.

Other current assets increased by ₦80 thousand due to input vat from purchase of goods and services couple with a slight increase in receivables.

Partial settlement of ₦450 thousand by a stockholder to fund expenses resulted to a decrease in advances from stockholder, from ₦ 4.077 million as at Dec. 2012 to ₦ 3.627 million in 2013.

Total liabilities of ₦55 thousand in 2013 is 50.15% or ₦ 56 thousand lower when compared to 2012 balances of ₦ 111 thousand.

Operating expenses net of interest earned from bank deposits resulted to a net reduction in equity from ₦ 48.28 million in 2012 to ₦ 45.05 million in 2013.

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.

For the past two years, the Company has been trying to get stockholders' approval of the Merger between Lodestar and Abacoal. However, due to lack of the necessary quorum, the Merger has not yet been approved. For this reason, Management will assess the status as well as the legal impediments and tax implication of the Abacoal Project within the first two quarters of the succeeding year.

**B. Market Price, Shareholders and Dividend Information**

(1) Market Price Information

The shares of stock of Lodestar Investment Holdings Corporation are traded in the Philippine Stock Exchange.

The table below summarizes performance of the stock of the Corporation in the market for each quarter for the past two calendar years prior to the date of the Annual Stockholders' Meeting (based on closing prices of the shares with the PSE):

Period	High	Low	Weighted Average
1 <sup>st</sup> Quarter 2013	1.04	0.87	0.95
2 <sup>nd</sup> Quarter 2013	0.93	0.61	0.81
3 <sup>rd</sup> Quarter 2013	0.78	0.67	0.71
4 <sup>th</sup> Quarter 2013	0.85	0.61	0.73
1 <sup>st</sup> Quarter 2014	0.82	0.60	0.72
2 <sup>nd</sup> Quarter 2014	0.86	0.73	0.81
3 <sup>rd</sup> Quarter 2014	0.76	0.61	0.68
4 <sup>th</sup> Quarter 2014	0.68	0.60	0.62
1 <sup>st</sup> Quarter 2015	0.78	0.62	0.73
2 <sup>nd</sup> Quarter 2015	0.82	0.66	0.76
3 <sup>rd</sup> Quarter 2015	0.74	0.54	0.63
4 <sup>th</sup> Quarter 2015	0.91	0.67	0.82
1st Quarter 2016	0.75	0.50	0.65
2 <sup>nd</sup> Quarter 2016	0.80	0.66	0.71
3 <sup>rd</sup> Quarter 2016	0.85	0.69	0.75

On 19 October 2016, the stock of the Corporation opened at ₱.78 per share, had a high of ₱ .81 per share and a low of ₱ .77 per share. The stock closed at ₱ .79 per share with a volume of 623,000 shares traded in the market.

(2) Shareholders Information

The top shareholders of the Corporation as of 30 September 2016 are as follows:

Shareholder	Nationality	Number of Shares	Percentage of Ownership
PCD Nominee Corporation	Filipino	620,202,430 <sup>1</sup>	83.811 %
Jerry C. Angping	Filipino	75,081,000 <sup>2</sup>	10.146%
Renato L. Reyes	Filipino	72,000,000	9.73%

No other shareholder as of said date owns more than five (5%) of the Corporation.

As of 30 September 2016, the Company's biggest shareholder is the PCD Nominee Corporation which holds 620,202,430 or 83.811% of the total issued and outstanding shares of the Company.

Please find below the top 20 stockholders of the Company as of 30 September 2016.

	STOCKHOLDER	NATIONALITY	TOTAL SHARES	PERCENTAGE OF OWNERSHIP (%)
1	PCD NOMINEE CORPORATION - FILIPINO	FILIPINO	620,202,430 <sup>1</sup>	83.811
2	JERRY C. ANGPING	FILIPINO	75,081,003 <sup>2</sup>	10.146%
3	RENATO L. REYES	FILIPINO	72,000,000	9.730
4	RAMON L. ABAD JR.	FILIPINO	28,000,000	3.784
5	PCD NOMINEE CORPORATION - NON FILIPINO	OTHERS	12,261,000	1.657
6	JONES R. CASTRO	FILIPINO	1,700,000	0.230
7	RENATO LUMAGUE	FILIPINO	600,000	0.081
8	JOAQUIN CORPUS	FILIPINO	500,000	0.068
9	JOEL S. DIAZ	FILIPINO	500,000	0.068
10	WILLIAM T. ENRILE &/OR WILLIAM R. ENRILE II &/OR NELLY R. ENRILE	FILIPINO	500,000	0.068
11	ROSS W. GARLING	OTHERS	400,000	0.054
12	JOSE DE PERALTA	FILIPINO	300,000	0.041
13	JOVENAL GONZALES	FILIPINO	300,000	0.041
14	JOHN T. MESINA	FILIPINO	300,000	0.041
15	CESAR HABLERO	FILIPINO	160,000	0.022
16	WILLIAM STONE	OTHERS	100,010	0.014
17	REUBEN L. ALDERSON	OTHERS	100,000	0.014
18	AROROY MUNICIPAL COUNCIL EDUCATIONAL FUND	FILIPINO	100,000	0.014
19	AUGUSTO BAUTISTA	FILIPINO	100,000	0.014
20	DOMINGO BAUTSTA	FILIPINO	100,000	0.014

### (3) Dividend Information

There are no dividends yet declared by the Corporation. Thus, for the last two (2) fiscal years, no dividends, whether cash or property, were declared by the Company. There are no provisions in the Articles of Incorporation nor is there any policy, board action or approval that restricts or provides any restriction on, or limit the payment of dividend on common shares.

### (4) Recent Sales of Unregistered or Exempt Securities Including recent Issuance of Securities Constituting an Exempt Transaction

There have been no sale of unregistered or exempt securities in the last two (2) years.

<sup>1</sup> This includes the shares of Mr. Jerry C. Angping lodged with AP Securities, Inc.

<sup>2</sup> Mr. Angping has 100,000 shares in his name. The rest are lodged with AP Securities Inc.

**C. Compliance with Leading Practices on Corporate Governance**

The Company observes and complies with the mandate of the SEC on matters involving corporate governance. In 2013, the Company implemented a comprehensive Manual on Corporate Governance allowing for the creation and mandating the functions, responsibilities and duties of the Executive Committee, Governance Committee and Risk Management Committee in addition to its standing committees namely the Nomination, Audit and Compensation Committees. Their powers, duties and responsibilities, as provided for in the By-laws as well as in the Manual on Corporate Governance, are compliant with and consistent with the policies formulated under SEC memorandum Circular No. 6 Series of 2009.

Likewise, in compliance with SEC Memorandum Circular No. 20 Series of 2013, the following Directors and Officers attended the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on 11 November 2015 at the Peaksun Bldg., Shaw Blvd., Mandaluyong City.

Antonio Victoriano F. Gregorio III  
Chi Ho Co  
Delfin S. Castro, Jr.  
Leonardo S. Gayao  
Ramoncito B. Cabalu  
Manuel G. Ong  
Venus L. Gregorio

**PART III – FINANCIAL INFORMATION**

**Business Plan**

As an investment holding company, the Company will continue to evaluate various business opportunities and ventures that are viable, growing, and profitable.

The Company's strategy will be to invest, buy-in or acquire businesses where the Company will at least own a significant stake or interest of the investee Company's outstanding capital. The said investment amount will allow the Company to recognize its proportionate share of the equitized earnings from its investee companies.

The Company's capital raising plans are intended to provide the Company investable funds and working capital for the above-mentioned current and prospective projects.

**Financial Statements**

The Company's Annual Financial Statements for 2015 together with the notes thereto are attached together with the First and Second quarters of financial statements for 2015.

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

The Company retained Punongbayan & Araullo (P&A) as External Auditors who prepared the financial statements for the calendar year ended 31 December 2015. There were no disagreements with Accountants on accounting and financial disclosure.

## PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

### A. (1) Directors and Executive Officers

As of 30 September 2016, the Board of Directors and Executive Officers of the company consist of the following individuals:

Name	Position	Nationality	Period Served (as Director)
▪ Antonio V.F. Gregorio III	Director / Chairman	Filipino	2009 to present
▪ Chi Ho Co	Director / President	Filipino	2008 to present
▪ Delfin S. Castro, Jr.	Director / CFO / Treasurer	Filipino	2015 to present
▪ Leonardo S. Gayao	Director	Filipino	2011 to present
▪ Ramoncito B. Cabalu	Director	Filipino	2015-present
▪ Felixes G. Latonero	Independent Director	Filipino	2011 to present
▪ Manuel G. Ong	Independent Director	Filipino	2015 to present
▪ Venus L. Gregorio	Corporate Information Officer / Corporate Secretary	Filipino	2012 to present

### (2) Significant Employees

The Company maintains a skeletal force of technical and administrative personnel. For 2015, owing to the relatively small number of personnel, the Company does not know yet of any such personnel is expected to make significant contribution to the business, and thus has no significant employees to name and report.

### (3) Family Relationships

Atty. Antonio Victoriano F. Gregorio 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 fourth civil degree, either by consanguinity or affinity, among the directors and officers of the Company.

### (4) Involvement in Certain Legal Proceedings

Each of the director has certified that, during the past five years, they have not been involved in any insolvency or bankruptcy proceeding nor has any of them been convicted by final judgment in a criminal proceeding. Furthermore, none of the directors has been subject to any order permanently enjoining, barring, suspending or limiting their involvement in any type of business, securities, and commodities or banking activities, nor have they been found by any court in a civil action to have violated any securities or commodities law or regulation.

To the best of the Company's knowledge, there is no event listed below that occurred during the last five years up to the latest date that are material to an evaluation of the ability or integrity of any director or nominee for election as director, executive officer or control person of the Company:

- (a) Bankruptcy petition filed by or against any business of which a director or

executive officer of the Company was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time;

- (b) Conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) 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 his involvement in any type of business, securities, commodities or bargaining activities; and ;
- (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated.

## SUBSCRIPTION AGREEMENT

This Subscription Agreement ("the Agreement") is made and entered into at Mandaluyong City this 25 October 2016, by and between the following PARTIES:

**NATHANIEL C. GO**, of legal age, married, with address at Renaissance 3000 Tower 1, Meralco Avenue, Ortigas Center, Pasig City, hereinafter referred to as "the Subscriber";

- and -

**LODESTAR INVESTMENT HOLDINGS CORPORATION**, a publicly listed corporation organized and existing under and by virtue of the laws of the Philippines with office address at 7<sup>th</sup> Floor, Peak Sun Bldg., Shaw Blvd., Wackwack, Mandaluyong City, represented herein by its President, Chi Ho Co hereinafter referred to as "the Company").

(The Company and the Subscriber are hereinafter collectively referred to as "the Parties", and singly as "the Party")

### **WITNESSETH: That –**

WHEREAS, the Subscriber has agreed to purchase by way of subscription, and the Company has agreed to issue to the Subscriber, through a private placement, common shares of stock to be issued from the authorized capital stock of the Company, subject to the terms and conditions hereinafter stipulated;

NOW, THEREFORE, for and in consideration of the foregoing premises, and the mutual covenants contained herein, the Parties hereby agree as follows:

### **ARTICLE 1 SUBSCRIPTION TO SHARES**

- Subscribed*
- 1.1 The Subscriber shall, subject to the fulfillment of the conditions herein set forth, subscribe to and acquire Two Hundred Sixty Million (260,000,000) common shares (the "Subscribed Shares") at the Subscription Price as hereinafter provided.
  - 1.2 The Company shall, in consideration of the Subscription Price and subject to the fulfillment of the conditions herein set forth, issue the Subscribed Shares.
  - 1.3 The Subscribed Shares shall be issued out of the Company's current authorized capital stock of One Hundred Million Pesos (P 100,000,000.00) consisting of One Billion (1,000,000,000) common shares with a par value of Ten Centavos (P.10) per share.

### **ARTICLE 2 CONSIDERATION FOR THE SUBSCRIPTION**

- 2.1 The consideration for the Subscribed Shares shall be Ten Centavos (P.10), Philippine currency, per share or the aggregate amount of Twenty Six Million Pesos (P 26,000,000.00), Philippine currency, (the "Subscription Price"))

payable in full within fifteen (15) days from execution of the Subscription Agreement; and

### **ARTICLE 3 UNDERTAKINGS**

- 3.1 The Subscriber shall remit the Subscription Price to the Company on or before the time specified in the above preceding paragraph.
- 3.2 The Company undertakes to file with the Philippine Stock Exchange ("PSE") the application for the listing of the Subscribed Shares.

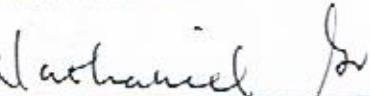
### **ARTICLE 4 TAXES AND EXPENSES**

- 4.1 Except as provided in this Agreement, each Party shall bear its own fees, costs, and expenses incurred in relation to the execution and implementation of this Agreement.
- 4.2 Any documentary stamp taxes due on the issuance of the Subscribed Shares shall be for the account of, and borne by, the Company, which shall be paid for by the Company within period provided for by law and regulations

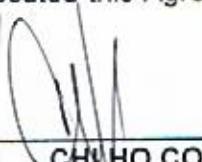
### **ARTICLE 5 TERMINATION**

- 5.1 This Agreement may be terminated:
  - (a) By mutual agreement of the Parties in writing;
  - (b) By a Party, by written notice to the other Party, if the other Party fails to fulfill any obligations and covenants contained in this Agreement.
- 5.2 In case of termination of this Agreement pursuant to Article 5.1 (a) above, the non-defaulting Party shall have the right to claim indemnification from the defaulting Party for any and all actual damages, losses, costs, and expenses which the non-defaulting Party may have suffered or incurred as a result of such breach and for enforcing its rights and remedies under this Article.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.



NATHANIEL C. GO  
Subscriber



CHI HO CO  
President  
LODESTAR INVESTMENT  
HOLDINGS CORPORATION

Signed in the Presence of:



Acknowledgment

Republic of the Philippines )  
Mandaluyong City ) S.S.

BEFORE ME, a Notary Public for and in the above jurisdiction, this OCT 25 2016  
personally appeared the following:

Name	Competent Proof of Identity	Date / Place of Issue
NATHANIEL C. GO	D.L # X01 - 07-002562	09.01.2015 / LTO Q.C
CHI HICO [in his capacity as President of LODESTAR INVESTMENT HOLDINGS CORPORATION]	Passport # EC5209073	09.04.2015 / DFA

who are known to me and to me known to be the persons who executed the foregoing Subscription Agreement and they acknowledged to me that the same is their free and voluntary act and deed, and the free and voluntary act and deed of the corporation represented.

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

Doc. No. 26;  
Page No. 44;  
Book No. 1001  
Series of 2016.

**ATTY. TRIXIA THERESA B. REYES**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2017  
PTR NO. 2618327 / 01-04-16 MAND.  
ROLL NO. 60934 / IDP NO. 692421  
APPT. NO. 0380-16  
MCL-COMPLIANCE NO. IV-0018915  
VALID UNTIL 2016

## SUBSCRIPTION AGREEMENT

This Subscription Agreement ("the Agreement") is made and entered into at Mandaluyong City this 25 October 2016, by and between the following PARTIES:

**SOCORRO P. LIM**, of legal age, married, with address at 1560 Carissa St., Dasmariñas Village, Makati City, hereinafter referred to as "the Subscriber";

- and -

**LODESTAR INVESTMENT HOLDINGS CORPORATION**, a publicly listed corporation organized and existing under and by virtue of the laws of the Philippines with office address at 7<sup>th</sup> Floor, Peak Sun Bldg., Shaw Blvd., Wackwack, Mandaluyong City, represented herein by its President, **Chi Ho Co** hereinafter referred to as "the Company").

(The Company and the Subscriber are hereinafter collectively referred to as "the Parties", and singly as "the Party")

### **WITNESSETH: That –**

WHEREAS, the Subscriber has agreed to purchase by way of subscription, and the Company has agreed to issue to the Subscriber, through a private placement, common shares of stock to be issued from the increase in the authorized capital stock of the Company, subject to the terms and conditions hereinafter stipulated;

NOW, THEREFORE, for and in consideration of the foregoing premises, and the mutual covenants contained herein, the Parties hereby agree as follows:

### **ARTICLE 1 SUBSCRIPTION TO SHARES**

- 1.1 The Subscriber shall, subject to the fulfillment of the conditions herein set forth, subscribe to and acquire Two Billion (2,000,000,000) common shares (the "Subscribed Shares") at the Subscription Price as hereinafter provided.
- 1.2 The Company shall, in consideration of the Subscription Price and subject to the fulfillment of the conditions herein set forth, issue the Subscribed Shares.
- 1.3 The Subscribed Shares shall be issued out of the increase in the Company's authorized capital stock from One Hundred Million Pesos (₱ 100,000,000.00) consisting of One Billion (1,000,000,000) common shares with a par value of Ten Centavos (₱.10) per share to Three Hundred Million Pesos (₱ 300,000,000.00) consisting of Three Billion (3,000,000,000) common shares, with a par value of Ten Centavos (₱.10) per share (hereinafter the "Increase in Capital").

## ARTICLE 2 CONSIDERATION FOR THE SUBSCRIPTION

- 2.1 The consideration for the Subscribed Shares shall be Ten Centavos (P .10), Philippine currency, per share or the aggregate amount of Two Hundred Million Pesos (P 200,000,000.00), Philippine currency, (the "Subscription Price"), payable as follows:
  - 2.1.1 Twenty five percent (25%) of the Subscription Price or the amount of Fifty Million Pesos (P 50,000,000.00), Philippine currency, within fifteen (15) days from execution of the Subscription Agreement; and
  - 2.1.2 Seventy five percent (75%) of the Subscription Price or the amount of One Hundred Fifty Million Pesos (P 150,000,000.00), Philippine currency, within fifteen (15) days after SEC approval of the capital increase.

## ARTICLE 3 UNDERTAKINGS

- 3.1 The Subscriber shall remit the Subscription Price to the Company on or before the time specified in the above preceding paragraph.
- 3.2 The Company undertakes as follows:
  - 3.2.1 File the application for capital increase with the Securities and Exchange Commission.
  - 3.2.2 File with the Philippine Stock Exchange ("PSE") the application for the listing of the Subscribed Shares.

## ARTICLE 4 TAXES AND EXPENSES

- 4.1. Except as provided in this Agreement, each Party shall bear its own fees, costs, and expenses incurred in relation to the execution and implementation of this Agreement.
- 4.2. Any documentary stamp taxes due on the issuance of the Subscribed Shares shall be for the account of, and borne by, the Company, which shall be paid for by the Company within the period provided by law and regulations.

## ARTICLE 5 TERMINATION

- 5.1 This Agreement may be terminated:
  - (a) By mutual agreement of the Parties in writing;
  - (b) By a Party, by written notice to the other Party, if the other Party fails to fulfill any obligations and covenants contained in this Agreement.
- 5.2. In case of termination of this Agreement pursuant to Article 5.1 (a) above, the non-defaulting Party shall have the right to claim indemnification from the defaulting Party for any and all actual damages, losses, costs, and expenses

which the non-defaulting Party may have suffered or incurred as a result of such breach and for enforcing its rights and remedies under this Article.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.



SOCORRO P. LIM  
Subscriber



CHI HO CO  
President  
LODESTAR INVESTMENT  
HOLDINGS CORPORATION

Signed in the Presence of:



---

Acknowledgment

Republic of the Philippines )  
Mandaluyong City ) S.S.

BEFORE ME, a Notary Public for and in the above jurisdiction, this 25 October 2016 personally appeared the following:

Name	Competent Proof of Identity	Date / Place of Issue
SOCORRO P. LIM	D.L. # N11-G8-003749	02 12 2014 LTO Q.C.
CHI HI CO [in his capacity as President of LODESTAR INVESTMENT HOLDINGS CORPORATION]	PASSPORT # E05209073	09 04 2015 DFA

who are known to me and to me known to be the persons who executed the foregoing Subscription Agreement and they acknowledged to me that the same is their free and voluntary act and deed, and the free and voluntary act and deed of the corporation represented.

OCT 25 2016

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

Doc. No. 217  
Page No. 44  
Book No. VII  
Series of 2016.

ATTY. THIXIA THERESA B. REYES  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2017  
PTR NO. 2618327 / 01-04-18 MAND.  
ROLL NO. 60934 / IBP NO. 892421  
APFT. NO. 0380-18  
MCL-COMPLIANCE NO. IV-0018915  
VALID UNTIL 2016

## ANNEX 'B'

### WORK PROGRAM

Nathaniel C. Go	26,000,000.00
Socorro P. Lim	<u>200,000,000.00</u>
<b>Amount to be raised from the Subscriptions</b>	<b>226,000,000.00</b>

<b>Costs of the Subscriptions</b>	4,380,000.00
<b>Expenses for Corporate Maintenance Projected 3 years</b>	6,640,000.00
<b>Total working capital</b>	25,000,000.00
<b>Funds for investments and business acquisitions</b>	175,000,000.00
<b>Miscellaneous</b>	<u>10,000,000.00</u>
<b>Total Estimated Costs and Expenses</b>	<b>221,020,000.00</b>

The remainder / balance of P 4,980,000.00 will be used to augment any expenses not projected herein

SEC filing fees	230,000.00
Documentary stamp taxes	3,400,000.00
Legal and Audit	<u>750,000.00</u>
<b>Costs for the Subscriptions</b>	<b>4,380,000.00</b>

Legal Fees and audit fees	3,600,000.00
Stock transfer retainer fee	400,000.00
Director's per diem	600,000.00
Listing Maintenance fee	840,000.00
Costs for Annual Stockholders, Directors and other corporate Meetings	600,000.00
Supplies, printing and miscellaneous	<u>600,000.00</u>
<b>Expenses for Corporate Maintenance Projected 3 years</b>	<b>6,640,000.00</b>

Salaries and wages	15,000,000.00
Office equipment and machineries	5,000,000.00
Lease and improvements	<u>5,000,000.00</u>
<b>Working Capital Projected 3 years</b>	<b>25,000,000.00</b>

<b>Investments in Corporate undertakings or businesses</b>	<b>175,000,000.00</b>
--	-----------------------

## LODESTAR INVESTMENT HOLDINGS CORPORATION

7<sup>th</sup> Floor, Peaksun Bldg., Princeton Street corner Shaw Blvd., Mandaluyong CitySTATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

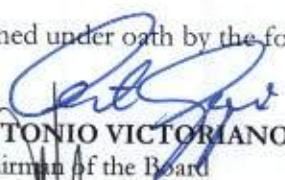
The management of **Lodestar Investment Holdings Corporation** is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2015 in accordance with Philippine Financial Reporting Standards (PFRS), including the Schedule of PFRS and Interpretations Effective as of December 31, 2015.

Management responsibility on the financial statements includes designing and implementing internal controls 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.

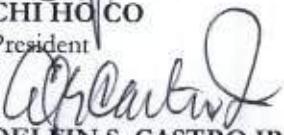
The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

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

Signed under oath by the following

  
**ANTONIO VICTORIANO GREGORIO III**  
 Chairman of the Board

  
**CHI HO CO**  
 President

  
**DELFIN S. CASTRO JR**  
 Treasurer



APR 08 2016

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2016 affiants exhibiting to me

NAME

Antonio V.F. Gregorio III	ID NO.
TIN 201-897-602-000	
Chi Ho Co	TIN 167-858-435-000
Delfin S. Castro Jr	TIN 164-381-790-000

Doc No. 276

Page No. 57

Book No. 17

2014

**JOVEN G. SEVILLANO**

NOTARY PUBLIC

COMMISSION NO. 0285-15

UNTIL DECEMBER 31, 2016

ROLL NO. 53970

IBP LIFETIME NO. 011302 RIZAL

PTR NO. 2599878 ; 1-4-16 ; MANDALUYONG

MCLB COMPLIANCE NO. IV-0014990 23 APRIL 2013

METRO MART COMPLEX, MANDALUYONG CITY



P&A  
Grant Thornton

An instinct for growth™

## Report of Independent Auditors

Punongbayan & Araullo  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 988 2288  
F +63 2 886 5506  
[grantthornton.com.ph](http://grantthornton.com.ph)

**The Board of Directors and the Stockholders**  
**Lodestar Investment Holdings Corporation**  
7th Floor, Peaksun Bldg., 1505 Princeton St.  
corner Shaw Blvd., Wack Wack Greenhills East  
Mandaluyong 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, 2015 and 2014, and the statements of profit or loss, 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, 2015, 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.

#### Certified Public Accountants

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cebu, Davao, Cavite

BOA/PRC Cert. of Reg. No. 0002  
SEC Accreditation No. 0002-FR-4

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, 2015 and 2014, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2015 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 P22,079,325, P1,959,374 and P3,230,677 for the years ended December 31, 2015, 2014 and 2013, respectively, and has accumulated deficit of P119,705,236 and P97,625,911 as at December 31, 2015 and 2014, respectively. These conditions raise material uncertainty on the Company's ability to continue as a going concern entity. However, in line with the Company's primary purpose as a holding company, the business outlook is geared towards looking for opportunities in the various business sectors that are viable, growing and profitable wherein the Company's strategy will be to invest-buy-in or acquire businesses in which the Company will at least own a significant interest over the investees' outstanding capital. Within the next 12 months, subject to stockholders' confirmation and approval thereof of the Philippine Securities and Exchange Commission, the Company plans to increase its authorized capital stock as part of its capital raising plan intended to provide the Company investable funds and working capital for prospective projects. Consequently, the accompanying financial statements have been prepared assuming that the Company will continue as a going concern entity. We have performed sufficient audit procedures and obtained evidence to verify the validity of management plans and actions regarding this matter. 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.

### **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, 2015 required by the Bureau of Internal Revenue as disclosed in Note 17 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: **Mailene Sigue-Bisnar**  
Partner

CPA Reg. No. 0090230  
TIN 120-319-128  
PTR No. 5321724, January 4, 2016, Makati City  
SEC Group A Accreditation  
Partner - No. 0396-AR-3 (until Oct. 15, 2018)  
Firm - No. 0002-FR-4 (until Apr. 30, 2018)  
BIR AN 08-002511-20-2015 (until Mar. 18, 2018)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 6, 2016

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**  
*(Amounts in Philippine Pesos)*

	Notes	<u>2015</u>	<u>2014</u>
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash	7	<b>P 13,107,516</b>	P 383,754
Advances to a stockholder	11	<b>1,857,076</b>	2,457,076
Other current assets	8	<b>7,593,292</b>	4,030,665
Total Current Assets		<b><u>22,557,884</u></b>	<b><u>6,871,495</u></b>
<b>NON-CURRENT ASSETS</b>			
Deposit for future stock investment	9	-	37,000,000
Office furniture - net		<b><u>218</u></b>	<b><u>3,670</u></b>
Total Non-current Assets		<b><u>218</u></b>	<b><u>37,003,670</u></b>
<b>TOTAL ASSETS</b>		<b><u>P 22,558,102</u></b>	<b><u>P 43,875,165</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	10	<b>P 1,548,480</b>	P 786,218
<b>EQUITY</b>			
Capital stock	12	<b>74,000,000</b>	74,000,000
Additional paid-in capital		<b>66,714,858</b>	66,714,858
Deficit		<b>( 119,705,236 )</b>	<b>( 97,625,911 )</b>
Total Equity		<b><u>21,009,622</u></b>	<b><u>43,088,947</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>P 22,558,102</u></b>	<b><u>P 43,875,165</u></b>

*See Notes to Financial Statements.*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF PROFIT OR LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**  
*(Amounts in Philippine Pesos)*

	Notes	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>REVENUE</b>		<u>P</u>	<u>-</u>	<u>P</u>
<b>EXPENSES</b>				
Loss on cancellation of an agreement	9	<b>20,000,000</b>	-	-
Legal fees	11	<b>1,118,889</b>	730,000	920,000
Professional fees		<b>376,800</b>	389,911	621,156
Membership dues		<b>250,000</b>	250,000	250,000
Directors' fees		<b>133,333</b>	116,667	138,889
Salaries and wages	11	<b>87,829</b>	278,785	627,815
Printing and office supplies		<b>78,590</b>	65,060	102,399
Taxes and licenses	17	<b>15,174</b>	15,075	11,812
Representation		<b>14,800</b>	28,808	411,342
Depreciation		<b>3,452</b>	3,452	10,758
Transportation and travel		<b>1,800</b>	5,357	59,683
Others		<b>39,854</b>	76,869	81,209
		<b>22,120,521</b>	<b>1,959,984</b>	<b>3,235,063</b>
<b>OPERATING LOSS</b>		<b>22,120,521</b>	<b>1,959,984</b>	<b>3,235,063</b>
<b>OTHER INCOME</b>				
Interest income	7	<b>47,760</b>	762	5,483
Derecognition of a liability	10	<b>3,049</b>	-	-
		<b>50,809</b>	762	5,483
<b>LOSS BEFORE TAX</b>		<b>22,069,712</b>	1,959,222	3,229,580
<b>TAX EXPENSE</b>	14	<b>9,613</b>	152	1,097
<b>NET LOSS</b>		<b>P 22,079,325</b>	<b>P 1,959,374</b>	<b>P 3,230,677</b>
<b>LOSS PER SHARE</b>	13	<b>P 0.030</b>	<b>P 0.003</b>	<b>P 0.004</b>

*See Notes to Financial Statements.*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**  
*(Amounts in Philippine Pesos)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>NET LOSS</b>	P <b>22,079,325</b>	P      1,959,374	P      3,230,677
<b>OTHER COMPREHENSIVE INCOME</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE LOSS</b>	<u>P      22,079,325</u>	<u>P      1,959,374</u>	<u>P      3,230,677</u>

*See Notes to Financial Statements.*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**  
*(Amounts in Philippine Pesos)*

	Note	<u>Capital Stock</u>	<u>Additional Paid-in Capital</u>	<u>Deficit</u>	<u>Total</u>
Balance at January 1, 2015		P 74,000,000	P 66,714,858	(P 97,625,911)	P 43,088,947
Total comprehensive loss for the year		<u>-</u>	<u>-</u>	( <u>22,079,325</u> )	( <u>22,079,325</u> )
Balance at December 31, 2015	12	<b>P 74,000,000</b>	<b>P 66,714,858</b>	<b>(P 119,705,236)</b>	<b>P 21,009,622</b>
Balance at January 1, 2014		P 74,000,000	P 66,714,858	(P 95,666,537)	P 45,048,321
Total comprehensive loss for the year		<u>-</u>	<u>-</u>	( <u>1,959,374</u> )	( <u>1,959,374</u> )
Balance at December 31, 2014	12	<b>P 74,000,000</b>	<b>P 66,714,858</b>	<b>(P 97,625,911)</b>	<b>P 43,088,947</b>
Balance at January 1, 2013		P 74,000,000	P 66,714,858	(P 92,435,860)	P 48,278,998
Total comprehensive loss for the year		<u>-</u>	<u>-</u>	( <u>3,230,677</u> )	( <u>3,230,677</u> )
Balance at December 31, 2013	12	<b>P 74,000,000</b>	<b>P 66,714,858</b>	<b>(P 95,666,537)</b>	<b>P 45,048,321</b>

*See Notes to Financial Statements.*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**  
*(Amounts in Philippine Pesos)*

	Notes	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before tax		( P <b>22,069,712</b> ) ( P	1,959,222 ) ( P	3,229,580 )
Adjustments for:				
Loss on cancellation of an agreement	9	<b>20,000,000</b>	-	-
Interest income	7	( <b>47,760</b> ) (	762 ) (	5,483 )
Depreciation		3,452	3,452	10,758
Derecognition of a liability	10	( <b>3,049</b> )	-	-
Operating loss before working capital changes		( <b>2,117,069</b> ) (	1,956,532 ) (	3,224,305 )
Decrease in advances to a stockholder		600,000	1,169,696	450,000
Increase in other current assets		( <b>62,627</b> ) (	50,978 ) (	80,463 )
Increase (decrease) in accounts payable and accrued expenses		<b>765,250</b>	730,913 (	55,641 )
Cash used in operations		( <b>814,446</b> ) (	106,901 ) (	2,910,409 )
Interest received	7	47,760	762	5,483
Cash paid for final taxes	14	( <b>9,552</b> ) (	152 ) (	1,097 )
Net Cash Used in Operating Activities		<b>( 776,238 ) (</b>	<b>106,291 ) (</b>	<b>2,906,023 )</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Return of deposit for future stock investment	9	<b>13,500,000</b>	-	-
Acquisition of office furniture		-	-	( <b>10,357</b> )
Cash From (Used in) Investing Activities		<b>13,500,000</b>	-	( <b>10,357</b> )
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>12,723,762</b>	( <b>106,291</b> ) (	2,916,380 )
<b>CASH AT BEGINNING OF YEAR</b>		<b>383,754</b>	490,045	3,406,425
<b>CASH AT END OF YEAR</b>		<b>P      13,107,516</b>	<b>P      383,754</b>	<b>P      490,045</b>

**Supplemental Information on Noncash Investing Activity –**

Prior to 2014, the Company made deposits to Abacus Consolidated Resources Holdings, Inc. (ACRHI) amounting to P37.0 million in relation to the Company's 100% acquisition of Abacus Coal Exploration and Development Corporation (ABACOAL). However, in 2015, the Company agreed with ACRHI and ABACOAL to cancel the acquisition. In consideration of signing the cancellation agreement, ACRHI shall pay the Company a total amount of P17.0 million. Accordingly, the Company recognized a loss of P20.0 million from this transaction (see Note 9). As at December 31, 2015, P13.5 million was already paid to the Company while the remaining P3.5 million was recognized as Receivable from a third party under Other Current Assets (see Note 8).

*See Notes to Financial Statements.*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015, 2014 AND 2013**  
*(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.

The Company's principal place of business is located at 7th Floor, Peaksun Bldg., 1505 Princeton St., corner Shaw Blvd., Wack Wack Greenhills East, Mandaluyong City.

***1.2 Status of Operations***

The Company has incurred net losses of P22,079,325, P1,959,374 and P3,230,677 for the years ended December 31, 2015, 2014 and 2013, respectively, and has accumulated deficit of P119,705,236 and P97,625,911 as at December 31, 2015 and 2014, respectively. These conditions raise uncertainty on the Company's ability to continue as a going concern entity. However, in line with the Company's primary purpose as a holding company, the business outlook is geared towards looking for opportunities in the various business sectors that are viable, growing and profitable wherein the Company's strategy will be to invest-buy-in or acquire businesses in which the Company will at least own a significant interest over the investees' outstanding capital. Within the next 12 months, subject to stockholders' confirmation and approval thereof of the Philippine Securities and Exchange Commission (SEC), the Company plans to increase its authorized capital stock as part of its capital raising plan intended to provide the Company investable funds and working capital for prospective projects. Consequently, the financial statements have been prepared assuming that the Company will continue as a going concern entity. 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 as at and for the year ended December 31, 2015 (including the comparative financial statements as at and for the years ended December 31, 2014 and 2013) were authorized for issue by the Company's Audit Committee on April 6, 2016.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These 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 and approved by the Philippine Board of Accountancy.

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 statement of comprehensive income separate from the statement of profit or loss.

The Company presents a third statement of financial position as at the beginning of the preceding period when it 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. The related notes to the third statement of financial position are not required to be disclosed.

#### (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 2015 that are Relevant to the Company

The Company adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amendment and improvements.

- (i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Company's financial statements since currently, the Company has no existing defined benefit plan.
- (ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Company but had no material impact on the Company's financial statements as these amendments merely clarify the existing requirements:

#### *Annual Improvements to PFRS (2010-2012 Cycle)*

- PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.
- PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

*Annual Improvement to PFRS (2011-2013 Cycle)*

PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32, *Financial Instruments: Presentation*.

(b) *Effective in 2015 that are not Relevant to the Company*

The following annual improvements to PFRS are mandatory for accounting periods beginning on or after July 1, 2014 but are not relevant to the Company's financial statements:

PFRS (2010-2012 Cycle)

PFRS 2 (Amendment)	: Share-based Payment – Definition of Vesting Condition
PFRS 3 (Amendment)	: Business Combinations – Accounting for Contingent Consideration in a Business Combination
PFRS 8 (Amendments)	: Operating Segments – Aggregation of Operating Segments, and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets

PFRS (2011-2013 Cycle)

PAS 40 (Amendment)	: Investment Property – Clarifying the Interrelationship between PFRS 3 and PAS 40
PFRS 3 (Amendment)	: Business Combinations – Scope Exceptions for Joint Ventures

(c) *Effective Subsequent to 2015 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the relevant pronouncements discussed in the succeeding page in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements.

- (i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that, in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.
- (ii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.
- (iii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 41 (Amendment), *Agriculture – Bearer Plants* (effective from January 1, 2016). The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.

(iv) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

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 arrangements, 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 amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Company and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(v) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Company but management does not expect these to have material impact on the Company's financial statements:

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.
- PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

### **2.3 Financial Assets**

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

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 categorized as loans and receivables include Cash, Advances to a Stockholder and Other Current Assets (with respect to receivable from a third party and advances to contractor included therein) in the statement of financial position. Cash includes cash on hand and demand deposits held to meet short-term cash commitments rather than for investment or other purposes.

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 those with maturities greater than 12 months after the end of each 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 (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as Interest Income (Cost) in the statement of profit or loss.

Non-compounding interest 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 (or where applicable, a part of a financial asset or part of a group of 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 to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

#### ***2.4 Deposit for Future Stock Investment***

Deposit for future stock investment is carried in the financial statements at the amount of cash given when the deposit was made.

The carrying amount of the asset is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (see Note 2.11).

## ***2.5 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 Company 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 noncurrent assets.

## ***2.6 Office Furniture***

Office furniture is 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.

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

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss.

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 (see Note 2.11).

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.

## ***2.7 Financial Liabilities***

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

Accounts payable and accrued expenses 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. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

### ***2.8 Offsetting Financial Instruments***

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

### ***2.9 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.

### ***2.10 Revenue and Expenses 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.

Expenses are recognized in profit or loss upon utilization of goods and services, or at the date they are incurred.

### ***2.11 Impairment of Non-financial Assets***

The Company's deposit for future stock investment, office furniture and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit'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 each cash-generating unit 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 are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

### ***2.12 Income Taxes***

Tax expense recognized in profit or loss 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 end of the reporting period. They are calculated using 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 profit or loss.

Deferred tax is accounted for 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 deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

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 provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes related the same taxation authority.

### ***2.13 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.

#### **2.14 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.

Deficit represents all current and prior period results of operations as disclosed in the statement of profit or loss.

#### **2.15 Loss Per Share**

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

#### **2.16 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 in the notes to financial statements.

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

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the 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 Judgment in Applying Accounting Policies**

In the process of applying the Company's accounting policies, management has made judgment, apart from those involving estimation. Among those judgments, recognition of provisions and contingencies has the most significant effect on the amount recognized in the financial statements. This judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition of provisions and contingencies are discussed in Note 2.9 and disclosures on relevant provisions and contingencies are presented in Note 16.

### **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 reporting period:

*(a) Impairment of Advances to a Stockholder, Receivable from a Third Party and Advances to Contractor*

Adequate amount of allowance for impairment is provided, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the counterparties, the counterparties' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Based on management's assessment, there is no allowance for impairment loss required to be recognized on the Company's advances to a stockholder, receivable from a third party and advances to contractor as at December 31, 2015 and 2014 (see Notes 8, 9 and 11).

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

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

As at December 31, 2015 and 2014, the Company did not recognize any deferred tax asset as the Company may not have sufficient taxable profits against which it can be applied (see Note 14).

*(c) Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.11). 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 those 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.

Based on management assessment, no impairment losses were recognized on the Company's office furniture and other non-financial assets in 2015 and 2014, except for the deposit for future stock investment in which the Company recognized a loss on cancellation of an agreement in 2015 (see Note 9).

#### 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 Board of Directors (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 engage in the trading of financial assets for speculative purposes nor does it write options. The Company has no significant exposure to foreign currency risk since it has no financial assets and financial liabilities that are denominated in foreign currency. The most significant financial risks to which the Company is exposed to are described below and in the succeeding page.

##### 4.1 Interest Rate Sensitivity

As at December 31, 2015 and 2014, the Company is exposed to changes in market interest rates through its cash in bank, which are subject to variable interest rates (see Note 7). All other financial assets and liabilities have fixed rates or are noninterest-bearing.

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.

	2015		2014	
	+59	-59	+15	-15
Basis points				
Loss before tax	(P 77,311) P 77,311	(P 61,849) P 61,849	(P 568) P 454	568 454
Equity				

##### 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.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below.

	Notes	2015	2014
Cash	7	P 13,107,516	P 383,754
Advances to a stockholder	11.1	1,857,076	2,457,076
Receivable from a third party	8	3,500,000	-
Advances to contractor	8	1,108,560	-
		<u>P 19,573,152</u>	<u>P 2,840,830</u>

The above represent the carrying amounts of financial assets of the Company categorized as loans and receivables. None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash as described in the succeeding page.

(a) *Cash*

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash are cash in banks which are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of P0.5 million for every depositor per banking institution. The amount of cash on hand excluded from this insurance to PDIC amounted to P4,000 and P5,000 in 2015 and 2014, respectively.

(b) *Advances to a Stockholder*

The credit risk for advances to a stockholder is considered negligible, since the counterparty is a related party. No impairment loss has been recorded in relation to advances to a stockholder as management had assessed that this is fully collectible.

(c) *Receivable from a Third Party and Advances to Contractor*

The credit risk for receivable from a third party and advances to contractor is considered negligible, since the parties are bound to one another. No impairment loss has been recorded in relation to these items as management had assessed that these are fully collectible. The advances to contractor was identified to be a financial asset only in 2015 (see Note 8).

#### **4.3 Liquidity Risk**

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

As at December 31, 2015 and 2014, the Company's financial liabilities amounting to P1,466,704 and P702,488, respectively, have contractual maturities of less than twelve months.

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

#### **5.1 Carrying Amounts and Fair Values by Category**

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

Notes	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b><i>Financial assets</i></b>				
Loans and receivables:				
Cash	7	P 13,107,516	P 13,107,516	P 383,754
Advances to a stockholder	11.1	P 1,857,076	P 1,857,076	P 2,457,076
Receivable from a third party	8	P 3,500,000	P 3,500,000	-
Advances to contractor	8	P 1,108,560	P 1,108,560	-
		<b>P 19,573,152</b>	<b>P 19,573,152</b>	<b>P 2,840,830</b>

	Note	2015		2014	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b><i>Financial liabilities</i></b>					
At amortized cost -					
Accounts payable and accrued expenses (excluding tax-related liabilities)	10	P 1,466,704	P 1,466,704	P 702,488	P 702,488

See Notes 2.3 and 2.7 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 4.

## 5.2 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- 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 asset and liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

There were no outstanding financial assets or financial liabilities measured at fair value as at December 31, 2015 and 2014.

### **5.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed**

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

Notes	2015				
	Level 1	Level 2	Level 3	Total	
<b><i>Financial Assets</i></b>					
Loans and receivables:					
Cash	7	P 13,107,516	P -	P -	P 13,107,516
Advances to a stockholder	11.1	-	-	1,857,076	1,857,076
Receivable from a third party	8	-	-	3,500,000	3,500,000
Advances to contractor	8	-	-	1,108,560	1,108,560
		<b>P 13,107,516</b>	<b>P -</b>	<b>P 6,465,636</b>	<b>P 19,573,152</b>
<b><i>Financial Liabilities</i></b>					
At amortized cost -					
Accounts payable and accrued expenses	10	P -	P -	P 1,466,704	P 1,466,704
Notes	2014				
	Level 1	Level 2	Level 3	Total	
<b><i>Financial Assets</i></b>					
Loans and receivables:					
Cash	7	P 383,754	P -	P -	P 383,754
Advances to a stockholder	11.1	-	-	2,457,076	2,457,076
		<b>P 383,754</b>	<b>P -</b>	<b>P 2,457,076</b>	<b>P 2,840,830</b>
<b><i>Financial Liabilities</i></b>					
At amortized cost -					
Accounts payable and accrued expenses		P -	P -	P 702,488	P 702,488

The fair values of the financial assets and financial liabilities included in Level 3 above, which are not traded in an active market, is calculated based on the expected cash flows of the underlying net asset base of the instrument.

## **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 entity.

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 at December 31 follows:

	<u>2015</u>	<u>2014</u>
Total liabilities	P 1,548,480	P 786,218
Total equity	<u>21,009,622</u>	<u>43,088,947</u>
Debt-to-equity ratio	<u>0.074 : 1.00</u>	<u>0.018 : 1.00</u>

As discussed in Note 1.2, the Company, being a holding company, is in the process of looking for other opportunities in the various business sectors.

## 7. CASH

The Company's cash mainly comprises of cash in banks which generally earn interest based on daily bank deposit rates. Total interest income earned from these deposits amounted to P47,760, P762 and P5,483 in 2015, 2014 and 2013, respectively, and are presented as Interest Income in the statements of profit or loss.

## 8. OTHER CURRENT ASSETS

This account is composed of the following:

	Notes	<u>2015</u>	<u>2014</u>
Receivable from a third party	9	P 3,500,000	P -
Input value-added tax (VAT)	17.1(b)	2,936,647	2,874,020
Advances to contractor		1,108,560	1,108,560
Others		<u>48,085</u>	<u>48,085</u>
		<u>P 7,593,292</u>	<u>P 4,030,665</u>

Advances to contractor pertain to cash advances made to certain contractor. The significant portion of the advances is in relation to a survey of a prospect coal project in 2012. These remained outstanding as at December 31, 2014 as there was no progress in the project as at that date. As at December 31, 2015, management believes that these advances are still collectible in cash from the contractor even the agreement pertaining to the coal project has been terminated on the same year (see Note 9).

## 9. DEPOSIT FOR FUTURE STOCK INVESTMENT

This account pertains to the amount of deposits made in 2009 to Abacus Consolidated Resources Holdings, Inc. (ACRHI) for the Company's 100% acquisition of Abacus Coal Exploration and Development Corporation (ABACOAL), pursuant to the Agreement for Joint Investment (the Agreement) executed by the Company and MUSX Corporation [MUSX and formerly Music Semiconductors Corporation (MSC)] on September 24, 2008 with certain amendments made on May 21, 2009 for the joint purchase by the Company and MUSX of the 100% of the issued and outstanding shares of ABACOAL held by ACRHI. As at December 31, 2014, the Agreement was still valid and binding between both parties and the deposit for future stock investment amounted to P37.0 million as at that date (see Note 15.1).

On July 21, 2015, the Company agreed with ACRHI and ABACOAL to cancel the Agreement. The Company tried to have the merger with ACRHI approved by its stockholders but the same was not achieved for lack of quorum during the annual stockholders' meetings called for the last three years. In consideration of signing the Cancellation Agreement, ACRHI shall pay the Company a portion of the deposit for future stock investment amounting to P17.0 million. Accordingly, the Company recognized a loss of P20.0 million for the unrecovered portion which is presented as Loss on Cancellation of an Agreement in the 2015 statement of profit or loss. As at December 31, 2015, P13.5 million was already paid to the Company while the remaining P3.5 million was recognized and presented as Receivable from a third party under the Other Current Assets account in the 2015 statement of financial position (see Note 8).

Management had determined that the amount of receivable from a third party as at December 31, 2015 is fully recoverable; hence, no impairment loss is recognized during the year.

## 10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account is composed of the following:

	Notes		2015		2014
Accrued expenses	11.2	P	<b>1,466,704</b>	P	699,439
Income tax payable	14		<b>61</b>		-
Advances from third parties			-		3,049
Others			<b>81,715</b>		<b>83,730</b>
		P	<b>1,548,480</b>	P	<b>786,218</b>

Accrued expenses mainly comprise of legal and professional fees.

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. The remaining long outstanding liability as at December 31, 2014, shown as Advances from third parties, amounting to P3,049 was reversed in 2015 due to termination of the coal project. The related gain on reversal of liability is presented as Derecognition of a Liability in the 2015 statement of profit or loss.

## 11. RELATED PARTY TRANSACTIONS

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

### *11.1 Advances to a Stockholder*

In 2015 and 2014, the Company granted noninterest-bearing advances to a stockholder for working capital purposes. The advances to a stockholder are unsecured and are due and collectible upon demand. 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 statements of financial position as at December 31, are as follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	P <u>2,457,076</u>	P      3,626,772
Collections	( <u>600,000</u> )	(      1,169,696)
Balance at end of year	<u>P      1,857,076</u>	<u>P      2,457,076</u>

Based on management's assessment, the outstanding balance of the Company's advances to a stockholder is not impaired as at December 31, 2015 and 2014; hence, no impairment loss is recognized during those years.

### *11.2 Legal Services*

Legal services rendered by certain officers of the Company amounted to P1,118,889 in 2015, P730,000 in 2014 and P920,000 in 2013 and is presented as Legal Fees in the statements of profit or loss. Total outstanding balances related to these transactions amounting to P1,017,000 and P657,000 as at December 31, 2015 and 2014 are presented as part of Accrued expenses under the Accounts Payable and Accrued Expenses account in the statements of financial position (see Note 10).

### ***11.3 Key Management Personnel Compensation***

Key management personnel compensation amounted to P80,000 in 2015, P260,000 in 2014 and P598,400 in 2013 and is presented as part of Salaries and Wages in the statements of profit or loss.

## **12. CAPITAL STOCK**

The Company's authorized capital stock consists of 1.0 billion shares at P0.10 par value per share. Issued and outstanding shares as at December 31, 2015, 2014 and 2013 consisted of 740.0 million shares equivalent to P74.0 million.

On May 26, 1989, the SEC approved the listing of the Company's shares. As at December 31, 2015, 88.45% of the issued and outstanding shares are held by the public. Such listed shares closed at P0.69 per share as at December 28, 2015.

In 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 10 shares for every one share issued and an increase in the number of authorized capital stock from 100.0 million shares to 1.0 billion shares. 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 100.0 million shares at P1.00 par value per share to P300.0 million divided into 3.0 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 in their 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.

Further, in a meeting held on November 3, 2010, the BOD and stockholders 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 application for the reduction in par value has not been submitted to the SEC as at December 31, 2015.

### 13. LOSS PER SHARE

Loss per share is computed as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net loss	<b>P 22,079,325</b>	P 1,959,374	P 3,230,677
Divided by the weighted average number of outstanding common shares	<b><u>740,000,000</u></b>	<u>740,000,000</u>	<u>740,000,000</u>
Loss per share	<b>P 0.030</b>	P 0.003	P 0.004

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

### 14. INCOME TAXES

The components of tax expense reported in profit or loss are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Final tax at 20%	<b>P 9,552</b>	P 152	P 1,097
Minimum corporate income tax (MCIT) at 2%	<b><u>61</u></b>	<u>-</u>	<u>-</u>
	<b>P 9,613</b>	P 152	P 1,097

A reconciliation of tax on pretax loss computed at the applicable statutory rates to tax expense reported in the statements of profit or loss follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax on pretax loss at 30%	<b>(P 6,620,914)</b>	(P 587,767)	(P 968,874)
Adjustment for income subjected to lower tax rate	<b>( 4,776)</b>	( 76)	( 549)
Tax effects of:			
Unrecognized deferred taxes	<b>6,590,863</b>	544,353	805,450
Non-deductible expenses	<b><u>44,440</u></b>	<u>43,642</u>	<u>165,070</u>
Tax expense	<b>P 9,613</b>	P 152	P 1,097

The Company is subject to MCIT which is computed at 2% of gross income, as defined under tax regulations, or regular corporate income tax (RCIT), whichever is higher. The Company reported MCIT of P61 in 2015 since MCIT was higher than RCIT while no MCIT was reported in 2014 and 2013 since the Company is in gross loss position in those years. The MCIT incurred in 2015 is valid until 2018.

The Company did not recognize any deferred tax asset from MCIT and net operating loss carryover (NOLCO) as at December 31, 2015 and 2014 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 at December 31, 2015 and 2014 amounted to P7,940,665 and P2,544,082, 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.

<b>Year Incurred</b>		<b>Original Amount</b>		<b>Expired Balance</b>		<b>Remaining Balance</b>	<b>Valid Until</b>
2015	P	21,969,339	P	-	P	21,969,339	2018
2014		1,814,509		-		1,814,509	2017
2013		2,684,832		-		2,684,832	2016
2012		3,980,933		3,980,933		-	
	<b>P</b>	<b>30,449,613</b>	<b>P</b>	<b>3,980,933</b>	<b>P</b>	<b>26,468,680</b>	

In 2015, 2014 and 2013, the Company opted to continue claiming itemized deductions for income tax purposes.

## **15. AGREEMENT FOR JOINT INVESTMENT**

### ***15.1 Purchase of ABACOAL Shares***

On September 24, 2008, the Company and MUSX 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. MUSX and the Company shall acquire 55% and 45% participation and equity interest, respectively, in ABACOAL and the Coal Property. Unit price per stock of MUSX 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, MUSX and ACRHI amended the agreement with the following revised terms and conditions:

#### *(a) Assignment of Investment Interests and Participation*

MUSX 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 MUSX 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 MUSX 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 MUSX into the Project; and,
- (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 2014 statement of financial position. Moreover, the Company made an additional deposit amounting to P5.0 million as part of the pending acquisition by the Company of ABACOAL (see Note 9).

On February 21, 2011, the Company paid MUSX the amount of P10.0 million 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 MUSX 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.

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 9).

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

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:

- (1) P30.0 million advance deposit on ABACOAL's participation due on September 24, 2008, June 1, 2009 and June 8, 2009; and,

(2) 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 at December 31, 2014, the agreement relating to the purchase of ABACOAL shares was still valid and binding while the agreement relating to the merger between the Company and ABACOAL was not yet executed pending approval from the stockholders of both entities and no payment has been made to ABACOAL.

On July 21, 2015, these agreements with ACRHI and ABACOAL were cancelled (see Note 9).

## **16. 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 at December 31, 2015, management believes that losses, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

## **17. 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.

### ***17.1 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 is presented below.

#### *(a) Output VAT*

In 2015, the Company had no revenues earned subject to output VAT.

#### *(b) Input VAT*

The movement in input VAT is summarized below.

Balance at beginning of year	P 2,874,020
Services lodged under operating expenses	<u>62,627</u>
Balance at end of year	P <u>2,936,647</u>

The balance of input VAT is presented as Input VAT under the Other Current Assets account in the 2015 statement of financial position (see Note 8).

(c) *Taxes on Importation*

The Company did not incur or pay any customs duties and tariff fees as it did not have any importation in 2015.

(d) *Excise Tax*

The Company did not have any transaction in 2015 which is subject to excise tax.

(e) *Documentary Stamp Tax (DST)*

The Company had not paid or accrued DST in 2015.

(f) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2015 are shown below.

Expanded Compensation and benefits	P	138,822
	<hr/>	<hr/>
	P	149,557

The Company has no transaction subject to final withholding taxes.

(g) *Taxes and Licenses*

The details of taxes and licenses presented in the Expenses section of the statement of profit or loss for the year ended December 31, 2015 follows:

Permits	P	11,646
Residence tax – basic and additional		1,413
Barangay clearance		1,615
Annual registration fee	<hr/>	500
	P	15,174

(h) *Deficiency Tax Assessment and Tax Cases*

As at December 31, 2015, the Company does not have any final deficiency tax assessments with the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open years.

**17.2 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 2015 statement of profit or loss.

(a) *Taxable Revenues*

The Company has no taxable revenue in 2015.

(b) *Deductible Cost of Services*

The Company has no deductible cost of services in 2015.

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

The Company's taxable non-operating and other income subject to regular tax rate for the year ended December 31, 2015 amounted to P3,049.

(d) *Itemized Deductions*

The amounts of itemized deductions under the regular tax rate for the year ended December 31, 2015 are as follows:

Loss on cancellation of an agreement	P 20,000,000
Legal fees	1,118,889
Professional fees	376,800
Membership dues	250,000
Salaries and wages	87,829
Printing and office supplies	78,590
Taxes and licenses	15,174
Depreciation	3,452
Transportation and travel	1,800
Miscellaneous	<u>39,854</u>
	<u>P 21,972,388</u>

SEC Registration Number

5	4	1	0	6								
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## Company Name

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

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

7	F	P	e	a	k	s	u	n	B	u	i	l	d	i	n	g	1	5	0	5	P	r	i	n	c				
t	o	n	S	t	.	,	c	o	r	.	S	h	a	w	,	B	l	v	d	.	,								
B	r	g	y	W	a	c	k	-	W	a	c	k	,	G	r	e	e	n	h	i	l	l	s						
E	a	s	t	,	M	a	n	d	a	l	u	y	o	n	g	C	i	t	y										

Form Type

Department requiring the report

Secondary License Type, If Applicable

1	7	A	
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C	R	M	D
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N	/	A	
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## COMPANY INFORMATION

Company's Email Address

Company's Telephone Number/s

Mobile Number

<a href="http://www.lodestarholdings.com">www.lodestarholdings.com</a>
--

(632) 928-9246
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N/A
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No. of Stockholders

Annual Meeting

Fiscal Year  
Month/Day

59
----

2nd Wednesday of May
----------------------

12/31
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## CONTACT PERSON INFORMATION

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

Name of Contact Person

Email Address

Telephone Number/s

Mobile Number

Venus L. Gregorio
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Nitsbeng.gregoriolaw@mydestiny.net
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(632) 920-9306
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Contact Person's Address

7F Peaksun Bldg., 1505 Princeton St. corner Shaw Blvd., Mandaluyong City
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**Note:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-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, 2015**
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/F Peaksun Bldg., Princeton St., Shaw Blvd., Mandaluyong City** **1552**  
Address of principal office Postal Code
8. **(632) 920-9306**  
Issuer's telephone number, including area code
9. \_\_\_\_\_  
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)	
<b>Common Shares</b>	<b><u>740,000,000</u></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 6 April 2016 of the voting stock held by non-affiliates of the registrant is ₦ 503,170,760.

**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 an application for listing of its 30,000,000 common shares with the Philippine Stock Exchange (“PSE”) formerly known as the Manila and Makati Stock Exchanges. 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.

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 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 funded the increase in authorized capital stock.

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”) with a sharing arrangement of fifty five percent (55%) for Musx and forty five (45%) for the Company. The Company and Musx have likewise entered into an Agreement for Joint Investment whereby the investment parameters for such investment into ABACOAL were set forth.

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 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.

On July 21, 2015, the Company entered into Cancellation of the Heads of Agreement and Allied Contracts with Abacus consolidated Resources Holdings, Inc. (ABACORE) and Abacus Coal Exploration and Development Corporation (ABACOAL). The cancellation was necessitated by the fact that the Merger with ABACOAL was not approved by LIHC shareholders for lack of quorum during the Annual Shareholder's Meetings called for the last three (3) years.

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.

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 no real properties. The Company likewise no longer has any contractual interest over ABACOAL as a result of the cancellation of the Heads of Agreement and its allied contracts.

## **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 6, 2016 is pegged at ₱ 0.68

The high and low sales prices of each quarter covering the years 2015, 2014 and 2013 are as follows:

	<u>High</u>	<u>Low</u>
2016		
First Quarter	₱ 0.72	₱ 0.68
2015		
First Quarter	₱ 0.78	₱ 0.62
Second Quarter	0.82	0.66
Third Quarter	0.74	0.54
Fourth Quarter	0.91	0.67
2014		
First Quarter	₱ 0.79	₱ 0.76
Second Quarter	0.76	0.74
Third Quarter	0.68	0.66
Fourth Quarter	0.62	0.59
2013		
First Quarter	₱ 1.04	0.87
Second Quarter	0.93	0.61
Third Quarter	0.78	0.67
Fourth Quarter	0.63	0.60

*Source: Technistock*

The number of shareholders as of 31 December 2015 is 59<sup>1</sup>. Common shares outstanding as at 31 December 2015 are 740,000,000 shares per the records of BDO Unibank, Inc.

The following table presents the Company's top 20 shareholders as at 31 December 2015:

Name of Shareholder	Class of Security	Number of Shares	Percentage to Total
PCD Nominee Corporation-Filipino	Common	616,198,430	82.270%
Renato L. Reyes	Common	72,000,000	9.730%
Ramon L. Abad, Jr.	Common	28,000,000	3.784%
PCD Nominee Corporation- Non-Filipino	Common	16,265,000	2.198%
Jones R. Castro	Common	1,700,000	0.230%
Renato Lumague	Common	600,000	0.081%
William T. Enrile &/or William R. Enrile II &/or Nelly R. Enrile	Common	500,000	0.068%
Joel S. Diaz	Common	500,000	0.068%
Joaquin Corpus	Common	500,000	0.068%
Ross W. Garling	Common	400,000	0.054%
John T. Mesina	Common	300,000	0.041%
Jovenal Gonzalez	Common	300,000	0.041%
Jose De Peralta	Common	300,000	0.041%
Cesar Hablero	Common	160,000	0.022%

<sup>1</sup> Per the records of BDO Unibank, Inc.

William Stone	Common	100,010	0.014%
Reuben Alderson	Common	100,000	0.014%
Augusto Bautista	Common	100,000	0.014%
Domingo Bautista	Common	100,000	0.014%
Jerry Angping	Common	100,000	0.014%
Aroroy Municipal Council Educational Fund	Common	100,000	0.014%

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 July 21, 2015, the company entered into Cancellation of the Heads of Agreement, Amended Heads of Agreement and Allied Contracts with Abacus Consolidated Resources Holdings, Inc. (ABACORE) and Abacus Coal Exploration and Development Corporation (ABACOAL). The cancellation was necessitated by the fact that the Merger with ABACOAL was not approved by LIHC stockholders for lack of quorum during the Annual Shareholder's Meetings called for the last three (3) years.

The Company thus no longer has any contractual interest over ABACOAL as a result of the cancellation of the Heads of Agreement and its allied contracts.

#### **Business Plan:**

Still in line with the primary purpose of the Company as a holdings corporation, business outlook for 2016 is geared towards looking for other business ventures. Thus, the Company may again tap into various sources to look for opportunities in the various business sectors that are viable, growing and profitable. The Company's strategy will be to invest-buy-in or acquire businesses where the Company will at least own a significant stake or interest of the investee Company's outstanding capital. The said investment amount will allow the Company to recognize its proportionate share of the equitized earnings from its investee companies.

Within the next twelve (12) months, subject to SEC approval, , the Company will implement the increase in its authorized Capital. This capital raising plan is intended to provide the Company investable funds and working capital for prospective projects. Specifics of such deals, if any, will be properly disclosed in accordance with the continuing disclosure requirements of the SEC and the PSE.

Likewise, for the next twelve (12) months, the Company's cash requirements will be satisfied from the proceeds/collection of advances from stockholders.

## Financial Performance In Philippine Pesos

	Year 2015	Year 2014	Year 2013
Revenues	50,809	762	5,483
Cost and Expenses	2,130,134	1,960,136	3,236,160
Other Losses	20,000,000		-
Net Income (Loss)	(22,079,325)	(1,959,374)	(3,230,677)
Current Assets	22,557,884	6,871,495	8,096,505
Current Liabilities	1,548,480	786,218	55,305
Total Assets	22,558,102	43,875,165	45,103,626
Total Liabilities	1,548,480	786,218	55,305
Stockholders' Equity	21,009,622	43,088,947	45,048,321
Current Ratio	14.57	8.74	146.40
Current Assets / Current Liabilities	22,557,884 / 1,548,480	6,871,495 / 786,218	8,096,505 / 55,305
Debt to Equity Ratio	0.07	0.02	0.00
Total Liabilities/Stockholders' Equity	1,548,480 / 21,009,622	786,218 / 43,088,947	55,305 / 45,048,321
Return on assets	NA	NA	NA
Net Income / Total Assets			
Earnings (Loss) Per Share	(0.030)	(0.003)	(0.004)
Net Income (Loss) /No. of shares outstanding	(22,079,325)/ 740 M	(1,959,374)/ 740 M	(3,230,677)/ 740 M

## Full Fiscal Years

### Calendar Year 2015

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 and Exploration and Development Corporation (“ABACOAL”). The joint acquisition was amended on May 21, 2009 whereby the Company acquires the right to purchase one hundred percent (100%) of the shares of stock of ABACOAL.

On July 21, 2015, the Company entered into Cancellation of the Head of Agreement and allied Contracts with Abacus Consolidated Resources Holdings, Inc. (ABACORE) and ABACOAL. The cancellation was necessitated by the fact that the Merger with ABACOAL was not approved by LIHC shareholders for lack of quorum during the Annual Shareholder’s Meetings called for the last three (3) years. In consideration of signing the Cancellation Agreement, ABACORE shall pay the Company a portion of the deposit for future stock investment amounting to ₱17.0 million. Accordingly, the Company recognized a loss of ₱20.0 million for the unrecovered portion which is presented as Loss on Cancellation of an Agreement. Partial payment of ₱13.5 million contributed to the increase in cash while the balance was presented as collectible.

The reported interest income earned on bank accounts amounting to ₱47,760 was ₱46,998 or 6,168% higher than the interest recorded for the year 2014 of ₱ 762. The increase was due mainly to additional cash as a result of cancellation of heads of agreement by and between Lodestar, ABACOAL and ABACORE. Other income of ₱ 3,049 was derived from reversal of long outstanding liability.

The ₦2.12 million operating expenses for 2015 was 8.19% or ₦ 160.54 thousand higher when compared to 2014 expenses amounting to ₦1.96 million. The increase was attributed to the net effect of following expenses:

1. Legal Fees – 53.27% or ₦388.89 thousand higher from ₦730 thousand in 2014 to ₦1.12 million in 2015 due to legal fees incurred for cancellation of various contracts related to ABACOAL.
2. Salaries and Employee benefits – 68.51% or ₦190.99 thousand lower.
3. Director's fees – 14.29% or ₦ 16.66 thousand higher from ₦116.67 thousand in 2014 to ₦133.33 thousand in 2015 due to higher number of attendees.
4. Office supplies and other expenses – 48.73% or ₦ 37.46 thousand lower from ₦ 76.87 thousand in 2014 to ₦39.41 thousand in 2015.
5. Professional Fees – 8.79% or ₦ 13.11 thousand lower from ₦149.11 thousand in 2014 to ₦136 thousand in 2015 due to cancellation of a contract with a professional.
6. Representation Expense – 48.62% or ₦14.01 thousand lower from ₦ 28.81 thousand in 2014 to ₦ 14.8 thousand in 2015.
7. Transportation and Travel expenses – 66.40% or ₦3.56 thousand lower from ₦5.36 thousand in 2014 to ₦1.8 thousand in 2015.
8. Printing – 21.53% or ₦14.01 thousand increase from ₦ 65.06 thousand in 2014 to ₦ 79.07 thousand in 2015.
9. Taxes and Licenses – 0.66% or ₦0.1 thousand increase from ₦ 15.07 thousand in 2014 to ₦ 15.17 thousand in 2015.

The cancellation of the Heads of Agreement, Amended Heads of Agreement and Allied Contracts entails returned of payments made amounting to ₦ 17 million resulting to additional cash input of ₦13.5 million, receivables of ₦ 3.5 million and losses aggregating ₦20 million.

The above mentioned additional cash input net of expenses incurred during the year contributed to an increase in cash and cash equivalents of ₦ 12.72 million, from ₦ 383.75 thousand in 2014 to ₦ 13.11 million in 2015.

Likewise, this transaction plus a minimal increase in input vat of ₦ 62.6 thousand contributed to an increase in other current assets of ₦3.56 million.

Partial settlement of ₦0.6 million by a stockholder resulted to a decrease in advances from stockholder, from ₦ 2.46 million as of Dec. 2014 to ₦ 1.86 million in 2015.

Total liabilities of ₦ 1.55 million in 2015 is 96.95% or ₦ 762.26 thousand higher when compared to 2014 balances of only ₦ 786.22 thousand. The increase is due to additional legal fees incurred during the year.

Operating expenses net of interest earned from bank deposits and reversal of miscellaneous deposit plus other losses amounting to ₦20 million resulted to a net reduction in equity of ₦ 22.08 million, from ₦ 43.09 million in 2014 to ₦ 21.01 million in 2015.

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 2014

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 and Exploration and Development Corporation ("ABACOAL"). The joint acquisition was amended on May 21, 2009 whereby the Company acquires the right to purchase one hundred percent (100%) of the shares of stock of ABACOAL.

On July 21, 2015, the Company entered into Cancellation of the Head of Agreement and allied Contracts with Abacus Consolidated Resources Holdings, Inc. (ABACORE) and ABACOAL. The cancellation was necessitated by the fact that the Merger with ABACOAL was not approved by LIHC shareholders for lack of quorum during the Annual Shareholder's Meetings called for the last three (3) years.

For 2014, reported interest income earned on bank accounts amounting to ₦762 was ₦4,721 or 86.10% lower than the interest recorded for the year 2013 of ₦ 5,483.

The ₦1.96 million operating expenses for 2014 was 39.41% or ₦ 1.27 million lower when compared to 2013 expenses amounting to ₦3.23 million . The decrease was attributed to the net effect of the following expenses:

1. Audit Fees – 4.88% or ₦11 thousand higher from ₦230 thousand in 2013 to ₦241 thousand in 2014 due to higher audit fees for 2014.
2. Salaries and Employee benefits – 55.59% or ₦349 thousand lower.
3. Director's fees – 16.00% or ₦ 22 thousand lower from ₦139 thousand in 2013 to ₦117 thousand in 2014 due to lesser board meetings conducted during the year.
4. Office supplies and other expenses – 38.51% or ₦ 69 thousand lower from ₦ 179 thousand in 2013 to ₦110 thousand in 2014.
5. Professional Fees – 61.92% or ₦ 242 thousand lower from ₦392 thousand in 2013 to ₦149 thousand in 2014 due to cancellation of contracts of a professional.
6. Repairs and Maintenance – 100% or ₦6 thousand incurred in 2014 and nil in 2013.
7. Representation Expense – 93.00% or ₦382 thousand lower from ₦ 411 thousand in 2013 to ₦ 29 thousand in 2014. This expense is relative to the Company's COC 148 which is now into development and production phase.
8. Transportation and Travel expenses – 91.02% or ₦54 thousand lower from ₦59 thousand in 2013 to ₦5 thousand in 2014.
9. Depreciation – 67.92% or ₦7 thousand lower.

10. Insurance – 141.74% or ₦ 17 thousand higher from ₦ 12 thousand 2013 to ₦ 29 thousand in 2014.
11. Legal fees – 20.65% or ₦ 190 thousand lower from ₦ 920 thousand in 2013 to ₦ 730 thousand in 2014.
12. Taxes and Licenses – 27.62% or ₦ 3 thousand increase from ₦ 12 thousand in 2013 to ₦ 15 thousand in 2014.

The above expenses contributed to a decrease in cash and cash equivalents from ₦490 thousand in 2013 to ₦ 384 thousand in 2013.

Other current assets increased by ₦51 thousand due to input vat from purchase of goods and services net of decrease in receivables.

Partial settlement of ₦1.17 million by a stockholder resulted to a decrease in advances from stockholder, from ₦ 3.63 million as at Dec. 2013 to ₦ 2.46 million in 2014.

Total liabilities of ₦ 786 thousand in 2014 is 1,321.60% or ₦ 731 thousand higher when compared to 2013 balances of only ₦ 55 thousand. The increase is due to unsettled legal fees.

Operating expenses net of interest earned from bank deposits resulted to a net reduction in equity from ₦ 45.05 million in 2013 to ₦ 43.09 million in 2014.

#### Calendar Year 2013

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 and Exploration and Development Corporation (“ABACOAL”). The joint acquisition was amended on May 21, 2009 whereby the Company acquires the right to purchase one hundred percent (100%) of the shares of stock of ABACOAL.

On July 21, 2015, the Company entered into Cancellation of the Head of Agreement and allied Contracts with Abacus Consolidated Resources Holdings, Inc. (ABACORE) and ABACOAL. The cancellation was necessitated by the fact that the Merger with ABACOAL was not approved by LIHC shareholders for lack of quorum during the Annual Shareholder’s Meetings called for the last three (3) years.

The Company reported interest income earned on bank accounts amounting to ₦5,483 was ₦5,700 or 50.97% lower than the interest recorded for the year 2012 of ₦ 11,183.

The ₦3.236 million operating expenses for 2013 was 25.21% or ₦ 1.09 million lower when compared to 2012. The decrease was attributed to the net effect of following expenses:

1. Audit Fees – 15.96% or ₦32 thousand higher from ₦198 thousand in 2012 to ₦230 thousand in 2013 due to higher audit fees for 2013.
2. Commission expense – 100% or ₦187 thousand lower due to liquidation of traded shares in 2012.
3. Salaries and Employee benefits – 2.77% or ₦17 thousand lower.
4. Director’s fees – 19.05% or ₦ 22 thousand higher from ₦117 thousand in 2012 to ₦139 thousand in 2013 due to several board meetings conducted resulting to higher per diems.
5. Office supplies and other miscellaneous expenses – 27.91% or ₦ 64 thousand lower from ₦ 221 thousand in 2012 to ₦156 thousand in 2013.

6. Professional Fees – 67.44% or ₦ 811 thousand lower from ₦1.203 million in 2012 to ₦392 thousand in 2013 due to cancellation of contracts of two professionals
7. Repairs and Maintenance – 100% or ₦8 thousand incurred in 2012 and nil in 2013.
8. Representation Expense – 81.02% or ₦184 thousand higher from ₦ 227 thousand in 2012 to ₦ 411 thousand in 2013. This expense is relative to the Company's COC 148 which is now into development and production phase.
9. Trustee Fees – 100% or ₦16 thousand in 2012 to nil in 2013. The company has sold all its shares traded in the stock market in 2012.
10. Transportation and Travel expenses – 75.53% or ₦184 thousand lower from ₦244 thousand in 2012 to ₦60 thousand in 2013.
11. Depreciation – 64.25% or ₦19 thousand lower due to full depreciation of some assets.
12. Insurance – 100% or ₦ 12 thousand in 2013 and nil in 2012.
13. Legal fees – 10.84% or ₦ 90 thousand higher from ₦ 830 thousand in 2012 to ₦ 920 thousand in 2013.
14. Project cost – 100% or ₦123 thousand in 2012 and nil in 2013.

The above expenses resulted to a decrease in cash and cash equivalents from ₦3.406 million in 2012 to ₦0.490 million in 2013.

Other current assets increased by ₦80 thousand due to input vat from purchase of goods and services couple with a slight increase in receivables.

Partial settlement of ₦450 thousand by a stockholder to fund expenses resulted to a decrease in advances from stockholder, from ₦ 4.077 million as at Dec. 2012 to ₦ 3.627 million in 2013.

Total liabilities of ₦ 55 thousand in 2013 is 50.15% or ₦ 56 thousand lower when compared to 2012 balances of ₦ 111 thousand.

Operating expenses net of interest earned from bank deposits resulted to a net reduction in equity from ₦ 48.28 million in 2012 to ₦ 45.05 million in 2013.

## **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 2015 amounted to ₦ 240,000.00, ₦ 215,000.00 for 2014 and ₦ 215,000.00 for 2013.

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 the

same to the Audit Committee and the Board of Directors 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 2014 and 2013. Thus, the financial statements and notes thereto for the calendar year ended 31 December 2015 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. Thus, for 2015, Ms. Mailene Sigue-Bisnar, a new partner will be signing for P & A . 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 31 December 2015.

Name	Age	Nationality	Present Position	Date Elected and / or Appointed
Antonio V.F. Gregorio III	43	Filipino	Director and Chairman	May 15, 2009 as Director and Dec. 13, 2012 as Chairman
Chi Ho Co	43	Filipino	Director and President	Sept. 22, 2008 as Director and Dec. 13, 2012 as President
Leonardo S. Gayao	69	Filipino	Director	December 22, 2010
Delfin S. Castro, Jr.	50	Filipino	Director, CFO and Treasurer	December 11, 2015
Ramoncito B. Cabalu	58	Filipino	Director	December 11, 2015
Manuel Ong	57	Filipino	Independent Director	December 11, 2015
Felixes Latonero	42	Filipino	Independent Director	April 13, 2011
Venus L. Gregorio	47	Filipino	Corporate Secretary and Corporate Information Officer	December 13, 2012

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**, 43, 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 1999. 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 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. (President from 2011 to present and Chairman from 2012 to present), Dizon Copper-Silver Mines (Treasurer/Director from 2012 to present), Abacore Capital Holdings, Inc. (Director, 009 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) and 4A9T Scholarship Foundation, Inc. (Corporate Secretary/Trustee from 1999 to present). He was formerly the Corporate Secretary/ Director of the following companies: GNA Resources International Limited (2011 to 2015), World Wide Manpower Overseas, Inc. (2007 to 2014), 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), and Corporate Secretary of JMARR Realty, Inc. (2002 to 2011).

**CHI HO CO**, 43, 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), NIHAO Mineral Resources International, Inc. (2013 to present), Geograce Resources Philippines, Inc. (2013 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**, 69, Filipino/ Director/ Member, Remuneration Committee

Atty. Gayao graduated from San Beda College in 1973 with a Bachelor of Laws degree. He has 40 years of proven track experience in the fields of corporate law, banking and finance and real estate. He is currently the Director/President of Abacore Capital & Holdings, Inc. (1995 to present), Director/President of Philippine Regional Investment Development Corporation (1995 to present). He is also a Director of Dizon Copper-Silver Mines, Inc. (2014-present), Director/Chairman of Abacus Coal Exploration and Development Corporation (2009-present), Director/Chairman of Ominicor Industrial Estate & Realty Center, Inc. (2009 to present), Director of Abacus Global Technovisions, Inc. (1993-present), Director/ President of Blue Stock Development Farms, Inc. (1993 to present), Director/President Hedge Issues management & Leverage Advisors, Inc. (2009-present), Director/President of Hedge Integrated Management Group, Inc. (2009-present), Director/Chairman of alpha Asia Hotels & Resorts, Inc. (1991- present), Director of Phil Star Development Bank (1997-present), Director/President of Vantage Relay Corporation (2009-present) and Director/President to Kapuluan Properties, Inc. (2009-present). He was a Director of Pacific Online Systems Corporation (2007-2014)

**DELFIN S. CASTRO, JR., 50, Filipino/ Director/Treasurer/Assistant Corporate Information Officer**

Mr. Delfin S. Castro, Jr. holds a Masters Degree in Business Administration and a Bachelor of Science Degree in Business Administration from the University of the Philippines. He is currently the Chairman and President of Dizon Copper-Mines, Inc. (2012- present), Director/Treasurer of Asiabest Group International, Inc. (2010 – present), Treasurer of NiHao Mineral Resources International, Inc. (2001-present), Director/Treasurer of Geograce Resources Philippines, Inc. (2006-present). He is also a Director and Corporate Secretary of Sunplaza Development Corporation and Treasurer of the Peak Condominium Corporation.

**RAMONCITO CABALU, 58, Filipino/ Director**

Mr. Cabalu graduated with a Bachelor opf Arts degree major in Economics and Social Sciences at the University of the Philippines in 1977. Mr. Cabalu is a Director and President of a major entertainment company Circle Asia Group with major industry players to service the entertainment requirements of gaming companies in Manila and the emerging markets (2014). He is also currently a Director and Partner of Maple Tree Investments (2014) and Vice-President/Partner for Business Development of Garco Minerals and Chemical Trading.

**MANUEL G. ONG, 57, Filipino/ Independent Director**

Mr. Manuel Ong studied Bachelor of Science major in Chemical Engineering from the Xavier School. He is currently the Vice President and Technical Director of Industrial Welding Corporation.

**FELIXES G. LATONERO, 42, Filipino/ Independent Director.**

Mr. Latonero is currently the Chairman of the Audit, Compensation, Governance and Risk Management Committees. He is 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.

**VENUS L. GREGORIO, 47, 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 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).

**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.

## **Involve ment 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
	2016 (est)	0
Antonio V.F. Gregorio III, Chairman (1) Chi Ho Co, President (2)		sum of the aggregate
Delfin S. Castro, Jr, CFO No other officers receiving compensation as a group		annual cash compensation of the named executives
	2015	0
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		sum of the aggregate annual cash compensation of the named executives
	2014	260,000
Antonio V.F. Gregorio III, Chairman (1)		sum of the aggregate
Chi Ho Co (2) Jose Francisco Miranda (3) No other officers receiving compensation as a group		annual cash compensation of the named executives

(1) No compensation for services rendered

(2) 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 and compensation ceased as of February 2013.

(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 to ₱10,000.00 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 2015.

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	<i>PCD Nominee Corporation</i>	<b>Various Owners</b> <ol style="list-style-type: none"> <li>1. Abacus Securities Corporation – 91,032,986 (12.30%)</li> <li>2. King's power Securities - 42,375,000 (5.73%)</li> <li>3. Angping &amp; Associates Securities, Inc – 118,333,000 (15.99%)</li> <li>3. Tower Securities Inc.- 41,665,000 (5.63%)</li> </ol>	Filipino	<b>616,198,430</b>	<b>83.270%</b>
Common	<i>Renato Reyes</i>		Filipino	<b>72,000,000</b>	<b>9.73%</b>

### *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, 2015:

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%
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	Delfin S. Castro, Jr. Director, CFO, Treasurer and Assistant Corporate Information Officer	10,000 (Direct)	Filipino	0.00%
Common	Ramoncitu Cabalu Director	1,000 (Direct)	Filipino	0.00%
Common	Manuel Go Ong Independent Director	1,000 (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	43,000		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**

#### **Transactions With Related Parties:**

The Company extended advances to a stockholder which amounted to ₱1,857,076 as of December 31, 2015. 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.

**Transactions With Key Management Personnel:**

The Company avails of the services rendered by lawyers who are also key management personnel of the Company. The related legal fees amount to an estimated ₦730 thousand per annum.

**PART IV – CORPORATE GOVERNANCE**

Please refer to attached ACGR

**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:

<i>Date of Event Reported</i>	<i>Event Reported</i>
April 07, 2015	<p>The following matters were taken up during the board meeting :</p> <p>(1) Board approval of the Annual Audited Financial Statements, Annual Report and Annual Corporate Governance (ACGR) for the year ended 31 December 2014.</p> <p>(2) Postponement of the Annual Stockholders' meeting scheduled to be held on 2<sup>nd</sup> Thursday of May to July 2015 at a specific date and time to be determined by the President.</p>
July 21, 2015	<p>The following matters were taken up during the special board meeting :</p> <p>(1) Cancellation of the Heads of Agreement, Amended Heads of Agreement and Allied Contracts with Abacus Consolidated Resources Holdings, Inc. (ABACORE) and Abacus Coal Exploration and Development Corporation (ABACOAL).</p> <p>(2) Calling of the Annual Stockholders' Meeting to be held in October 2015 at a specific date and time to be determined by the President.</p>
December 11, 2015	Results of annual stockholders' meeting and organizational meeting of the Board of Directors

## 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 Mandaluyong on April 11, 2016.

By:

ANTONIO VICTORIANO F. GREGORIO III  
Chairman of the Board

CHI HO CO  
President

DELFIN S. CASTRO, JR.  
CFO/ Treasurer

VENUS L. GREGORIO  
Corporate Secretary

SUBSCRIBED AND SWORN to before me the APR 1 1 2016 2016 affiants exhibiting to me

Name	ID No.
Antonio V.F. Gregorio III	TIN 201-897-602
Chi Ho Co	TIN 167-858-435
Delfin S. Castro, Jr.	TIN 164-381-790
Venus Gregorio	TIN 181-964-522

**JOVEN G. SAVILLANO**  
NOTARY PUBLIC  
COMMISSION NO. 0285-15  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2016  
ROLL NO. 53970

IBP LIFETIME NO. 011302 RIZAL

PTR NO. 259987G ; 14-16 ; MANDALUYONG

MCLE COMPLIANCE NO. IV-0014990 23 APRIL 2013

METRO MART COMPLEX, MANDALUYONG CITY

Doc. No. 374 :  
Page No. 71 :  
Book No. 17 :  
Series of 2016.



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**Report of Independent Auditors  
to Accompany Supplementary Information  
Required by the Securities and Exchange  
Commission Filed Separately from the  
Basic Financial Statements**

**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
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Philippines

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**The Board of Directors and the Stockholders  
Lodestar Investment Holdings Corporation**  
7th Floor, Peaksun Bldg., 1505 Princeton St.  
corner Shaw Blvd., Wack Wack Greenhills East  
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lodestar Investment Holdings Corporation for the year ended December 31, 2015, on which we have rendered our report dated April 6, 2016. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, 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: **Mailene Sigue-Bisnar**  
Partner

CPA Reg. No. 0090230  
TIN 120-319-128  
PTR No. 5321724, January 4, 2016, Makati City  
SEC Group A Accreditation  
Partner - No. 0396-AR-3 (until Oct. 15, 2018)  
Firm - No. 0002-FR-4 (until Apr. 30, 2018)  
BIR AN 08-002511-20-2015 (until Mar. 18, 2018)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 6, 2016

Certified Public Accountants

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cebu, Davao, Cavite

BOA/PRC Cert. of Reg. No. 0002  
SEC Accreditation No. 0002-FR-4

**Lodestar Investment Holdings Corporation**  
**List of Supplementary Information**  
**December 31, 2015**

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	Key Performance Indicators	15

Lodestar Investment Holdings Corporation  
Schedule A - Financial Assets  
December 31, 2015

<i>Name of Issuing Entity and Description of Investment</i>	<i>Amount shown in the Balance Sheet</i>	<i>Value based on market quotation at end of reporting period (per share)</i>	<i>Income received and accrued</i>
			N/A

N/A

Lodestar Investment Holdings Corporation  
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**  
December 31, 2015

<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 2,457,076	P -	P 600,000	P -	P 1,857,076 P - P 1,857,076

Advances to a stockholder      P 2,457,076 P -      P 600,000 P -      P 1,857,076 P - P 1,857,076

The advances to a stockholder are unsecured and are collectible upon demand. 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, 2015

<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, 2015

<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

N/A

Schedule E - Long-term Debt  
December 31, 2015

<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, 2015

<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, 2015

<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, 2015**

<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	-	-	43,000	739,957,000

**Lodestar Investment Holdings Corporation**  
7th Floor, Peaksun Bldg., 1505 Princeton St. corner Shaw Blvd.  
Wack Wack Greenhills East, Mandaluyong City

**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**December 31, 2015**

<b>DEFICIT AT BEGINNING OF YEAR</b>	( P <u>97,625,911</u> )
Loss actually incurred during the year	( <u>22,079,325</u> )
<b>DEFICIT AT END OF YEAR</b>	( <u>P 119,705,236</u> )

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 at December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
<b><i>Philippine Financial Reporting Standards (PFRS)</i></b>				
<b>PFRS 1</b> <i>(Revised)</i>	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	✓		
	Amendment to PFRS 1: Government Loans	✓		
<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</b> <i>(Revised)</i>	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	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures ( <i>effective when PFRS 9 is first applied</i> )			✓
<b>PFRS 8</b>	Operating Segments			✓
<b>PFRS 9</b>	Financial Instruments (2014)* ( <i>effective January 1, 2018</i> )			✓
<b>PFRS 10</b>	Consolidated Financial Statements			✓
	Amendment to PFRS 10: Transition Guidance			✓
	Amendment to PFRS 10: Investment Entities			✓
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* ( <i>effective January 1, 2016</i> )			✓
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* ( <i>effective January 1, 2016</i> )			✓
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendment to PFRS 11: Transition Guidance			✓
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations* ( <i>effective January 1, 2016</i> )			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>PFRS 12</b>	Disclosure of Interests in Other Entities			✓
	Amendment to PFRS 12: Transition Guidance			✓
	Amendment to PFRS 12: Investment Entities			✓
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* ( <i>effective January 1, 2016</i> )			✓
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts* ( <i>effective January 1, 2016</i> )			✓
<i>Philippine Accounting Standards (PAS)</i>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative* ( <i>effective January 1, 2016</i> )			✓
<b>PAS 2</b>	Inventories			✓
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events After the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Bearer Plants* ( <i>effective January 1, 2016</i> )			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization* ( <i>effective January 1, 2016</i> )			✓
<b>PAS 17</b>	Leases			✓
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Revised)</b>	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs			✓
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27 (Revised)</b>	Separate Financial Statements			✓
	Amendment to PAS 27: Investment Entities			✓
	Amendment to PAS 27: Equity Method in Separate Financial Statements* ( <i>effective January 1, 2016</i> )			✓
<b>PAS 28 (Revised)</b>	Investments in Associates and Joint Ventures			✓
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* ( <i>effective January 1, 2016</i> )			✓
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception* ( <i>effective January 1, 2016</i> )			✓
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	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	✓		
<b>PAS 33</b>	Earnings Per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets		✓	
<b>PAS 38</b>	Intangible Assets			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization* <i>(effective January 1, 2016)</i>			✓
<b>PAS 39</b>	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 PFRS 4: Financial Guarantee Contracts	✓		
	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 Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
<b>PAS 40</b>	Investment Property			✓
<b>PAS 41</b>	Agriculture			✓
	Amendment to PAS 41: Bearer Plants* <i>(effective January 1, 2016)</i>			✓
<i>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</i>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease			✓
<b>IFRIC 5</b>	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**			✓
<b>IFRIC 6</b>	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	✓		
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	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**	✓		
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners**	✓		
<b>IFRIC 18</b>	Transfers of Assets from Customers**	✓		
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments**	✓		
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine**			✓
<b>IFRIC 21</b>	Levies	✓		

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

\* These standards will be effective for periods subsequent to 2015 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, 2015**

**N/A**

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**Key Performance Indicators**  
**December 31, 2015**

	2015	2014	2015	2014
a.) Current Ratio				
Current Assets	P 22,557,884	P 6,871,495	14.57	8.74
Current Liabilities	1,548,480	786,218		
b.) Quick Ratio				
Cash	13,107,516	383,754	8.46	0.49
Current Liabilities	1,548,480	786,218		
c.) Debt-to-equity Ratio				
Debt	1,548,480	786,218	0.07	0.02
Equity	21,009,622	43,088,947		
d.) Book value per share				
Equity	21,009,622	43,088,947	0.03	0.06
No. of Shares Outstanding	740,000,000	740,000,000		
e.) Net Profit Margin				
<i>Not applicable. The Company is in a net loss position in 2015 and 2014 since it has not yet started its commercial operations.</i>				
f.) Asset to Equity Ratio				
Assets	22,558,102	43,875,165	1.07	1.02
Equity	21,009,622	43,088,947		
g.) Interest Rate Coverage Ratio				
<i>Not applicable. The Company has no borrowings in 2015 and 2014.</i>				
h.) Gross Profit Margin				
<i>Not applicable. The Company has no revenue in 2015 and 2014 since it has not yet started its commercial operations.</i>				

# ANNEX 'E'

SEC Registration Number

5	4	1	0	6								
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Company Name

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

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

7	F	P	e	a	k	s	u	n	B	u	i	l	d	i	n	g	1	5	0	5	P	r	i	n	c			
t	o	n	S	t	.	,	c	o	r	.	S	h	a	w	,	B	l	v	d	.	,							
B	r	g	y	W	a	c	k	-	W	a	c	k	,	G	r	e	e	n	h	i	l	l	s					
E	a	s	t	,	M	a	n	d	a	l	u	y	o	n	g	C	i	t	y									

Form Type

1	7	Q	1
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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## COMPANY INFORMATION

Company's Email Address

<a href="http://www.lodestarholdings.com">www.lodestarholdings.com</a>
--

Company's Telephone Number/s

(632) 928-9246
----------------

Mobile Number

N/A
-----

No. of Stockholders

59
----

Annual Meeting

2nd Wednesday of May
----------------------

Fiscal Year  
Month/Day

12/31
-------

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Venus L. Gregorio
-------------------

Email Address

Nitsbeng.gregoriolaw@mydestiny.net
------------------------------------

Telephone Number/s

(632) 920-9306
----------------

Mobile Number



Contact Person's Address

7F Peaksun Bldg., 1505 Princeton St. corner Shaw Blvd., Mandaluyong City
--

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

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

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER  
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the quarterly period ended: **March 31, 2016**
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**
5. **Philippines**  
Province, Country or other jurisdiction of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. **7th Floor Peaksun Bldg., 1505 Princeton St.,  
Shaw Blvd., Mandaluyong City**  
Address of principal office **1555**  
Postal Code
8. **(632) 920-9306**  
Issuer's telephone number, including area code
9. N/A  
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 <b>(Par value: P0.10)</b>	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common Shares (issued)</b>	<b>740,000,000<sup>1</sup></b>
<b>Common Shares (authorized)</b>	<b>1,000,000,000</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**

---

<sup>1</sup> Number of issued and outstanding shares based on the records of the Stock and Transfer Agent.

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 [ ]

## **PART I – FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

See attached “Annex A”

The Company’s financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

This Financial Statements meeting the requirements of SRC Rule 68, is furnished as specified therein.

In this interim period:

- a) There is no known trend, event or uncertainty that has or is reasonably likely to have a negative impact on the Company’s short-term or long-term liquidity. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring the Company to make payments;
- b) There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- c) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period;
- d) There are no material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures;
- e) 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/revenues/income from continuing operations;
- f) There are no significant elements of income or loss that did not arise from the Company’s continuing operations;
- h) No seasonal or cyclical factor that affected this quarter’s interim operations.

## **Item 2. Management's Discussion and Analysis (MD&A) or Plan of Operations**

### **Plan of Operation**

Part III, Paragraph (A) of Annex "C" of the Securities Regulation Code under Rule 12 states that the information under subparagraph (2) thereof is required for companies that are operational and had revenues from its operations. In this light, the foregoing information only tackles Part III, Paragraph (A) (1) of Annex "C", insofar as applicable.

### **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 an application for listing of its 30,000,000 common shares with the Philippine Stock Exchange ("PSE") formerly known as the Manila and Makati Stock Exchanges. 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 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 funded the increase in authorized capital stock.

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") with a sharing arrangement of fifty five percent (55%) for Musix and forty five (45%) for the Company. The Company and Musx have likewise entered into an Agreement for Joint Investment whereby the investment parameters for such investment into ABACOAL were set forth.

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 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.

On July 21, 2015, the Company entered into Cancellation of the Heads of Agreement, Amended Heads of Agreement and Allied Contracts with Abacus Consolidated Resources Holdings, Inc. (ABACORE) and Abacus Coal Exploration and Development Corporation (ABACOAL). The cancellation was necessitated by the fact that the Merger with ABACOAL was not approved by LIHC shareholders for lack of quorum during the Annual Shareholder's Meeting called for the last three (3) years.

The Company thus, no longer has any contractual interest over ABACOAL as a result of the cancellation of other Heads of Agreement and its allied contracts.

#### **Business Plan:**

Still in line with the primary purpose of the Company as a holdings corporation, business outlook for 2016 is geared towards looking for other business ventures. Thus, the Company may again tap into various sources to look for opportunities in the various business sectors that are viable, growing and profitable. The Company's strategy will be to invest-buy-in or acquire businesses where the Company will at least own a significant stake or interest of the investee Company's outstanding capital. The said investment amount will allow the Company to recognize its proportionate share of the equitized earnings from its investee companies.

Within the next nine (9) months, subject to SEC approval, the Company will implement the increase in its authorized Capital. This capital raising plan is intended to provide the Company investable funds and working capital for prospective projects. Specifics of such deals, if any, will be properly disclosed in accordance with the continuing disclosure requirements of the SEC and the PSE.

Likewise, for the next nine (9) months, the Company's cash requirements will be satisfied from the proceeds/collection of Advances from stockholders.

#### **Management's Discussion and Analysis for the Interim Period Ended March 31, 2016 as compared with March 31, 2015:**

##### **Revenues**

The Company did not earn any revenue during the three-month period ended March 31, 2016 as it has not undertaken commercial operations.

##### **Operating Expenses**

Operating expenses decreased by ₱43.41 thousand or 9.76% from ₱ 444.56 thousand in March 2014 to ₱401.15 thousand in March 2015 due to nil salaries and benefits expense incurred during the current year.

##### **Net Loss**

After deducting interest income from regular savings account, the Company posted a net loss of ₦384.75 thousand for the period ended March 2016 which is 13.42% or ₦59.63 thousand lower as compared to net loss of ₦444.38 thousand for the same period in 2015.

### **Financial Condition**

The Company's Total Assets comprising of Current Assets amount to ₦22.18 million which is 1.68% or ₦0.38 million lower than that of March 31, 2015 balance amounting to ₦22.56 million. Total Assets on March 31, 2016 is comprised of ₦12.70 Million Cash, ₦ 1.86 million advances to a stockholder and ₦7.62 million Other Current Asset.

The Company's Total Liabilities were comprised of accounts payable and accrued expenses. The Total Liabilities increased by ₦ 5.61 thousand or 0.36% from ₦1.548 million in March 2015 to ₦1.554 million in March 2015.

Stockholders' equity posted a 1.83 % or ₦ 0.39 million decrease from ₦21.01 million in March 2015 to ₦20.62million in March 2016.

### **Material Changes to the Company's pro-forma Balance Sheet as of March 31, 2016 as compared with pro-forma Balance Sheet as of March 31, 2015 (increase/decrease of 5 % or more)**

5484.34 % or ₦ 12.47 Million increase in Cash and cash equivalents from ₦ 0.23 million in March 2015 to ₦ 12.70 million in March 2015. The significant increase is due to down payment on the cancellation of ABACORE investment.

13.91% or ₦ 0.3 million decrease in Advances to a stockholder due to partial payment of advances.

87.73% or ₦ 3.56 million increase in other current assets from ₦ 4.06 million in March 2015 to ₦7.62 million in March 2015. The increase is brought about by receivables from cancellation of agreement of ABACORE.

94.10% or ₦ 753.41 thousand increase in liabilities from ₦ 800.68 thousand in March 2015 to ₦1.55 million in March 2016 due to accrual of expenses.

100% or ₦ 3.05 thousand decrease in advances from third parties due to reversal of payable to other income.

22.45% or ₦ 22.02.2 million increase in deficit due to losses incurred during the period.

### **Key Performance Indicators**

Considering the Company's non-operational status, the key performance indicators of the Company are as follows:

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Current Ratio (1)	14.27x	8.02x
Quick Ratio (2)	8.17x	0.28 x
Debt-equity ratio (3)	0.075x	0.019x
Book value per share (4)	0.03x	0.06x
Net Profit Margin (5)	NA	NA

*(1) Current Assets / Current Liabilities*

March 2016    (₱ 22,178,961/₱ 1,554,087)  
 March 2015    (₱ 6,445,490/₱ 803,725)

*(2) Cash / Current Liabilities*

March 2016    (₱ 12,698,125/₱ 1,554,087)  
 March 2015    (₱ 227,388/₱ 803,725)

*(3) Debt / Equity*

March 2016    (₱ 1,554,087/₱ 20,624,875)  
 March 2015    (₱ 803,725/₱ 42,644,572)

*(4) Equity /Subscribed Shares*

March 2016    (₱ 20,624,875/740,000,000)  
 March 2015    (₱ 42,644,572/740,000,000)

The Current Ratio is the general measure of a company's liquidity. It represents the ratio of all current assets to all current liabilities. It is sometimes called the "Working Capital Ratio" because working capital is the excess of current assets over current liabilities. Current ratio is lower than the same period last year due to higher unpaid liabilities.

The Quick Ratio is another measure of a company's liquidity. It is used to measure a company's ability to pay its liabilities using assets that are cash or very liquid. Since the Company does not have any marketable securities and accounts receivables, the computation of this ratio was based on cash alone. Quick ratio for the current period is lower as compared to the same period of last year due to higher unpaid payables.

The Debt to Equity Ratio is a measure of leverage, or the relative amount of funds provided by lenders and owners. This measures the amount of debt being used by the Company. The ratio for the current period is higher as compared with that of last year due to higher liabilities.

Book value Per Share is a measure of stockholders' equity. It represents the difference between total assets and total liabilities divided by the total number of shares outstanding.

Net Profit Margin Ratio related to the profits of a company to its sales, assets or equity. It indicates the rate of profit from sales and other revenues. The Company is still in a no-operation status. The reported revenues are purely interests earned from bank deposits.

## Additional Financial Soundness Indicators

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Asset to equity ratio (1)	1.08x	1.02x
Interest Rate coverage ratio (2)	NA	NA
Gross Profit Margin (3)	NA	NA

- (1) *Total Assets / Total Equity*  
*March 2016 (P 22,178,961/P 20,624,875)*  
*March 2015 (P 43,448,297/P 42,644,572)*
- (2) *Income before Interest and Taxes / Interest Expense*  
*March 2016*  
*March 2015*
- (3) *Gross Profit / Sales*  
*March 2016*  
*March 2015*

Asset to Equity ratio measures the financial leverage and long term solvency of the Company. It is derived by dividing the total asset from its total equity.

Interest Coverage Ratio determines how easily a company can pay interest on outstanding debt. The Company did not incur any interest on its advances.

Gross Profit Margin is derived by dividing gross profit by the sales. The Company is still in a no-operation status. The reported revenues are purely interests earned from bank deposits.

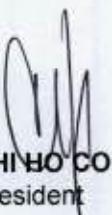
## PART II – OTHER INFORMATION

There are no contingent liabilities or contingent assets or known trend and events that may materially affect the company's operation nor are there estimates of amounts reported in prior periods that may have a material effect on the attached financial statements.

## 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  
Mandaluyong City on May 12, 2016.

By:



CHIN HO CO  
President



DELFIN S. CASTRO, JR.  
Treasurer

LODESTAR INVESTMENT HOLDINGS CORPORATION  
STATEMENTS OF FINANCIAL POSITION

" ANNEX A"

	Notes	Unaudited March 31, 2016	Audited Dec 31, 2015
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents		₱ 12,698,125	₱ 13,107,516
Advances to a stockholder	2	1,857,076	1,857,076
Other current assets		7,623,761	7,593,292
<b>Total Current Assets</b>		<b>22,178,961</b>	<b>22,557,884</b>
Non - current assets			
Property and Equipment (net)		-	218
<b>Total Non-Current Assets</b>		<b>-</b>	<b>218</b>
		<b>₱ 22,178,961</b>	<b>₱ 22,558,102</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>			
Liabilities			
Accounts payable and accrued expenses	3	₱ 1,554,087	₱ 1,548,480
<b>Total Liabilities</b>		<b>1,554,087</b>	<b>1,548,480</b>
Stockholder's Equity			
Capital Stock - P0.10 par value	4	74,000,000	74,000,000
Additional Paid-In Capital	4	66,714,858	66,714,858
Deficit		(120,089,983)	(119,705,236)
<b>Total Stockholders' Equity</b>		<b>20,624,875</b>	<b>21,009,622</b>
		<b>₱ 22,178,961</b>	<b>₱ 22,558,102</b>
		-	-

LODESTAR INVESTMENT HOLDINGS CORPORATION  
 STATEMENTS OF INCOME  
 (Unaudited)

	<u>January 1 to March 31, 2016 (Three Months)</u>	<u>January 1 to March 31, 2015 (Three Months)</u>
REVENUES	P 401,154	P 444,559
EXPENSES	401,154	444,559
INCOME (LOSS) BEFORE OTHER LOSSES	(401,154)	(444,559)
INTEREST INCOME	16,405	184
NET INCOME (LOSS)	P (384,749)	(444,375)
WEIGHTED AVE. NUMBER OF COMMON SHARES	<u>740,000,000</u>	<u>740,000,000</u>
Loss Per Share	<u>(0.001)</u>	<u>(0.001)</u>

*Note: No dividends declared during the period*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**

		Unaudited March 31, 2016		Audited Dec. 31, 2015		Unaudited March 31, 2015		Audited Dec. 31, 2014
<b>CAPITAL STOCK - P 0.10 par value</b>								
Beginning Balance	P	74,000,000	P	74,000,000	P	74,000,000	P	74,000,000
Subscribed				-		-		-
Balance at end of period	P	74,000,000	P	74,000,000	P	74,000,000	P	74,000,000
<b>ADDITIONAL PAID-IN CAPITAL</b>								
Beginning Balance	P	66,714,858	P	66,714,858	P	66,714,858	P	66,714,858
Subscribed		-		-		-		-
Balance at end of period	P	66,714,858	P	66,714,858	P	66,714,858	P	66,714,858
<b>DEFICIT</b>								
Beginning Balance	P	(119,705,235)	P	(97,625,911)	P	(97,625,911)	P	(95,666,537)
Net Income (loss)		(384,749)		(22,079,325)		(444,375)		(1,959,374)
Balance at end of period	P	(120,089,983)	P	(119,705,236)	P	(98,070,286)	P	(97,625,911)
<b>STOCKHOLDERS' EQUITY, END</b>								
	P	20,624,875	P	21,009,622	P	42,644,572	P	43,088,947

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
(Uaudited)

	<u>Jan 1 to March 31, 2016 (Three Months)</u>	<u>Jan 1 to March 31, 2015 (Three Months)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	P (384,749)	P (444,375)
Adjustment for:		
Realized FV loss on AFS	218	863
Depreciation	(16,405)	(184)
Interest Income	(400,936)	(443,696)
Net loss before working capital changes	(400,936)	(443,696)
Adjustment to reconcile net loss to net cash provided by operating activities		
Changes in operating assets and liabilities		
Decrease (increase) in :		
Other current assets	(30,469)	(30,361)
Increase (decrease) in :		
Accounts payable and accrued expenses	5,608	17,507
Net cash provided by operating activities	(425,796)	(456,550)
Interest Received	16,405	184
Net cash from operating activities	(409,392)	(456,366)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from sale and purchase of available-for-sale financial assets	-	-
Additional deposit for acquisition of 100% shares of Abacoal	-	-
Disposals (acquisitions) of property and equipment	-	-
Net cash used in investing activities	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from other parties	-	-
Advances from stockholders	-	300,000
Receipts of payment of subscription to capital stocks	-	-
Net cash provided by (used in) financing activities	-	300,000
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(409,392)	(156,366)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		
	13,107,516	383,754
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
	P 12,698,125	P 227,388

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**NOTES TO FINANCIAL STATEMENT**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements are prepared in accordance with the Philippine Financial Reporting Standards. The company has followed the same accounting policies and methods of computation used with the most recent annual financial statement. No new accounting policy has been adopted for this interim report.

**2. RELATED PARTY TRANSACTIONS**

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.

As at March 31, 2016, based on management's assessment, the outstanding balance of the Company's advances to a stockholder amounting to Php 1,857,076 is not impaired, hence, no impairment loss is recognized.

**3. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

This account consists of accrued expenses which represent expenses continuously incurred for maintaining the operational and listing status with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). This is composed of legal fees, stock transfer agent fees and withholding taxes.

**4. CAPITAL STOCK**

To address the Company's liquidity shortfalls and raise the needed fund for investment into Abacoal, the Company increased its authorized capital stock from Fifty Million Pesos (₱50,000,000.00) divided into Fifty Million (50,000,000) shares to One Hundred Million Pesos (₱100,000,000.00) divided into One Hundred Million (100,000,000) shares, both with a par value of One Peso (₱1.00) per share. The capital increase was approved by the Securities and Exchange Commission on 30 July 2009. To fund the capital increase, the Company entered into private placement transactions with several investors at the price of ₱1.20 per share. Full payment was made to the Company during the first quarter of 2010. Said shares were approved by the Philippine Stock Exchange for listing on July 14, 2010.

On November 6, 2009, the Company entered into another set of investment agreements with various investors wherein the investors agreed to subscribe by way of private placement to 10 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 ₱5.05 per share or for a total of ₱50.5 million, of which 25% or ₱12.6 million has already been paid. The transaction was approved by the BOD on September 14, 2009. The balance of 75% of the gross investment amount was paid in March 2011. Listing application for such shares is currently pending with the PSE.

On Sept. 14, 2010, SEC approved the reduction in the par value of the shares of stock from One Peso (₱1.00) to Ten Centavos (₱0.10). The authorized capital stock of the Corporation shall be One Hundred Million Pesos (₱100,000,000.00) divided into One Billion (1,000,000,000) common shares with par value of Ten Centavos (₱0.10) per share. Also on

the same date, the SEC approved the Amended By-laws providing for the creation, powers and functions of the Nomination, Remuneration, Audit, Executive and Finance Committees of the Company.

Per the records of the Corporation, on 24 September 2010, as a result of the approval of the reduction in the par value of the shares of the Company from One Peso (₱ 1.00) per share to Ten Centavos (₱ 0.10) per share, the Philippine Stock Exchange implemented the reduction in the par value and stock split of Lodestar shares. After the reduction in the par value of the shares from One Peso (₱ 1.00) to Ten Centavos (₱ 0.10) the number and price of shares have been adjusted by multiplying the number of shares by ten (number of shares x 10) and inversely, dividing the price by ten (price/10). Resulting adjustments in the amount of shares and values of consideration were accordingly reflected in the books of the Corporation, insofar as all issued and outstanding shares are concerned, including the private placement shares.

On 11 December 2015, during the Annual Stockholders' Meeting of the Company, the shareholders confirmed, ratified and re-adopted the 2009 Stockholders' approval of the increase in the authorized capital stock of LIHC. Said resolution was passed during the 17 December 2009 Annual Meeting wherein shareholders, holding at least 2/3 majority of the outstanding capital stock, voted in favor of the capital increase one hundred million pesos (₱100,000,000.00) divided into one hundred million (100,000,000) shares at a par value of one Peso (₱1.00) per share to three hundred million Pesos (₱300,000,000.00) divided into three billion (3,000,000,000) shares at the reduced par value of Ten centavos (₱.10) per share without stockholders' pre-emptive right.

## 5. RISK MANAGEMENT

The Company is exposed to a variety of financial risks which resulted from its investing and operating activities. 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 Company has no significant exposure to foreign currency risk since it has no financial assets and financial liabilities that are denominated in foreign currency. The most significant financial risks to which the Company is exposed to are described below and in the succeeding page.

### 5.1 Credit Risk

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

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below.

	<u>March 31, 2016</u>	<u>Dec. 31, 2015</u>
Cash	₱ 12,698,125	₱ 13,107,516
Advances to a stockholder	1,857,076	1,857,076
Receivable from a third party	3,500,000	3,500,000

Advances to contractor	1,108,560	1,108,560
	<u>₱ 19,163,761</u>	<u>₱ 19,573,152</u>

The above represent the carrying amounts of financial assets of the Company categorized as loans and receivables. None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash.

(a) *Cash*

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash are cash in banks which are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of ₱0.5 million for every depositor per banking institution. The amount of cash on hand excluded from this insurance to PDIC amounted to ₱4,000 in both period.

(b) *Advances to a Stockholder*

The credit risk for advances to a stockholder is considered negligible, since the counterparty is a related party. No impairment loss has been recorded in relation to advances to a stockholder as management had assessed that this is fully collectible.

(c) *Receivable from a Third Party and Advances to Contractor*

The credit risk for receivable from a third party and advances to contractor is considered negligible since the parties are bound to one another. No impairment loss has been recorded in relation to these items as management had assessed that these are fully collectible. The advances to contractor was identified to be a financial asset only in 2015.

## 5.2 Liquidity Risk

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

As at March 31, 2016 and December 31, 2015, the Company's financial liabilities amounting to ₱ 1,554,024 and ₱1,466,704, respectively, have contractual maturities of less than twelve months..

## 6. FINANCIAL INSTRUMENTS

### *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.

	March 31, 2016		December 31,2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	₱12,698,125	₱12,698,125	₱13,107,516	₱13,107,516
Advances to a stockholder	1,857,076	1,857,076	1,857,076	1,857,076
Receivable from a third party	3,500,000	3,500,000	3,500,000	3,500,000
Advances to supplier	1,108,560	1,108,560	1,108,560	1,108,560
	<b>₱19,163,761</b>	<b>₱19,163,761</b>	<b>₱19,573,152</b>	<b>₱19,573,152</b>

	March 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Liabilities</b>				
Other financial liabilities:				
Accounts payable and accrued expenses (*)	<b>₱1,554,024</b>	<b>₱1,554,024</b>	₱1,466,704	₱1,466,704
	<b>₱1,554,024</b>	<b>₱1,554,024</b>	<b>₱1,466,704</b>	<b>₱1,466,704</b>

(\*) Net of taxes

#### Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels.

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- (c) 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.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

There were no outstanding financial assets and liabilities measured at fair value as of March 31, 2016 and December 31, 2015.

## 7. OTHERS

- a. These financial reports are prepared in compliance with the quarterly reportorial requirements of the SEC.
- b. There were no material transactions affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidents.
- c. There was no subsequent material events not reflected in this interim financial statement.
- d. There were no material contingencies and any other events or transactions that are material to the understanding of the interim report.



# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

### QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the quarterly period ended: June 30, 2016

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**

5. **Philippines** 6.  (SEC Use Only)

Province, Country or other jurisdiction of incorporation or organization Industry Classification Code:

7. **7th Floor Peaksun Bldg., 1505 Princeton St.,**

**Shaw Blvd., Mandaluyong City**

Address of principal office

**1555**

Postal Code

8. **(632) 920-9306**

Issuer's telephone number, including area code

9. N/A

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
<b>(Par value: P0.10)</b>	

<b>Common Shares (issued)</b>	<b>740,000,000<sup>1</sup></b>
<b>Common Shares (authorized)</b>	<b>1,000,000,000</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**

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<sup>1</sup> Number of issued and outstanding shares based on the records of the Stock and Transfer Agent.

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 [ ]

## **PART I – FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

See attached “Annex A”

The Company’s financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

This Financial Statements meeting the requirements of SRC Rule 68, is furnished as specified therein.

In this interim period:

- a) There is no known trend, event or uncertainty that has or is reasonably likely to have a negative impact on the Company’s short-term or long-term liquidity. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring the Company to make payments;
- b) There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- c) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period;
- d) There are no material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures;
- e) 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/revenues/income from continuing operations;
- f) There are no significant elements of income or loss that did not arise from the Company’s continuing operations;
- h) No seasonal or cyclical factor that affected this quarter’s interim operations.

## **Item 2. Management's Discussion and Analysis (MD&A) or Plan of Operations**

### **Plan of Operation**

Part III, Paragraph (A) of Annex "C" of the Securities Regulation Code under Rule 12 states that the information under subparagraph (2) thereof is required for companies that are operational and had revenues from its operations. In this light, the foregoing information only tackles Part III, Paragraph (A) (1) of Annex "C", insofar as applicable.

### **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 an application for listing of its 30,000,000 common shares with the Philippine Stock Exchange ("PSE") formerly known as the Manila and Makati Stock Exchanges. 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 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 funded the increase in authorized capital stock.

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") with a sharing arrangement of fifty five percent (55%) for Musix and forty five (45%) for the Company. The Company and Musx have likewise entered into an Agreement for Joint Investment whereby the investment parameters for such investment into ABACOAL were set forth.

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 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.

On July 21, 2015, the Company entered into Cancellation of the Heads of Agreement, Amended Heads of Agreement and Allied Contracts with Abacus Consolidated Resources Holdings, Inc. (ABACORE) and Abacus Coal Exploration and Development Corporation (ABACOAL). The cancellation was necessitated by the fact that the Merger with ABACOAL was not approved by LIHC shareholders for lack of quorum during the Annual Shareholder's Meeting called for the last three (3) years.

The Company thus, no longer has any contractual interest over ABACOAL as a result of the cancellation of other Heads of Agreement and its allied contracts.

### **Business Plan:**

Still in line with the primary purpose of the Company as a holdings corporation, business outlook for 2016 is geared towards looking for other business ventures. Thus, the Company may again tap into various sources to look for opportunities in the various business sectors that are viable, growing and profitable. The Company's strategy will be to invest-buy-in or acquire businesses where the Company will at least own a significant stake or interest of the investee Company's outstanding capital. The said investment amount will allow the Company to recognize its proportionate share of the equitized earnings from its investee companies.

Within the next six (6) months, subject to SEC approval, the Company will implement the increase in its authorized Capital. This capital raising plan is intended to provide the Company investable funds and working capital for prospective projects. Specifics of such deals, if any, will be properly disclosed in accordance with the continuing disclosure requirements of the SEC and the PSE.

Likewise, for the next six (6) months, the Company's cash requirements will be satisfied from the proceeds/collection of Advances from stockholders.

### **Management's Discussion and Analysis for the Interim Period Ended June 30, 2016 as compared with June 30, 2015:**

#### **Revenues**

The Company did not earn any revenue during the six-month period ended June 30, 2016 as it has not undertaken commercial operations.

#### **Operating Expenses**

Operating expenses increased by ₱51.41 thousand or 8.21% from ₱ 626.37 thousand in June 2015 to ₱677.78 thousand in June 2016 due to full payment of audit fees net of nil salaries and benefits expense incurred during the current year.

### **Net Loss**

After deducting interest income from regular savings account, the Company posted a net loss of ₦606.59 thousand for the period ended June 2016 which is 3.11% or ₦19.47 thousand lower as compared to net loss of ₦626.06 thousand for the same period in 2015.

### **Financial Condition**

The Company's Total Assets comprising of Current Assets amount to ₦21.87 million which is 3.03% or ₦0.68 million lower than that of June 30, 2015 balance amounting to ₦22.56 million. Total Assets on June 30, 2016 is comprised of ₦12.36 Million Cash, ₦ 1.86 million Advances to a stockholder and ₦7.65 million Other Current Asset.

The Company's Total Liabilities were comprised of accounts payable and accrued expenses. The Total Liabilities increased by ₦ 77.02 thousand or 4.97% from ₦1.548 million in June 2015 to ₦1.471 million in June 2016.

Stockholders' equity posted a 2.89 % or ₦ 0.606 million decrease from ₦21.01 million in June 2015 to ₦20.40million in June 2016.

### **Material Changes to the Company's pro-forma Balance Sheet as of June 30, 2016 as compared with pro-forma Balance Sheet as of June 30, 2015 (increase/decrease of 5 % or more)**

5237.98 % or ₦ 12.13 Million increase in Cash and cash equivalents from ₦ 0.23 million in June 2015 to ₦ 12.36 million in June 2016. The significant increase is due to down payment on the cancellation of ABACORE investment.

87.19% or ₦ 3.56 million increase in other current assets from ₦ 4.10 million in June 2015 to ₦7.66 million in June 2015. The increase is brought about by receivables from cancellation of agreement of ABACORE.

100.00% or ₦ 37.00 million decrease in deposit for future stock investment due to cancellation of agreement of ABACORE.

105.01% or ₦ 753.72 thousand increase in liabilities from ₦ 717.74 thousand in June 2015 to ₦1.47 million in June 2016 due to accrual of expenses.

100% or ₦ 3.05 thousand decrease in advances from third parties due to reversal of payable to other income.

22.45% or ₦ 22.06 million increase in deficit due to losses incurred during the period.

### **Key Performance Indicators**

Considering the Company's non-operational status, the key performance indicators of the Company are as follows:

	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Current Ratio (1)	14.86x	8.61x
Quick Ratio (2)	8.40x	0.32 x
Debt-equity ratio (3)	0.072x	0.017x
Book value per share (4)	0.03x	0.06x
Net Profit Margin (5)	NA	NA

(1) *Current Assets / Current Liabilities*

June 2016    (₱ 21,874,490/₱ 1,471,456)  
 June 2015    (₱ 6,178,679/₱ 717,735)

(2) *Cash / Current Liabilities*

June 2016    (₱ 12,361,397/₱ 1,471,456)  
 June 2015    (₱ 231,575/₱ 717,735)

(3) *Debt / Equity*

June 2016    (₱ 1,471,456/₱ 20,403,034)  
 June 2015    (₱ 717,735/₱ 42,462,888)

(4) *Equity /Subscribed Shares*

June 2016    (₱ 20,403,034/740,000,000)  
 June 2015    (₱ 42,462,888/740,000,000)

The Current Ratio is the general measure of a company's liquidity. It represents the ratio of all current assets to all current liabilities. It is sometimes called the "Working Capital Ratio" because working capital is the excess of current assets over current liabilities. Current ratio is higher than the same period last year due to increase in cash brought about by the cancellation of ABACORE agreement.

The Quick Ratio is another measure of a company's liquidity. It is used to measure a company's ability to pay its liabilities using assets that are cash or very liquid. Since the Company does not have any marketable securities and accounts receivables, the computation of this ratio was based on cash alone. Quick ratio for the current period is higher as compared to the same period of last year due to increase in cash brought about by the cancellation of ABACORE agreement.

The Debt to Equity Ratio is a measure of leverage, or the relative amount of funds provided by lenders and owners. This measures the amount of debt being used by the Company. The ratio for the current period is higher as compared with that of last year.

Book value Per Share is a measure of stockholders' equity. It represents the difference between total assets and total liabilities divided by the total number of shares outstanding.

Net Profit Margin Ratio related to the profits of a company to its sales, assets or equity. It indicates the rate of profit from sales and other revenues. The Company is still in a no-operation status. The reported revenues are purely interests earned from bank deposits.

## Additional Financial Soundness Indicators

	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Asset to equity ratio (1)	1.07x	1.02x
Interest Rate coverage ratio (2)	NA	NA
Gross Profit Margin (3)	NA	NA

- (1) *Total Assets / Total Equity*  
 June 2016 (₽ 21,874,490/₽ 20,403,034)  
 June 2015 (₽ 43,180,623/₽ 42,462,888)
- (2) *Income before Interest and Taxes / Interest Expense*  
 June 2016  
 June 2015
- (3) *Gross Profit / Sales*  
 June 2016  
 June 2015

Asset to Equity ratio measures the financial leverage and long term solvency of the Company. It is derived by dividing the total asset from its total equity.

Interest Coverage Ratio determines how easily a company can pay interest on outstanding debt. The Company did not incur any interest on its advances.

Gross Profit Margin is derived by dividing gross profit by the sales. The Company is still in a no-operation status. The reported revenues are purely interests earned from bank deposits.

## PART II – OTHER INFORMATION

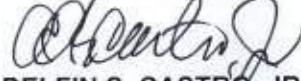
There are no contingent liabilities or contingent assets or known trend and events that may materially affect the company's operation nor are there estimates of amounts reported in prior periods that may have a material effect on the attached financial statements.

**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  
Mandaluyong City on Aug. 11, 2016.

By:

  
CHIHO CO  
President

  
DELFIN S. CASTRO, JR.  
Treasurer

LODESTAR INVESTMENT HOLDINGS CORPORATION  
STATEMENTS OF FINANCIAL POSITION

" ANNEX A"

	Notes	Unaudited June 30, 2016	Audited Dec 31, 2015
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents		₽ 12,361,397	₽ 13,107,516
Advances to a stockholder	2	1,857,076	1,857,076
Other current assets		7,656,017	7,593,292
<b>Total Current Assets</b>		<b>21,874,490</b>	<b>22,557,884</b>
Non - current assets			
Property and Equipment (net)		-	218
<b>Total Non-Current Assets</b>		<b>-</b>	<b>218</b>
		<b>₽ 21,874,490</b>	<b>₽ 22,558,102</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>			
Liabilities			
Accounts payable and accrued expenses	3	₽ 1,471,456	₽ 1,548,480
<b>Total Liabilities</b>		<b>1,471,456</b>	<b>1,548,480</b>
Stockholder's Equity			
Capital Stock - P0.10 par value	4	74,000,000	74,000,000
Additional Paid-In Capital	4	66,714,858	66,714,858
Deficit		(120,311,824)	(119,705,236)
<b>Total Stockholders' Equity</b>		<b>20,403,034</b>	<b>21,009,622</b>
		<b>₽ 21,874,490</b>	<b>₽ 22,558,102</b>

LODESTAR INVESTMENT HOLDINGS CORPORATION  
 STATEMENTS OF INCOME  
 (Unaudited)

	April 1 to June 30, 2016 (Three Months)	January 1 to June 30, 2016 (Six Months)	April 1 to June 30, 2015 (Three Months)	January 1 to June 30, 2015 (Six Months)
REVENUES	P	P	P	P
EXPENSES	276,630	677,784	181,809	626,368
INCOME (LOSS) BEFORE OTHER LOSSES	(276,630)	(677,784)	(181,809)	(626,368)
INTEREST INCOME	54,790	71,195	126	310
NET INCOME (LOSS)	<u>P</u> <u>(221,840)</u>	<u>P</u> <u>(606,589)</u>	<u>P</u> <u>(181,683)</u>	<u>P</u> <u>(626,058)</u>
WEIGHTED AVE. NUMBER OF COMMON SHARES	<u>740,000,000</u>	<u>740,000,000</u>	<u>740,000,000</u>	<u>740,000,000</u>
Loss Per Share	<u>(0.000)</u>	<u>(0.001)</u>	<u>(0.000)</u>	<u>(0.001)</u>

*Note: No dividends declared during the period*

LODESTAR INVESTMENT HOLDINGS CORPORATION  
STATEMENTS OF CHANGES IN EQUITY

		Unaudited June 30, 2016		Audited Dec. 31, 2015		Unaudited June 30, 2015		Audited Dec. 31, 2014
<b>CAPITAL STOCK - P 0.10 par value</b>								
Beginning Balance	P	74,000,000	P	74,000,000	P	74,000,000	P	74,000,000
Subscribed				-		-		
Balance at end of period	P	74,000,000	P	74,000,000	P	74,000,000	P	74,000,000
<b>ADDITIONAL PAID-IN CAPITAL</b>								
Beginning Balance	P	66,714,858	P	66,714,858	P	66,714,858	P	66,714,858
Subscribed		-		-		-		
Balance at end of period	P	66,714,858	P	66,714,858	P	66,714,858	P	66,714,858
<b>DEPOSIT FOR FUTURE SUBSCRIPTION</b>	P		P		P	-	P	
<b>REVALUATION RESERVE</b>	P	-	P	-	P	-	P	-
<b>DEFICIT</b>								
Beginning Balance	P	(119,705,236)	P	(97,625,911)	P	(97,625,911)	P	(95,666,537)
Net Income (loss)		(606,589)		(22,079,325)		(626,059)		(1,959,374)
Balance at end of period	P	(120,311,825)	P	(119,705,236)	P	(98,251,970)	P	(97,625,911)
<b>STOCKHOLDERS' EQUITY, END</b>	P	20,403,033	P	21,009,622	P	42,462,888	P	43,088,947

LODESTAR INVESTMENT HOLDINGS CORPORATION  
STATEMENTS OF CASH FLOWS  
(Unaudited)

	April 1 to June 30, 2016 (Three Months)	January 1 to June 30, 2016 (Six Months)	April 1 to June 30, 2015 (Three Months)	January 1 to June 30, 2015 (Six Months)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax	P (221,840)	P (606,589)	P (181,683)	P (626,058)
Adjustment for:				
Realized FV loss on AFS				
Depreciation	- 218	863	1,726	
Interest Income	(54,790) (71,195)	(126)	(309)	
Net loss before working capital changes	(276,630)	(677,566)	(180,946)	(624,641)
Adjustment to reconcile net loss to net cash provided by operating activities				
Changes in operating assets and liabilities				
Decrease (increase) in :				
Other current assets	(32,255) (62,723)	(29,003)	(59,364)	
Increase (decrease) in :				
Accounts payable and accrued expenses	(82,633) (77,025)	(85,990)	(68,483)	
Net cash provided by operating activities	(391,518) (817,314)	(295,938)	(752,488)	
Interest Received	54,790 71,195	126	309	
Net cash from operating activities	(336,728) (746,119)	(295,813)	(752,179)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net proceeds from sale and purchase of available-for-sale financial assets	- - - -	- - - -	- - - -	- - - -
Additional deposit for acquisition of 100% shares of Abacoal	- - - -	- - - -	- - - -	- - - -
Disposals (acquisitions) of property and equipment	- - - -	- - - -	- - - -	- - - -
Net cash used in investing activities	- - - -	- - - -	- - - -	- - - -
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advances from other parties				
Advances from stockholders	- - - 300,000	- - -	300,000	600,000
Receipts of payment of subscription to capital stocks				
Net cash provided by (used in) financing activities	- - - 300,000	- - -	300,000	600,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(336,728) (746,119)	4,187	(152,179)	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,698,125 13,107,516	227,388	383,754	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 12,361,397 P 12,361,397 P 231,575 P 231,575			

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**NOTES TO FINANCIAL STATEMENT**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements are prepared in accordance with the Philippine Financial Reporting Standards. The company has followed the same accounting policies and methods of computation used with the most recent annual financial statement. No new accounting policy has been adopted for this interim report.

**2. RELATED PARTY TRANSACTIONS**

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.

As at June 30, 2016, based on management's assessment, the outstanding balance of the Company's advances to a stockholder amounting to Php 1,857,076 is not impaired, hence, no impairment loss is recognized.

**3. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

This account consists of accrued expenses which represent expenses continuously incurred for maintaining the operational and listing status with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). This is composed of legal fees, stock transfer agent fees and withholding taxes.

**4. CAPITAL STOCK**

To address the Company's liquidity shortfalls and raise the needed fund for investment into Abacoal, the Company increased its authorized capital stock from Fifty Million Pesos (₱50,000,000.00) divided into Fifty Million (50,000,000) shares to One Hundred Million Pesos (₱100,000,000.00) divided into One Hundred Million (100,000,000) shares, both with a par value of One Peso (₱1.00) per share. The capital increase was approved by the Securities and Exchange Commission on 30 July 2009. To fund the capital increase, the Company entered into private placement transactions with several investors at the price of ₱1.20 per share. Full payment was made to the Company during the first quarter of 2010. Said shares were approved by the Philippine Stock Exchange for listing on July 14, 2010.

On November 6, 2009, the Company entered into another set of investment agreements with various investors wherein the investors agreed to subscribe by way of private placement to 10 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 ₱5.05 per share or for a total of ₱50.5 million, of which 25% or ₱12.6 million has already been paid. The transaction was approved by the BOD on September 14, 2009. The balance of 75% of the gross investment amount was paid in March 2011. Listing application for such shares is currently pending with the PSE.

On Sept. 14, 2010, SEC approved the reduction in the par value of the shares of stock from One Peso (₱1.00) to Ten Centavos (₱0.10). The authorized capital stock of the Corporation shall be One Hundred Million Pesos (₱100,000,000.00) divided into One Billion (1,000,000,000) common shares with par value of Ten Centavos (₱0.10) per share. Also on

the same date, the SEC approved the Amended By-laws providing for the creation, powers and functions of the Nomination, Remuneration, Audit, Executive and Finance Committees of the Company.

Per the records of the Corporation, on 24 September 2010, as a result of the approval of the reduction in the par value of the shares of the Company from One Peso (₱ 1.00) per share to Ten Centavos (₱ 0.10) per share, the Philippine Stock Exchange implemented the reduction in the par value and stock split of Lodestar shares. After the reduction in the par value of the shares from One Peso (₱ 1.00) to Ten Centavos (₱ 0.10) the number and price of shares have been adjusted by multiplying the number of shares by ten (number of shares x 10) and inversely, dividing the price by ten (price/10). Resulting adjustments in the amount of shares and values of consideration were accordingly reflected in the books of the Corporation, insofar as all issued and outstanding shares are concerned, including the private placement shares.

On 11 December 2015, during the Annual Stockholders' Meeting of the Company, the shareholders confirmed, ratified and re-adopted the 2009 Stockholders' approval of the increase in the authorized capital stock of LIHC. Said resolution was passed during the 17 December 2009 Annual Meeting wherein shareholders, holding at least 2/3 majority of the outstanding capital stock, voted in favor of the capital increase from one hundred million pesos (₱100,000,000.00) divided into one hundred million (100,000,000) shares at a par value of one Peso (₱1.00) per share to three hundred million Pesos (₱300,000,000.00) divided into three billion (3,000,000,000) shares at the reduced par value of Ten centavos (₱.10) per share without stockholders' pre-emptive right.

## 5. RISK MANAGEMENT

The Company is exposed to a variety of financial risks which resulted from its investing and operating activities. 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 Company has no significant exposure to foreign currency risk since it has no financial assets and financial liabilities that are denominated in foreign currency. The most significant financial risks to which the Company is exposed to are described below and in the succeeding page.

### 5.1 Credit Risk

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

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below.

	<u>June 30, 2016</u>	<u>Dec. 31, 2015</u>
Cash	₱ 12,361,397	₱ 13,107,516
Advances to a stockholder	1,857,076	1,857,076
Receivable from a third party	3,500,000	3,500,000

Advances to contractor	1,108,560	1,108,560
	<u>₱ 18,827,033</u>	<u>₱ 19,573,152</u>

The above represent the carrying amounts of financial assets of the Company categorized as loans and receivables. None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash.

(a) *Cash*

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash are cash in banks which are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of ₱0.5 million for every depositor per banking institution. The amount of cash on hand excluded from this insurance to PDIC amounted to ₱4,000 in both period.

(b) *Advances to a Stockholder*

The credit risk for advances to a stockholder is considered negligible, since the counterparty is a related party. No impairment loss has been recorded in relation to advances to a stockholder as management had assessed that this is fully collectible.

(c) *Receivable from a Third Party and Advances to Contractor*

The credit risk for receivable from a third party and advances to contractor is considered negligible since the parties are bound to one another. No impairment loss has been recorded in relation to these items as management had assessed that these are fully collectible. The advances to contractor was identified to be a financial asset only in 2015.

## 5.2 Liquidity Risk

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

As at June 30, 2016 and December 31, 2015, the Company's financial liabilities amounting to ₱ 1,469,406 and ₱1,466,704, respectively, have contractual maturities of less than twelve months..

## 6. FINANCIAL INSTRUMENTS

### *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.

	June 30, 2016		December 31,2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	₱12,361,397	₱12,361,397	₱13,107,516	₱13,107,516
Advances to a stockholder	1,857,076	1,857,076	1,857,076	1,857,076
Receivable from a third party	3,500,000	3,500,000	3,500,000	3,500,000
Advances to supplier	1,108,560	1,108,560	1,108,560	1,108,560
	<b>₱18,827,033</b>	<b>₱18,827,033</b>	<b>₱19,573,152</b>	<b>₱19,573,152</b>

	June 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Liabilities</b>				
Other financial liabilities:				
Accounts payable and accrued expenses (*)	<b>₱1,469,406</b>	<b>₱1,469,406</b>	<b>₱1,466,704</b>	<b>₱1,466,704</b>
	<b>₱1,469,406</b>	<b>₱1,469,406</b>	<b>₱1,466,704</b>	<b>₱1,466,704</b>

(\*) Net of taxes

#### Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels.

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- (c) 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.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

There were no outstanding financial assets and liabilities measured at fair value as of June 30, 2016 and December 31, 2015.

## 7. OTHERS

- a. These financial reports are prepared in compliance with the quarterly reportorial requirements of the SEC.
- b. There were no material transactions affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidents.
- c. There was no subsequent material events not reflected in this interim financial statement.
- d. There were no material contingencies and any other events or transactions that are material to the understanding of the interim report.

ANNEX 'G'

REPUBLIC OF THE PHILIPPINES )  
Quezon City ) S.S.

CERTIFICATION

I, VENUS L. GREGORIO, Filipino, of legal age, with office address at the 20<sup>th</sup> Flr., The Peak Tower, 107 L.P. Leviste St., Salcedo Village, Makati City, after having been sworn in accordance with law hereby depose and state that:

1. I am the Corporate Secretary of Lodestar Investment Holdings Corporation with office address at the 7<sup>th</sup> Flr., Peaksun Bldg, Princeton St., Wack wack, Mandaluyong, City.
2. As certified to by, and based on the curriculum vitae of directors, officers and nominees for directors submitted to the Company, none of them are connected with any government agencies or instrumentalities.

Done this 18<sup>th</sup> day of October 2016 at Quezon City.

  
VENUS L. GREGORIO  
Affiant

OCT 26 2016

SUBSCRIBED AND SOWRN to before me this \_\_\_\_ day of October 2016, at Quezon City, affiant exhibiting to me her Passport No. EC6199843 expiring on 12/10/2020.

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Notary Public  
ATTY. FLORIMOND C. ROUS  
Notary Public for Quezon City  
Until December 31, 2016  
NTR No. 2323784/01-19-16/Q.C.  
IBP Lifetime No. 00315  
Roll No 25769 / TIN: 142-154-935  
MCLE 5 Comp. 000015491-22-2014  
Adm. Matter No. NP-156/RTC-Q.C./2014-2016  
Rm. 285 (IBP) Justice Hall, Q.C. 1200 Q.C.

REPUBLIC OF THE PHILIPPINES  
**Quezon City**

)  
 )S.S.

### CERTIFICATION OF INDEPENDENT DIRECTOR

I, Benjamin I. Espiritu, Filipino, of legal age, with address at #6 Fernsville, White Plains, Quezon City, after having been sworn in accordance with law hereby depose and state that:

1. I have been nominated for the position of Independent Director of Lodestar Investment Holdings Corporation for the year 2016-2017.
2. I am affiliated with the following companies and organizations, among others:

President – Risks, Opportunities, Assessment and Management (ROAM), Inc.  
 President and CEO – Change Management International, Inc.  
 Director – Intrastrata Assurance Corporation  
 Banco De Mindoro, Inc. – Chairman  
 Konstruktura Development Resources Corp. – Chairman & President

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Lodestar Investment Holdings Corporation as provided for in Section 38 of the Securities Regulation Code and its implementing rules and regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the Securities Regulation Code.
5. I shall inform the Corporate Secretary of Lodestar Investment Holdings Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

**OCT 24 2016**

Done this \_\_\_\_\_ day of \_\_\_\_\_ 2016 at Quezon City.

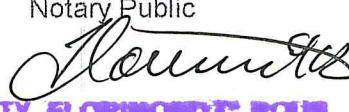
  
**BENJAMIN I. ESPIRITU**  
 Affiant

**OCT 24 2016**

SUBSCRIBED AND SOWRN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2016, at Quezon City, affiant exhibiting to me his Passport No. EB9719149 expiring on 12/02/2018.

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 Book No. 7  
 Series of 2016.

Notary Public

  
**ATTY. FLORIMOND C. ROUS**

Notary Public for Quezon City

Until December 31, 2016

PTR No. 2323784/01-19-16/Q.C.

IBP Lifetime No. 00315

Roll No. 25769 / TIN: 142-154-935

CLE 5 Comp. 00001549; 1-22-2014

Matter No. NP-156/RTC-Q.C./2015-2016

Rm. 255 (IBP) Justice Hall, Q.C. Hall, Dil. Q.C.

REPUBLIC OF THE PHILIPPINES

Quezon City

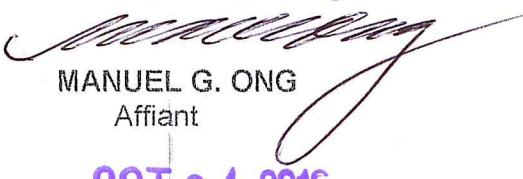
)  
) S.S

### CERTIFICATION OF INDEPENDENT DIRECTOR

I, MANUEL G. ONG, Filipino, of legal age, with office address at #17 Mac Arthur Highway, Potrero, Malabon City, after having been sworn in accordance with law hereby depose and state that:

1. I have been nominated for the position of Independent Director of Lodestar Investment Holdings Corporation for the year 2015-2016.
2. I am currently the Vice President and Technical Director of Industrial Welding Corporation.
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Lodestar Investment Holdings Corporation as provided for in Section 38 of the Securities Regulation Code and its implementing rules and regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the Securities Regulation Code.
5. I shall inform the Corporate Secretary of Lodestar Investment Holdings Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

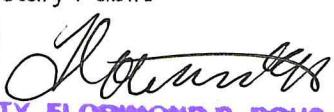
Done this OCT 24 2016 day of 2016 at Quezon City

  
MANUEL G. ONG  
Affiant

SUBSCRIBED AND SOWRN to before me this OCT 24 2016 day of 2016,  
at Quezon City, affiant exhibiting to me his Passport No. EB9053161 expiring on 3  
September 2018.

Notary Public

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Series of 2016.

  
ATTY. FLORMOND C. ROUS  
Notary Public for Quezon City  
Until December 31, 2016  
PTR No. Z323784/01-19-16/Q.C.  
IBP Lifetime No. 00316  
Roll No. 25760 / TIN: 142-154-935  
MCLE 5 Comp. 00001549; 1-22-2014  
Matter No. NP-156/RTC-Q.C./2015  
IBP, Quezon City Hall, Quezon City, Philippines