

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

26 October 2015

**To all the Stockholders:**

**Notice is hereby given that the Annual Stockholders' Meeting of Lodestar Investment Holdings Corporation will be held on 11 December 2015 at 3:00 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 13 December 2012.
4. Adoption of the Audited Financial Statements and Annual Reports for the calendar years ended 31 December 2014, 2013 and 2012.
5. President's Report for the calendar year 2015.
6. Change of Corporate Address
7. Confirmation, ratification and re-adoption of the 2009 Stockholders' Approval of the Increase in Authorized Capital Stock.
8. 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.
9. Election of Directors.
10. Ratification of all acts of the Board of Directors and Management for the period covered from 12 December 2012 to the date of the Annual Stockholders Meeting.
11. Appointment of Punongbayan and Araullo as the Company's External Auditor.
12. Other Matters.
13. Adjournment.

Only stockholders of record at the close of business on 27 October 2015 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  
[X] 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  
11 December 2015, 3:00 p.m.**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **28 October 2014**
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>11 December 2015</b>
	Time : <b>3:00 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 : **28 October 2015**

##### 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 2015, there are 740,000,000 shares of the Company's common stock outstanding, consisting of 715,842,990 Filipino and 24,157,010 Non-Filipino shareholders. It is expected that on record date, 27 October 2015, 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 27 October 2015. Thus, only stockholders of record at the close of business on 27 October 2015 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 2015 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	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:  1. Abacus Securities Corporation – 92,993,900 – (12.57%) 2. Angping & Associates Securities, Inc. – 83,334,000 – (11.26%) 3. Kings Power Securities, Inc. - 42,175,000 (5.70%) 4. Tower Securities, Inc. – 39,043,000 (5.28%)  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	Filipino	609,297,430	82.337

		authorizations are transmitted to the Company.			
Common	Renato L. Reyes 815 Torres St., Mandaluyong City Stockholder of Issuer	Renato L. Reyes	Filipino	72,000,000	9.73%

*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 2015, 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	Jose Francisco E. Miranda	(2,000) Direct	Filipino	Nil
Common	Manuel G. Acenas	(2,000) Direct	Canadian	Nil
Common	Felixes G. Latonero	10,000 (Direct)	Filipino	Nil
Common	Lam Kok Duen	10,000 (Direct)	Chinese	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>45,000</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 is not aware of any change in control or arrangement that may result in a change in control of the Registrant since the beginning of the calendar year.

**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 2015, 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
■ Jose Francisco E. Miranda	Director / CFO / Treasurer	Filipino	2012 to present
■ Manuel G. Acenas	Director	Canadian	2012 to present
■ Leonardo S. Gayao	Director	Filipino	2011 to present
■ Felixes G. Latonero	Independent Director	Filipino	2011 to present
■ Lam Kok Duen	Independent Director	Chinese	2014 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, 42, 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 and Corporate Secretary/ Director from 2008 to 2011), 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), 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, 42, 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**, 69, 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).

**JOSE FRANCISCO E. MIRANDA**, 38, Filipino, Director

Mr. Miranda is a graduate of the University of the Philippines, Diliman, Quezon City with a Bachelor of Science degree in Geodetic Engineering. He has been President of Geograce Resources Philippines, Inc. since 2011, Director of Dizon Copper-Silver Mines, Inc., and Chief Executive Officer of GNA Resources (HK) Limited). He was the Chief Operating Officer and a Director of Nihao Mineral Resources, Inc. (2011-2014)

**MANUEL G. ACENAS**, 71, Canadian, Director

Mr. Acenas is a Philippine registered geologist currently working as a mineral exploration and geological consultant for various companies. He was a Senior Geologist for Eldore Mining Corp (Phil) from 2008 to 2011. Mr. Acenas graduated with a Bachelor of Arts Major in Geology from the Adamson University in 1969.

**FELIXES G. LATONERO**, 42, 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.

**LAM KOK DUEN**, 59 Chinese, Independent Director

Mr. Duen is currently the Chairman of Metro Steel Manufacturing Corporation, Jal Property & Holdings Corp., Maptco Fasteners Pty., Ltd., Maptco Fasteners Pty. Ltd (New Zealand), Maptco Fasteners Pty. Ltd. (Australia), Jal Ventures, Inc. (Australia), Quanzhou Fense Cot

Trading, Xiamen Cot Trading Co., Besttop Fasteners Co., Xiamen (Joan Fasteners) Trading Co. Ltd, Jintin Trading Pty. Ltd. (Sydney), Maptco Fasteners Pty., Ltd. (Australia), Maptco Fasteners (QLD) Pty., Ltd., Thread Industrial Sales Corp.; President of Joan Marketing Co. and Director of Minnan Science Technology Institute (Fujin, China); Managing director of Ilaya Hardware and partner at Jarco Realty Corp. (Bahuio Mail Center)

**VENUS L. GREGORIO**, 46, 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 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 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). 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).

### **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. Felixes G. Latonero	Independent Director	Filipino
7. Manuel G. Ong	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.

There are three nominees who are not currently directors. They are the following:

**Delfin S. Castro, Jr.**, Filipino, 49.

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.

**Ramoncito B. Cabalu**, Filipino, 58.

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.

**Manuel G. Ong**, Filipino, 57.

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.

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.

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. Felixes G. Latonero and Mr. Manuel G. Ong for the positions of Independent Directors. Messrs. Latonero and Ong were both nominated by Mr. Chi Ho Co. Mr. Chi Ho Co is not related to any nominee for Independent Directors either by consanguinity or affinity.

Messrs. Latonero and Ong 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 2015, 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 ₱ 1,050,000.00 as of December 2011 and 2010, respectively.

In 2014 and 2013, the Company granted non-interest bearing advances to Mr. Chi Ho Co, the President of the Company for his personal business. These advances are unsecured, due and demandable anytime and are settled periodically in cash. Mr. Co committed to settle these advances before the end of 2015.

The movements in the balance of advances to a stockholder, shown as Advances to a Stockholder account in the 2014 statement of financial position are as follows:

Balance at beginning of 2013	₱ 4,076,772.00
Collections (2013)	450,000.00
Collections (2014)	1,169,696.00
Balance at end of 2014	<u>₱ 2,457,076.00</u>

Based on management assessment, the outstanding balance of the Company's advances to a stockholder is not impaired as at December 31, 2014 and 2013, 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 ₱730,000.00, ₱920,000.00 and ₱830,000.00 in 2014, 2013 and 2012 respectively. 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 will not run for re-election and will no longer hold the position of Treasurer / CFO for the coming year.

There are no other transactions with parties that do not strictly fall under the definition 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 ₱ 5,000.00.00 to ₱ 10,000.00.00 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 2015:

Name	Position	Year	Salary & Benefits	Bonus	Per Diem
Antonio V.F. Gregorio III <sup>1</sup>	Chairman	2015	-	-	16,666.67
		2014	-	-	27,777.77
		2013	-	-	36,111.11
		2012	-	-	27,777.77
		2011	-	-	5,000.00
Chi Ho Co <sup>2</sup>	President	2015	-	-	11,111.12
		2014	-	-	11,111.10
		2013	-	-	11,111.10
		2012	-	-	19,444.44
		2011	-	-	5,000.00
Jose Francisco E. Miranda <sup>3</sup>	VP for Operations / Treasurer	2015	-	-	5,555.56
		2014	-	-	16,666.65
		2013	971,160.00	-	16,666.65
		2012	971,160.00	-	5,555.55
		2011	971,160.00	-	-
Venus L. Gregorio <sup>4</sup>	Corporate Secretary / CIO	2015	-	-	16,666.67
		2014	-	-	38,888.88
		2013	-	-	36,111.11
		2012	-	-	25,000.00
		2011	-	-	5,000.00
All other officers and directors as a group		2015	-	-	22,222.22
		2014	-	-	22,222.21
		2013	-	-	38,888.85
		2012	-	-	38,888.87
		2011	-	-	20,000.00

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 2014. There were no disagreements with Accountants on accounting and financial disclosure. Punongbayan

<sup>1</sup> Atty. Antonio V.F. Gregorio III resigned as Corporate Secretary and was elected Chairman on 16 October 2012

<sup>2</sup> Mr. Chi Ho Co resigned as Treasurer and was elected President on 16 October 2012

<sup>3</sup> Mr. Jose Francisco E. Miranda was appointed as Treasurer last 12 November 2012

<sup>4</sup> Atty. Venus L. Gregorio resigned as Assistant Corporate Secretary and was elected Corporate Secretary on 16 October 2012

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>2014</b>	<b>2013</b>	<b>2012</b>
Audit fees	₱ 215,000.00	₱ 215,000.00	₱ 205,000.00

The scope of services rendered by the external auditor was to audit the Company's financial statements. Mr. Romualdo V. Murcia III was the signing partner for the fiscal year ending 31 December 2014, 2013 and 2012. For 2015, Ms. Sheryl G. Llovido will be the signing partner for Punongbayan & Araullo.

### **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:

- 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**

There are no matters relating to the authorization or issuance of securities other than for exchange to be submitted for approval by shareholders during the Annual Stockholders' Meeting.

**a. Financial and other Information**

1. The Audited Financial Statements as of 31 December 2014, Annual Report, and Unaudited Financial Statements 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2015 are hereto attached as Annexes "A", "B", "C" and "D".
2. The Audited Financial Statements as of 31 December 2013 and 2012 are hereto attached as Annexes "E" and "F",
3. The Management Report and Plans of Operation are discussed in a separate section.
4. There are no changes in and disagreements with accountants on accounting and financial disclosure; and
5. 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 2014 is attached to this Information Statement as Annex "A" and incorporated herein by reference as part of the Financial Report of Management for the fiscal year 2014.
- 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 13 December 2012.
2. Audited Financial Statements for the year ended 31 December 2012.
3. Annual report for the year 2012.
4. Audited Financial Statements for the year ended 31 December 2013.
5. Annual report for the year 2013.
6. Audited Financial Statements for the year ended 31 December 2014.
7. Annual report for the year 2014.

##### **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.

###### *Confirmation, Ratification and Re-adoption of the Increase in Authorized Capital Stock*

The Company will likewise ask the shareholders to confirm, ratify and re-adopt 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 pertinent resolution on the capital increase:

*"RESOLVED, that the Corporation be, as it is hereby authorized to increase 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."*

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

###### *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.*

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. A copy of the Cancellation of Heads of Agreement, Amended Heads of Agreement and Allied Contracts is hereto attached as Annex "G".

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 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 and the cancellation was executed on 21 July 2015.

*(a) Ratification of All Acts of Management and the Board of Directors for the period December 2012 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 December 2012 to the date of the Stockholders' Meeting :

<b>Date</b>	<b>Results of Meeting, Action and Report</b>
13 December 2012	<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 22 December 2010</li> <li>○ Notation of the annual report of the President</li> <li>○ Adoption of the Audited Financial Statement for the year ended 31 December 2011</li> <li>○ Ratification of all acts of the Board of Directors and Management for the period covered 17 December 2009 to 22 December 2010</li> <li>○ Appointment of Punongbayan and Araullo as External Auditor</li> <li>○ Election of directors</li> </ul> </li> </ul> <p>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.</p>
13 December 2012	<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>
8 May 2013	<ul style="list-style-type: none"> <li>• Results of meeting of the Board of Directors <ul style="list-style-type: none"> <li>○ Postponement of the Annual Shareholders' Meeting</li> </ul> </li> </ul>
20 June 2013	<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 Manual on Corporate Governance</li> <li>○ Creation of various committees</li> <li>○ Calling of the annual meeting of the Company</li> </ul> </li> </ul>
12 August 2013	<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>○ Resignation of Mr. Eduardo V. Manalac as Independent Director</li> <li>○ Calling of an annual meeting for 2013</li> <li>○ Re-organization of various committee memberships</li> <li>○ Approval for issuance of the 2<sup>nd</sup> quarter financial statements</li> </ul> </li> </ul>
4 December 2013	<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>○ Election of Mr. Lam Kok Duen as Independent Director of the Company</li> <li>○ Resignation of Antonio V.F. Gregorio III as Corporate Information Officer</li> <li>○ Appointment of Helene Marie S. Francisco as Assistant Corporate Information Officer</li> <li>○ All other officers, Chairpersons and members of the various committees shall remain in holdover capacity until their successors have been properly elected.</li> </ul> </li> </ul>
11 April 2014	<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>○ Resignation of RGFS Registry and Agency Services Inc. as the Company's stock and transfer agent effective 31 May 2014</li> <li>○ Appointment of Professional Stock Transfer Inc. as the Company's stock and transfer agent effective 31 May 2014</li> <li>○ Amendment of the Articles of Incorporation of the Company changing its place of business from Metro Manila to the 7<sup>th</sup> Floor, Peaksun Bldg., Princeton St., Bgy. Wackwack, Mandaluyong City</li> <li>○ Approval of the Annual Financial Statement and Annual Report for the fiscal year 2013</li> <li>○ Postponement of the Annual Stockholders' Meeting to be held on the 2<sup>nd</sup> day of May to a date to be determined by the President</li> </ul> </li> </ul>
24 July 2014	<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 Amended Manual on Corporate Governance in compliance with SEC Memorandum Circular No. 9 Series of 2014</li> <li>○ Calling of the Annual Stockholders' Meeting in October 2014.</li> </ul> </li> </ul>
12 August 2014	<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 issuance of the second quarter financial statements of the Company</li> <li>○ Change of the Company's stock and transfer agent from Professional Stock Transfer Inc to BDO Unibank, Inc. effective 1 October 2014.</li> </ul> </li> </ul>
7 April 2015	<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 2014.</li> </ul>

	<ul style="list-style-type: none"> <li>Postponement of the Annual Stockholders' Meeting scheduled to be held on 2nd Thursday of May to July 2015 at a specific date and time to be determined by the President.</li> </ul>
21 July 2015	<ul style="list-style-type: none"> <li>Cancellation of the Heads of Agreement, Amended Heads of Agreement and Allied Contracts with Abacus Consolidated Resources Holdings Inc. (ABACORE) and Abacus Coal Exploration and Development Corporation (ABACOAL). (Attached is the copy of the Cancellation)</li> <li>Calling of the Annual Stockholders' Meeting to be held in October 2015 at a specific date and time to be determined by the President.</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.

**The Registrant will, without charge to Shareholders entitled to notice and to vote, provide a copy of the Registrant's 2015 Third Quarter Financial Statements (Unaudited), free of charge, at least five (5) business days from the date of the Annual Stockholders' Meeting. Said 2015 Third Quarter Financial Statements may also be viewed from the Company's Website starting 16 November 2015.**

## **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 27 October 2015 starting 28 October 2015. 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 10 December 2015 at 3:00 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 10 December 2015 at 3:00 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 10 December 2015 at 3:00 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 11 December 2015 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 13 December 2012			
2. Adoption of Audited Financial Statements and Annual Reports for the calendar years ended 31 December 2014, 2013 and 2012			
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. Confirmation, ratification and re-adoption of the 17 December 2009 approval of the increase in the Company's authorized capital stock 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' preemptive right."			
14. 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.			
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 13 December 2012 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			
▪ Felixes G. Latonero (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 10 December 2015 at 3:00 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 27 October 2015 starting 28 October 2015. 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 10 December 2015 at 3:00 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 11 December 2015.

**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 10 December 2015 at 3:00 p.m.

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**Signature of Stockholder over Printed Name**  
Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2015

**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 26 October 2015.

**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 .10 and an agreed issue value of .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 stockholder's confirmation of the increase in authorized capital stock and SEC approval thereof, 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. 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 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**

### **Second Quarter 2015 (Unaudited Financial Statements)**

#### **Revenues**

The Company did not earn any revenue during the six-month period ended June 30, 2015 as it has not undertaken commercial operations.

#### **Operating Expenses**

Operating expenses decreased by thousand or 18.5% from ₦ 768 thousand in June 2014 to thousand in June 2015 due to lesser expenses incurred in connection with its investment in ABACOAL.

#### **Net Loss**

After deducting minimal interest income from regular savings account, the Company posted a net loss of thousand for the period ended June 2015 which is 18.5% or thousand lower as compared to net loss of thousand for the same period in 2014.

#### **Material Changes to the Company's Income Statement as of June 30, 2015 as compared with June 30, 2014:**

As compared with the same period in 2014, the net effect of following expenses contributed to the decrease in operating expenses of thousand:

1. Audit Fees – 40% or ₦ 96 thousand lower from thousand in 2014 to thousand in 2015
2. Salaries & Wages – 33% decrease in 2014 or thousand lower
3. Personnel Cost – 21% or thousand lower.

## **Financial Condition**

The Company's Total Assets comprised of 14% of Current Assets and 86% Non-Current Assets. The Total Assets as of June 30, 2015 amounting to .18 million was 2.56% or ₦ 1.132 million lower than that of June 30, 2014, which amounted to .312 million. Total Assets in 2015 is comprised of thousand Cash, ₦ 1.857 million advances to a stockholder, .0 million deposit made to Abacus Consolidated Resources Holdings, Inc. (Abacon) for the acquisition of 100% stake in Abacus Coal Exploration Development Corporation (Abacoal), input tax of ₦ 2.933 million, advances to supplier ₦ 1.156 million, and office equipment net of accumulated depreciation of ₦ 2 thousand.

The Company's Total Liabilities were comprised of accounts payable and advances from third parties. The Total Liabilities decreased by ₦ 684 thousand or 2087.87% from thousand in June 2014 to thousand in June 2015.

Stockholders' equity posted a 4.1% or .8 million decrease from .2 million in June 2014 to .462 million in June 2015.

### **Material Changes to the Company's pro-forma Balance Sheet as of June 30, 2015 as compared with pro-forma Balance Sheet as of June 30, 2014 (increase/decrease of 2.56 % or more)**

26.1 % or ₦ 81 thousand decrease in Cash and cash equivalents from ₦ 313 thousand in June 2014 to ₦ 231 thousand in June 2015. The significant decrease is due to operating expenses.

100% or ₦ 1.1 million decrease in Advances to a stockholder due to partial collection of said shareholders' advances.

1.31% or ₦ 53 thousand increase in other current assets from ₦ 4.03 million in June 2014 to .09 million in June 2015. The increase is brought about by input taxes generated from professional fees and PSE annual membership fees.

2087.87% or ₦ 685 thousand increase in liabilities from ₦ 33 thousand in June 2014 to thousand in June 2015 due to accrual of expenses.

1.88% or ₦ 1.817 million increase in deficit due to losses incurred during the period.

## **Key Performance Indicators**

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

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Current Ratio (1)	8.6x	222.75x
Quick Ratio (2)	0.32x	9.55 x
Debt-equity ratio (3)	0.016x	0.0007x
Book value per share (4)	0.06x	0.06x
Net Profit Margin (5)	NA	NA

*(1) Current Assets / Current Liabilities*

June 2015      (₱ 6,178,680/₱ 717,735)  
 June 2014      (₱ 7,307,465/₱ 32,805)

*(2) Cash / Current Liabilities*

June 2015      (₱ 231,575/₱ 717,735)  
 June 2014      (₱ 313,372/₱ 32,805)

*(3) Debt / Equity*

June 2015      (,735/,462,888)  
 June 2014      (,805/,280,055)

*(4) Equity /Subscribed Shares*

June 2015      (,462,888/740,000,000)  
 June 2014      (,280,055/740,000,000)

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>June 30, 2015</b>	<b>June 30, 2014</b>
Asset to equity ratio (1)	1.02x	1.00x
Interest Rate coverage ratio (2)	NA	NA
Gross Profit Margin (3)	NA	NA

- (1) *Total Assets / Total Equity*  
June 2015 (P 43,180,624 / ,462,888)  
June 2014 (P 44,312,860 / P 44,280,055)
- (2) *Income before Interest and Taxes / Interest Expense*  
June 2015  
June 2014
- (3) *Gross Profit / Sales*  
June 2015  
June 2014

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 2015 (Unaudited Financial Statements)**

### **Revenues**

The Company did not earn any revenue during the three-month period ended March 31, 2015 as it has not undertaken commercial operations.

### **Operating Expenses**

Operating expenses decreased by thousand or 5.31% from P 470 thousand in March 2014 to thousand in March 2015 due to lesser expenses incurred in connection with its investment in ABACOAL.

### **Net Loss**

After deducting minimal interest income from regular savings account, the Company posted a net loss of thousand for the period ended March 2015 which is 5.31% or thousand lower as compared to net loss of thousand for the same period in 2014.

**Material Changes to the Company's Income Statement as of March 31, 2015 as compared with March 31, 2014:**

As compared with the same period in 2014, the net effect of following expenses contributed to the decrease in operating expenses of thousand:

1. Professional Fees – 31.82% or ₦ 14 thousand lower from thousand in 2014 to thousand in 2015
2. Repairs & maintenance – 100% decrease in 2014 or thousand lower
3. Subscription fee – 62.5% or thousand lower.

**Financial Condition**

The Company's Total Assets comprised of 15% of Current Assets and 85% Non-Current Assets. The Total Assets as of March 31, 2015 amounting to .45 million was 2.86% or .28 million lower than that of March 31, 2014, which amounted to .73 million. Total Assets in 2015 is comprised of thousand Cash, ₦ 2.157 million advances to a stockholder, .0 million deposit made to Abacus Consolidated Resources Holdings, Inc. (Abacon) for the acquisition of 100% stake in Abacus Coal Exploration Development Corporation (Abacoal), input tax of ₦ 2.905 million, advances to supplier ₦ 1.108 million, advances to Abacon of ₦ 0.048 million and office equipment net of accumulated depreciation of ₦ 3 thousand.

The Company's Total Liabilities were comprised of accounts payable and advances from third parties. The Total Liabilities increased by ₦ 655 thousand or 448.66% from thousand in March 2014 to thousand in March 2015.

Stockholders' equity posted a 4.34% or .934 million decrease from .58 million in March 2014 to .64 million in March 2015.

**Material Changes to the Company's pro-forma Balance Sheet as of March 31, 2015 as compared with pro-forma Balance Sheet as of March 31, 2014 (increase/decrease of 5.00% or more)**

46.01% or ₦ 194 thousand decrease in Cash and cash equivalents from ₦ 421 thousand in March 2014 to ₦ 227 thousand in March 2015. The significant decrease is due to operating expenses.

34.17% or ₦ 1.12 million decrease in Advances to a stockholder due to partial collection of said shareholders' advances.

0.92% or thousand increase in other current assets from ₦ 4.02 million in March 2014 to .06 million in March 2015. The increase is brought about by input taxes generated from professional fees and PSE annual membership fees.

448.66% or ₦ 655 thousand increase in liabilities from thousand in March 2014 to thousand in March 2014 due to accrual of expenses.

2.01% or ₦ 1.93 million increase in deficit due to losses incurred during the period.

## Key Performance Indicators

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

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Current Ratio (1)	8.02x	51.83x
Quick Ratio (2)	0.28x	2.83x
Debt-equity ratio (3)	0.019x	0.003x
Book value per share (4)	0.06x	0.06x
Net Profit Margin (5)	NA	NA

*(5) Current Assets / Current Liabilities*

March 2015 (₱ 6,445,490/₱ 803,725)  
March 2014 (₱ 7,721,784/₱ 148,983)

*(6) Cash / Current Liabilities*

March 2015 (₱ 227,388/₱ 803,725)  
March 2014 (₱ 421,136/₱ 148,983)

*(7) Debt / Equity*

March 2015 (,725/,644,572)  
March 2014 (,983/,579,059)

*(8) Equity /Subscribed Shares*

March 2015 (,644,572/740,000,000)  
March 2014 (,579,059/740,000,000)

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, 2015</b>	<b>March 31, 2014</b>
Asset to equity ratio (1)	1.02x	1.00x
Interest Rate coverage ratio (2)	NA	NA
Gross Profit Margin (3)	NA	NA

- (4) *Total Assets / Total Equity*  
 March 2015 (₱ 43,448,297/ ,644,572)  
 March 2014 (₱ 44,728,042/ ₱ 44,579,059)
- (5) *Income before Interest and Taxes / Interest Expense*  
 March 2015  
 March 2014
- (6) *Gross Profit / Sales*  
 March 2015  
 March 2014

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 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 .96 million operating expenses for 2014 was 39.41% or .27 million lower when compared to 2013 expenses amounting to .23 million. The decrease was attributed to the net effect of following expenses:

1. Audit Fees – 4.88% or thousand higher from thousand in 2013 to thousand in 2014 due to higher audit fees for 2014.
2. Salaries and Employee benefits – 55.59% or thousand lower.
3. Director's fees – 16.00% or thousand lower from thousand in 2013 to thousand in 2014 due to lesser board meetings conducted during the year.
4. Office supplies and other expenses – 38.51% or thousand lower from thousand in 2013 to thousand in 2014.

5. Professional Fees – 61.92% or thousand lower from thousand in 2013 to thousand in 2014 due to cancellation of contracts of a professional.
6. Repairs and Maintenance – 100% or thousand incurred in 2014 and nil in 2013.
7. Representation Expense – 93.00% or thousand lower from thousand in 2013 to 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 thousand lower from ₦ 59 thousand in 2013 to thousand in 2014.
9. Depreciation – 67.92% or ₦ 7 thousand lower.
10. Insurance – 141.74% or thousand higher from thousand in 2013 to thousand in 2014.
11. Legal fees – 20.65% or thousand lower from thousand in 2013 to thousand in 2014.
12. Taxes and Licenses – 27.62% or thousand increase from thousand in 2013 to thousand in 2014.

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

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

Partial settlement of .17 million by a stockholder resulted to a decrease in advances from stockholder, from .63 million as at Dec. 2013 to .46 million in 2014.

Total liabilities of thousand in 2014 is 1,321.60% or thousand higher when compared to 2013 balances of only 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 .05 million in 2013 to .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 ,483 was ,700 or 50.97% lower than the interest recorded for the year 2012 of ,183.

The .236 million operating expenses for 2013 was 25.21% or .09 million lower when compared to 2012. The decrease was attributed to the net effect of following expenses:

1. Audit Fees – 15.96% or thousand higher from thousand in 2012 to thousand in 2013 due to higher audit fees for 2013.
2. Commission expense – 100% or thousand lower due to liquidation of traded shares in 2012.
3. Salaries and Employee benefits – 2.77% or thousand lower.
4. Director's fees – 19.05% or ₦ 22 thousand higher from thousand in 2012 to 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 thousand in 2013.
6. Professional Fees – 67.44% or ₦ 811 thousand lower from .203 million in 2012 to thousand in 2013 due to cancellation of contracts of two professionals
7. Repairs and Maintenance – 100% or thousand incurred in 2012 and nil in 2013.
8. Representation Expense – 81.02% or 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 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 thousand lower from thousand in 2012 to thousand in 2013.
11. Depreciation – 64.25% or 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 thousand in 2012 to ₦ 920 thousand in 2013.
14. Project cost – 100% or 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 thousand due to input vat from purchase of goods and services couple with a slight increase in receivables.

Partial settlement of 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= 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.

### **Calendar Year 2012**

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

The .325 million operating expenses for 2012 was 2.06% or .087 million higher when compared to 2011. The increase was attributed to project costs incurred by the Company with regard to its investment with ABACOAL.

An increase of 114% or .817 in cash and cash equivalents from .589 million in 2011 to .406 million in 2012 was due to disposal of shares traded in the Philippine Stock Exchange.

Other current assets increased by .374 million due to net effect of the following:

1. Increase in input vat; and
2. deposit made to supplier amounting to .101 million on the exploration/ survey activities being conducted in the coal project.

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

Total liabilities of ₱ 0.111 million in 2012 is 96.16% or ₱ 2.780 million lower when compared to 2011 due to use of fund from deposit made by Oriental Vision Mining Philippines Corporation

(ORVI) for the exploration and development activities of the coal properties of Abacoal and settlement of liabilities and liquidation of some long outstanding payables.

A net reduction of 18% or .762 million in equity is due to the following:

1. Disposal of traded shares during the year resulted to a loss amounting to ₱ 15.724 million and offset of negative revaluation of shares amounting to ₱ 9.279 million.
2. Operating expenses of .324 million incurred during the year also contributed to an increase in deficit.

## **Key Performance Indicators**

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

### **Financial Performance In Philippine Pesos**

Key Financial Indicator	Year 2014	Year 2013	Year 2012
Revenues	762	5,483	11,183
Cost and Expenses	1,960,136	3,236,160	4,327,074
Other Losses	-	-	15,724,330
Net Income (Loss)	(1,959,374)	(3,230,677)	(20,040,221)
Current Assets	6,871,495	8,096,505	11,382,422
Current Liabilities	786,218	55,305	110,946
Total Assets	43,875,165	45,103,626	48,389,944
Total Liabilities	786,218	55,305	110,946
Stockholders' Equity	43,088,947	45,048,321	48,278,998
Current Ratio	8.74	146.40	102.59
Current Assets / Current Liabilities	6,871,495 / 786,218	8,096,505 / 55,305	11,382,422 / 110,946
Quick Ratio	0.49	8.86	30.70
Cash / Current Liabilities	383,754 / 786,218	490,045 / 55,305	3,406,425 / 110,946
Debt to Equity Ratio	0.02	0.00	0.00
Total Liabilities/Stockholders' Equity	786,218 / 43,088,947	55,305 / 45,048,321	110,946 / 48,278,998
Return on assets	NA	NA	NA
Net Income / Total Assets			
Net Profit Margin	NA	NA	NA
Net Profit / Total Revenue			
Book Value per Share	0.06	0.06	0.07
Equity / No. of shares outstanding	43,088,947 / 740 M	45,048,321 / 740 M	48,278,998 / 740 M
Earnings (Loss) Per Share	(0.003)	(0.004)	(0.027)
Net Income (Loss) /No. of shares outstanding	(1,959,374)/ 740 M	(3,230,677)/ 740 M	(20,040,221)/ 740 M

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.

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.

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.

Book value Per Share is a measure of stockholders' equity. It represents the difference between total assets and total liabilities divided by the total no. of shares outstanding.

Net Profit Margin Ratio relates 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.

**The Registrant will, without charge to Shareholders entitled to notice and to vote, provide a copy of the Registrant's 2015 Third Quarter Financial Statements (Unaudited), free of charge, at least five (5) business days from the date of the Annual Stockholders' Meeting. Said 2015 Third Quarter Financial Statements may also be viewed from the Company's Website starting 16 November 2015.**

**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
Quarter 2012	1.49	0.76	1.07
Quarter 2012	1.28	1.02	1.14
3rd Quarter 2012	1.29	1.02	1.10
4th Quarter 2012	1.31	0.96	1.08
1st Quarter 2013	1.04	0.87	0.95
2nd Quarter 2013	0.93	0.61	0.81

3rd Quarter 2013	0.78	0.67	0.71
4th Quarter 2013	0.85	0.61	0.73
1st Quarter 2014	0.82	0.60	0.72
2nd Quarter 2014	0.86	0.73	0.81
3rd Quarter 2014	0.76	0.61	0.68
4th Quarter 2014	0.68	0.60	0.62
1st Quarter 2015	0.78	0.62	0.73
2nd Quarter 2015	0.82	0.66	0.76
3rd Quarter 2015	0.74	0.54	0.63

On 8 October 2015, the stock of the Corporation opened at ₱.79 per share, had a high of ₱ .81 per share and a low of ₱ .76 per share. The stock closed at ₱ 81 per share with a volume of 767,000 shares traded in the market.

## (2) Shareholders Information

The top shareholders of the Corporation as of 30 September 2015 are as follows:

Shareholder	Nationality	Number of Shares	Percentage of Ownership
PCD Nominee Corporation	Filipino	609,297,430	82.337%
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 2015, the Company's biggest shareholder is the PCD Nominee Corporation which holds 609,297,430 or 82.337% of the total issued and outstanding shares of the Company.

Please find below the top 20 stockholders of the Company as of 30 September 2015.

	STOCKHOLDER	NATIONALITY	TOTAL SHARES	PERCENTAGE OF OWNERSHIP (%)
1	PCD NOMINEE CORPORATION - FILIPINO	FILIPINO	607,862,430	82.144
2	RENATO L. REYES	FILIPINO	72,000,000	9.730
3	RAMON L. ABAD JR.	FILIPINO	28,000,000	3.784
4	PCD NOMINEE CORPORATION - NON FILIPINO	OTHERS	24,603,000	3.325
5	JONES R. CASTRO	FILIPINO	1,700,000	0.230
6	RENATO LUMAGUE	FILIPINO	600,000	0.081
7	JOAQUIN CORPUS	FILIPINO	500,000	0.068
8	JOEL S. DIAZ	FILIPINO	500,000	0.068
9	WILLIAM T. ENRILE &/OR WILLIAM R. ENRILE II &/OR NELLY R. ENRILE	FILIPINO	500,000	0.068

10	ROSS W. GARLING	OTHERS	400,000	0.054
11	JOSE DE PERALTA	FILIPINO	300,000	0.041
12	JOVENAL GONZALES	FILIPINO	300,000	0.041
13	JOHN T. MESINA	FILIPINO	300,000	0.041
14	CESAR HABLERO	FILIPINO	160,000	0.022
15	WILLIAM STONE	OTHERS	100,010	0.014
16	REUBEN L. ALDERSON	OTHERS	100,000	0.014
17	JERRY C. ANGPING	FILIPINO	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 BAUTISTA	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.

**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 15 December 2014 at the Peaksun Bldg., Shaw Blvd., Mandaluyong City.

Antonio Victoriano F. Gregorio III  
Chi Ho Co  
Leonardo S. Gayao  
Jose Francisco E. Miranda  
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 2014, 2013 and 2012 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 2014, 2013 and 2012. 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 2015, the Board of Directors and Executive Officers of the company consist of the following individuals:

Name	Age	Nationality	Present Position	Date Elected and / or Appointed
Antonio V. F. Gregorio III	42	Filipino	Chairman	May 15, 2009
Chi Ho Co	42	Filipino	Director and President	September 22, 2008
Leonardo S. Gayao	69	Filipino	Director	December 22, 2010
Jose Francisco Miranda	38	Filipino	Director and CFO / Treasurer	December 2012
Manuel G. Acenas	71	Canadian	Director	December 2012
Felixes Latonero	42	Filipino	Independent Director	April 13, 2011
Lam Kok Duen	59	Chinese	Independent Director	4 December 2014

Venus L. Gregorio	46	Filipino	Corporate Secretary and Corporate Information Officer	May 15, 2009
-------------------	----	----------	--	--------------

## **(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, 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.

# ANNEX 'A'

## LODESTAR INVESTMENT HOLDINGS CORPORATION

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

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

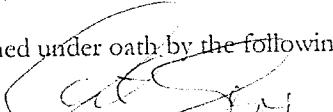
The management of **Lodestar Investment Holdings Corporation** is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2014 in accordance with Philippine Financial Reporting Standards (PFRS), including the Schedule of PFRS and Interpretations Effective as of December 31, 2014.

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, 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

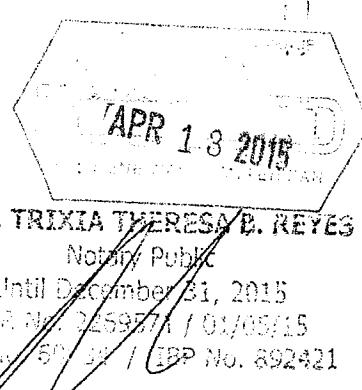
  
**JOSE FRANCISCO MIRANDA**  
Chief Financial Officer

APR 08 2015

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of April 2015 affiants exhibiting to me

<u>NAME</u>	<u>ID NO.</u>
Antonio V.F. Gregorio III	TIN 201-897-602-000
Chi Ho Co	TIN 167-858-435-000
Jose Francisco Miranda	TIN 291-271-312-000

Doc No. 473  
Page No. 71  
Book No. VII



ATTY. TRIXIA THERESA B. REYES

Notary Public

Until December 31, 2015

NBI No. 2259771 / 01/05/15

IBBP No. 892421



# Punongbayan & Araullo

An instinct for growth™

## Report of Independent Auditors

19th and 20th Floors, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 988 2288  
F +63 2 886 5506  
[www.punongbayan-araullo.com](http://www.punongbayan-araullo.com)

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

### Report on the Financial Statements

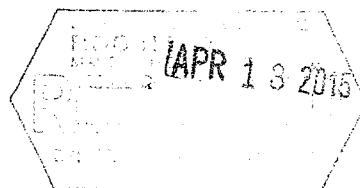
We have audited the accompanying financial statements of Lodestar Investment Holdings Corporation which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, 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**  
P&A is a member firm within Grant Thornton International Ltd  
Offices in Cebu, Davao, Cavite  
BOA/PRC Cert. of Reg. No. 0002  
SEC Group A Accreditation No. 0002-FR-3



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.

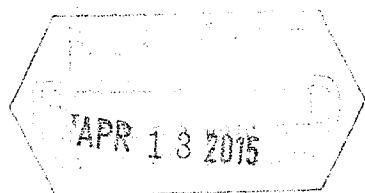
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *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, 2014 and 2013, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2014 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 P1,959,374, P3,230,677 and P20,040,221 for the years ended December 31, 2014, 2013 and 2012, respectively, and has accumulated deficit of P97,625,911 and P95,666,537 as of December 31, 2014 and 2013, respectively. These conditions raise material uncertainty on the Company's ability to continue as a going concern entity. However, as discussed in Note 1 to the financial statements, the Company is currently in the process of searching for possible mining opportunities. Moreover, the Company has a plan, which is still subject to shareholders' approval, to enter into a merger with Abacus Coal Exploration and Development Corporation as discussed in Note 16 to the financial statements. 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.

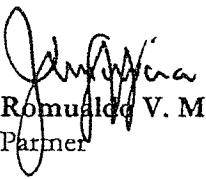




## Report on Other Legal and Regulatory Requirements

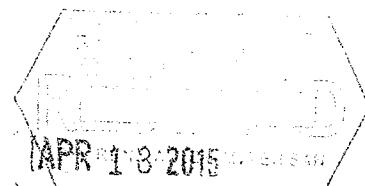
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2014 required by the Bureau of Internal Revenue as disclosed in Note 18 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## PUNONGBAYAN & ARAULLO

By:   
Romualdo V. Murcia III  
Partner

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 4748317, January 5, 2015, Makati City  
SEC Group A Accreditation  
Partner - No. 0628-AR-2 (until Sept. 5, 2016)  
Firm - No. 0002-FR-3 (until Apr. 30, 2015)  
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

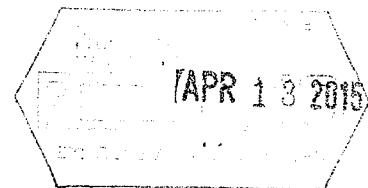
April 7, 2015



**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 AND 2013**  
*(Amounts in Philippine Pesos)*

	Notes	<u>2014</u>	<u>2013</u>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash	7	P 383,754	P 490,045
Advances to a stockholder	12	2,457,076	3,626,772
Other current assets	9	<u>4,030,665</u>	<u>3,979,688</u>
Total Current Assets		<u>6,871,495</u>	<u>8,096,505</u>
<b>NON-CURRENT ASSETS</b>			
Deposit for future stock investment	10	37,000,000	37,000,000
Office furniture - net		<u>3,670</u>	<u>7,121</u>
Total Non-current Assets		<u>37,003,670</u>	<u>37,007,121</u>
<b>TOTAL ASSETS</b>		<u>P 43,875,165</u>	<u>P 45,103,626</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses		P 783,169	P 52,256
Advances from third parties	11	<u>3,049</u>	<u>3,049</u>
Total Current Liabilities		<u>786,218</u>	<u>55,305</u>
<b>EQUITY</b>			
Capital stock	13	74,000,000	74,000,000
Additional paid-in capital		66,714,858	66,714,858
Deficit		( 97,625,911 )	( 95,666,537 )
Total Equity		<u>43,088,947</u>	<u>45,048,321</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>P 43,875,165</u>	<u>P 45,103,626</u>

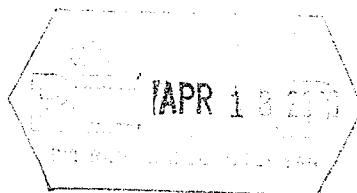
*See Notes to Financial Statements.*



**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF PROFIT OR LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
		P -	P -	P -
<b>REVENUE</b>				
<b>EXPENSES</b>				
Legal fees	12	730,000	920,000	830,000
Professional fees		389,911	621,156	1,400,667
Salaries and wages	12	278,785	627,815	645,180
Membership dues		250,000	250,000	250,000
Directors' fees		116,667	138,889	116,667
Printing and office supplies		65,060	102,399	126,950
Representation		28,808	411,342	227,237
Taxes and licenses	18	15,075	11,812	11,604
Transportation and travel		5,357	59,683	243,941
Depreciation		3,452	10,758	30,090
Loss on sale of available-for-sale financial assets	8	-	-	15,724,330
Commission		-	-	187,364
Trustee fees		-	-	16,384
Others		76,869	81,209	238,753
		<b>1,959,984</b>	<b>3,235,063</b>	<b>20,049,167</b>
<b>OPERATING LOSS</b>		<b>1,959,984</b>	<b>3,235,063</b>	<b>20,049,167</b>
<b>INTEREST INCOME</b>	7	<b>762</b>	<b>5,483</b>	<b>11,183</b>
<b>LOSS BEFORE TAX</b>		<b>1,959,222</b>	<b>3,229,580</b>	<b>20,037,984</b>
<b>TAX EXPENSE</b>	15	<b>152</b>	<b>1,097</b>	<b>2,237</b>
<b>NET LOSS</b>		<b>P 1,959,374</b>	<b>P 3,230,677</b>	<b>P 20,040,221</b>
<b>LOSS PER SHARE</b>	14	<b>P 0.003</b>	<b>P 0.004</b>	<b>P 0.027</b>

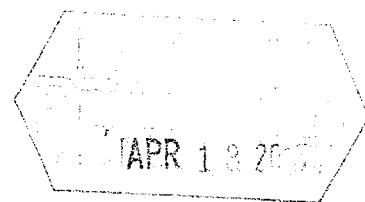
*See Notes to Financial Statements.*



**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

	<u>Note</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
NET LOSS	P	<u>1,959,374</u>	P      3,230,677	P      20,040,221
OTHER COMPREHENSIVE INCOME Reclassification adjustment due to disposal of available-for-sale financial assets	8	-	-	( 9,278,628 )
TOTAL COMPREHENSIVE LOSS	P	<u>1,959,374</u>	P      3,230,677	P      10,761,593

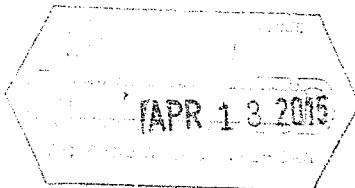
*See Notes to Financial Statements.*



**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

	Notes	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before tax		( P 1,959,222 )	( P 3,229,580 )	( P 20,037,984 )
Adjustments for:				
Depreciation		3,452	10,758	30,090
Interest income	7	( 762 )	( 5,483 )	( 11,183 )
Loss on sale of available-for-sale financial assets	8	-	-	15,724,330
Operating loss before working capital changes		( 1,956,532 )	( 3,224,305 )	( 4,294,747 )
Decrease (increase) in advances to a stockholder	12	1,169,696	450,000	4,076,772
Increase in other current assets		( 50,978 )	( 80,463 )	( 1,374,297 )
Increase (decrease) in accounts payable and accrued expenses		730,913	( 55,641 )	( 1,696,519 )
Decrease in advances from third parties		-	-	( 1,083,209 )
Cash used in operations		( 106,901 )	( 2,910,409 )	( 12,525,544 )
Interest received	7	762	5,483	11,183
Cash paid for final taxes	15	( 152 )	( 1,097 )	( 2,237 )
Net Cash Used in Operating Activities		( 106,291 )	( 2,906,023 )	( 12,516,598 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of office furniture		-	( 10,357 )	-
Proceeds from sale of available-for-sale financial assets	8	-	-	14,333,898
Net Cash From (Used in) Investing Activities		-	( 10,357 )	14,333,898
<b>NET INCREASE (DECREASE) IN CASH</b>		( 106,291 )	( 2,916,380 )	1,817,300
<b>CASH AT BEGINNING OF YEAR</b>		<u>490,045</u>	<u>3,406,425</u>	<u>1,589,125</u>
<b>CASH AT END OF YEAR</b>		<u>P 383,754</u>	<u>P 490,045</u>	<u>P 3,406,425</u>

*See Notes to Financial Statements.*



**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE MATTERS**

***1.1 Corporate Information***

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

The Company's registered office is located at 3rd Floor, Certeza Building, 795 EDSA, Diliman, Quezon City, while its 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 P1,959,374, P3,230,677 and P20,040,221 for the years ended December 31, 2014, 2013 and 2012, respectively, and has accumulated deficit of P97,625,911 and P95,666,537 as of December 31, 2014 and 2013, respectively. These conditions raise uncertainty on the Company's ability to continue as a going concern entity. However, the Company is currently in the process of searching for possible mining opportunities. The Company's plan to enter into a merger with Abacus Coal Exploration and Development Corporation (ABACOAL) is still subject to shareholders' approval (see Note 16). 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 of and for the year ended December 31, 2014 (including the comparative financial statements for December 31, 2013) were authorized for issue by the Company's Audit Committee on April 7, 2015.



## 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 (BOA).

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 2014 that are Relevant to the Company

In 2014, the Company adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Company and effective for financial statements for the annual period beginning on or after January 1, 2014:

PAS 32 (Amendment)	: Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	: Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	: Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	: Levies

Discussed below are the relevant information about these amended standards and interpretation.

- (i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process will satisfy the criterion for net settlement. The amendment has been applied retrospectively in accordance with its transitional provisions. The Company assessed that the amendment will not have a significant impact on its financial statements since the Company does not have assets or liabilities that were offset or subject to master netting arrangements.

- (ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the financial statements. This amendment did not result in additional disclosures in the financial statements since the Company's non-financial assets were not impaired during the year.
- (iii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*. The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Company neither enters into transactions involving derivative instruments nor does it applies hedge accounting, the amendment did not have any impact on the Company's financial statements.
- (iv) Philippine Interpretation IFRIC 21, *Levies*. This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for the recognition of a liability for levy imposed by a government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Company's financial statements.

(b) *Effective in 2014 that are not Relevant to the Company*

Among the amendments to PFRS which are effective for the annual period beginning on or after January 1, 2014, the Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*, in relation to the exception from consolidation for an investment entity of its investments in subsidiaries are not relevant to the Company.

(c) *Effective Subsequent to 2014 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards that are effective for annual periods subsequent to 2014 which are adopted by FRSC, subject to the approval of the BOA. Management will adopt the following relevant pronouncements 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 further 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 – Clarification of Acceptable Methods of Depreciation* (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. 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) 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.

The Company does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Company and 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.

- (iv) Annual Improvements to PFRS. Annual improvements to PFRS (2010 – 2012 Cycle) and PFRS (2011 – 2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012 – 2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Company but management does not expect those to have material impact on the Company's financial statements:

*Annual Improvements to PFRS (2010 – 2012 Cycle)*

- PAS 16 (Amendment), *Property, Plant and Equipment*. The amendments clarify that when an item of property, plant and equipment 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 requires and 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 should and not the amounts of compensation paid or payable by the key management entity to its employees or directors.
- PFRS 13 (Amendment), *Fair Value Measurement*. The amendment in the basis of conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

*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 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

*Annual Improvement to PFRS (2012 – 2014 Cycle)*

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.

### **2.3 Financial Assets**

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

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

The Company's financial assets categorized as loans and receivables include Cash and Advances to a Stockholder in the statement of financial position. Cash include 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 and Loss on Sale of AFS Financial Assets 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 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, if any.

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.

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).

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

### ***2.7 Financial Liabilities***

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

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

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

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. 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 receipt of goods, utilization of 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 17.

### ***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*

Adequate amount of allowance for impairment is provided, where objective evidence of impairment exists. The Company evaluates this account based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the counterparty, the counterparty's 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 as at December 31, 2014 and 2013.

*(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 of December 31, 2014 and 2013, the Company did not recognize its deferred tax asset arising from net operating loss carryover (NOLCO) as the Company may not have sufficient taxable profits against which the NOLCO can be applied (see Note 15).

*(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 deposit for future stock investment, office furniture and other non-financial assets in 2014 and 2013.

#### 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*

At December 31, 2014 and 2013, 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.

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.

Basis points	2014		2013	
	+15	-15	+60	-60
Loss before tax	(P 568)	P 568	(P 2,910)	P 2,910
Equity	( 568)	568 ( 2,910)		2,910

##### 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	2014	2013
Cash	7	P 383,754	P 490,045
Advances to a stockholder	12.1	<u>2,457,076</u>	<u>3,626,772</u>
		<u>P 2,840,830</u>	<u>P 4,116,817</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 P5,000 in both years.

(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.

**4.3 Liquidity Risk**

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

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

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Accounts payable and accrued expenses (excluding tax-related liabilities)		P 699,439	P 41,399
Advances from third parties	11	<u>3,049</u>	<u>3,049</u>
		<u>P 702,488</u>	<u>P 44,448</u>

**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.

	<u>Notes</u>	<u>2014</u>		<u>2013</u>	
		<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<i>Financial assets</i>					
Loans and receivables:					
Cash	7	P 383,754	P 383,754	P 490,045	P 490,045
Advances to a stockholder	12.1	<u>2,457,076</u>	<u>2,457,076</u>	<u>3,626,772</u>	<u>3,626,772</u>
		<u>P 2,840,830</u>	<u>P 2,840,830</u>	<u>P 4,116,817</u>	<u>P 4,116,817</u>

Note	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Liabilities</b>				
At amortized cost:				
Accounts payable and accrued expenses (excluding tax-related liabilities)	P 699,439	P 699,439	P 41,399	P 41,399
Advances from third parties	11 3,049	3,049	3,049	3,049
	<b>P 702,488</b>	<b>P 702,488</b>	<b>P 44,448</b>	<b>P 44,448</b>

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 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 liability, 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 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 of December 31, 2014 and 2013.

### **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	2014			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Loans and receivables:				
Cash	7	P 383,754	P -	P - P 383,754
Advances to a stockholder	12.1	P -	P -	P 2,457,076 P 2,457,076
		P 383,754	P -	P 2,457,076 P 2,840,830
<b>Financial Liabilities</b>				
At amortized cost				
Accounts payable and accrued expenses		P -	P -	P 699,439 P 699,439
Advances from third parties	11	P -	P -	P 3,049 P 3,049
		P -	P -	P 702,488 P 702,488
2013				
Notes	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Loans and receivables:				
Cash	7	P 490,045	P -	P - P 490,045
Advances to a stockholder	12.1	P -	P -	P 3,626,772 P 3,626,772
		P 490,045	P -	P 3,626,772 P 4,116,817
<b>Financial Liabilities</b>				
At amortized cost				
Accounts payable and accrued expenses		P -	P -	P 41,399 P 41,399
Advances from third parties	11	P -	P -	P 3,049 P 3,049
		P -	P -	P 44,448 P 44,448

For cash, the fair value is included in Level 1 as the amount pertains to the quotation coming from the counterparty bank.

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 of December 31 follows:

	<u>2014</u>	<u>2013</u>
Total liabilities	P 786,218	P 55,305
Total equity	<u>43,088,947</u>	<u>45,048,321</u>
Debt-to-equity ratio	<u>0.018 : 1.00</u>	<u>0.001 : 1.00</u>

As discussed in Note 1.2, the Company is in the process of searching for other mining opportunities. Moreover, its plan to enter into a merger with ABACOAL where the Company shall acquire the coal property and all other assets and liabilities of ABACOAL is still valid and subsisting but subject to the pre-requisite 2/3 majority vote of shareholders (see Note 16).

## 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 arising from these deposits amounted to P762, P5,483 and P11,183 in 2014, 2013 and 2012, respectively, and are presented as Interest Income in the statements of profit or loss.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

## 9. OTHER CURRENT ASSETS

This account is composed of the following:

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Input value-added tax (VAT)	18.1(b)	P 2,874,020	P 2,803,806
Advances to contractor		<u>1,108,560</u>	<u>1,103,520</u>
Others		<u>48,085</u>	<u>72,362</u>
		<u>P 4,030,665</u>	<u>P 3,979,688</u>

Advances to a contractor pertain to cash advances made to a 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 of December 31, 2014 and 2013 as there was no progress in the project as of those dates.

## 10. 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 ABACOAL, pursuant to the Agreement for Joint Investment 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 (see Note 16). As of December 31, 2014 and 2013, the deposit for future stock investment amounted to P37.0 million.

As of December 31, 2014 and 2013, the foregoing Agreement is still valid and binding between both parties (see Note 16.1). Moreover, management had determined that the amount carried in the statements of financial position is fully recoverable; hence, no impairment loss is recognized as of those dates.

## 11. ADVANCES FROM THIRD PARTIES

On May 31, 2009, the Company and Oriental Vision Mining Philippines Corporation (Orvi) entered into a Memorandum of Agreement (MOA) whereby Orvi will undertake exploration and development of a 7,000-hectare coal property in Surigao del Sur owned by ABACOAL. Under the MOA, Orvi shall have the right to explore, develop and operate the subject coal property in exchange for royalty fee at 8% of gross price per ton of any coal to be mined in the property. In addition, Orvi paid the Company P25,000,000 representing reimbursement of the Company's advances made and to be made to third parties related to the initial exploration and development of the coal property. Any settlement in excess of the P25,000,000 shall be collectible from Orvi and any excess of the P25,000,000 over the settlement made shall be payable to Orvi. The remaining outstanding liability as of December 31, 2014 and 2013 amounted to P3,049 and is shown as Advances from Third Parties in the statements of financial position.

## 12. RELATED PARTY TRANSACTIONS

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

### *12.1 Advances to a Stockholder*

In 2014 and 2013, the Company granted non-interest bearing advances to a stockholder for working capital purposes. The advances to the stockholder are unsecured and are due and demandable anytime. These advances are generally settled in cash.

The movements in the balance of advances to a stockholder, shown as Advances to a Stockholder account in the statements of financial position as of December 31, are as follows:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	P 3,626,772	P 4,076,772
Collections	(1,169,696)	(450,000)
Balance at end of year	<u>P 2,457,076</u>	<u>P 3,626,772</u>

Based on management's assessment, the outstanding balance of the Company's advances to a stockholder is not impaired as at December 31, 2014 and 2013; hence, no impairment loss is recognized during those years.

#### ***12.2 Legal Services***

Legal services rendered by certain officers of the Company amounted to P730,000 in 2014, P920,000 in 2013 and P830,000 in 2012 and is presented as Legal Fees in the statements of profit or loss. There are no outstanding balances related to these transactions on those years.

#### ***12.3 Key Management Personnel Compensation***

Key management personnel compensation amounted to P260,000 in 2014, P598,400 in 2013 and P626,600 in 2012 and is presented as part of Salaries and Wages in the statements of profit or loss.

### **13. 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 of December 31, 2014, 2013 and 2012 consisted of 740.0 million shares equivalent to P74.0 million.

On May 26, 1989, the Philippine Securities and Exchange Commission (SEC) approved the listing of the Company's shares. As of December 31, 2014, 88.45% of the issued and outstanding shares are held by the public. Such listed shares closed at P0.62 per share as of December 29, 2014.

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 reduction in par value has not been submitted to the SEC as of December 31, 2014.

#### 14. LOSS PER SHARE

Loss per share is computed as follows:

	2014	2013	2012
Net loss	P 1,959,374	P 3,230,677	P 20,040,221
Divided by the weighted average number of outstanding common shares	<u>740,000,000</u>	<u>740,000,000</u>	<u>740,000,000</u>
Loss per share	<u>P 0.003</u>	<u>P 0.004</u>	<u>P 0.027</u>

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

#### 15. INCOME TAXES

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

The Company has no regular corporate income tax or minimum corporate income tax because of its taxable loss and gross loss position in each of the three years in the period ended December 31, 2014.

The Company did not recognize any deferred tax asset from its NOLCO as of December 31, 2014 and 2013 since it is doubtful that the Company will have sufficient taxable profit against which the deferred tax assets can be utilized. The amounts of unrecognized deferred tax assets as of December 31, 2014 and 2013 amounted to P2,544,082 and P3,270,975, 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.

Year Incurred		Original Amount	Expired Balance	Remaining Balance	Valid Until
2014	P	1,814,509	P	1,814,509	2017
2013		2,684,832	-	2,684,832	2016
2012		3,980,933	-	3,980,933	2015
2011		4,237,485	4,237,485	-	
	P	<u>12,717,759</u>	P	<u>4,237,485</u>	P
					<u>8,480,274</u>

In 2014, 2013 and 2012, the Company opted to continue claiming itemized deductions for income tax purposes.

## 16. AGREEMENT FOR JOINT INVESTMENT

### *16.1 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; (3) One-fourth percent (0.25%) of the gross coal price per ton based on FOB loaded to vessel payable within 5 days from receipt of payment by the Company, as and by way of Royalties in the project. These royalty payments are payable only for the period of the first five years of the operations of the ABACOAL project. The P12.0 million and P10.0 million are recorded as part of Deposit for Future Stock Investment in the statements of financial position. 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 10).

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 10).

As of December 31, 2014 and 2013, this Agreement is still valid and binding between both parties (see Note 10).

***16.2 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:

- P30.0 million advance deposit on ABACOAL's participation due on September 24, 2003, June 1, 2009 and June 8, 2009;

- Amounts to be paid upon and to be taken from the sale of the first production of coal products from the Coal Property:
  - a. P20.0 million upon consummation of said first sale of coal products; and,
  - b. P25.0 million payable thirty days from consummation of said first sale of coal products.

As of December 31, 2014, the merger between the Company and ABACOAL is not yet executed pending approval from the stockholders of both entities and no payment has been made to ABACOAL; however, the above agreements are still binding.

## 17. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the financial statements. As of December 31, 2014, management believes that losses, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

## 18. 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.

### *18.1 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 2014, 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 2,803,806
Services lodged under operating expenses	70,116
Goods other than for resale or manufacture	98
Balance at end of year	<u>P 2,874,020</u>

The balance of input VAT is presented as Input VAT under Other Current Assets account in the 2014 statement of financial position (see Note 9).

(c) *Taxes on Importation*

The Company did not incur or pay any customs duties and tariff fees as it did not have any importation in 2014.

(d) *Excise Tax*

The Company did not have any transaction in 2014 which is subject to excise tax.

(e) *Documentary Stamp Tax*

The Company had not paid or accrued documentary stamp tax in 2014.

(f) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2014 are shown below.

Expanded Compensation and benefits	P	96,778
	<u>          </u>	<u>32,206</u>
	P	<u>128,984</u>

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, 2014 follows:

Permits	P	12,097
Residence tax – basic and additional		1,413
Barangay clearance		1,065
Annual registration fee	<u>          </u>	<u>500</u>
	P	<u>15,075</u>

(h) *Deficiency Tax Assessment and Tax Cases*

As of December 31, 2014, 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.

### ***18.2 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 2014 statement of profit or loss.

*(a) Taxable Revenues*

The Company has no taxable revenue in 2014.

*(b) Deductible Cost of Services*

The Company has no deductible cost of services in 2014.

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

The Company has no taxable non-operating and other income in 2014.

*(d) Itemized Deductions*

The amounts of itemized deductions under the regular tax rate for the year ended December 31, 2014 are as follows:

Legal fees	P	730,000
Professional fees		389,911
Salaries and wages		278,785
Membership dues		250,000
Printing and office supplies		65,060
Taxes and licenses		15,075
Transportation and travel		5,357
Depreciation		3,452
Miscellaneous		<u>76,869</u>

P 1,814,509



# Punongbayan & Araullo

## An instinct for growth Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

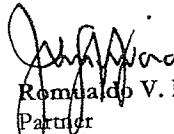
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**The Board of Directors and the Stockholders  
Lodestar Investment Holdings Corporation**  
7th Floor, Peaksun Bldg., 1505 Princeton St.  
corner Shaw Blvd., Wack Wack Greenhills East  
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lodestar Investment Holdings Corporation for the year ended December 31, 2014, on which we have rendered our report dated April 7, 2015. 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:   
Romualdo V. Murcia III

Partner  
CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 4748317, January 5, 2015, Makati City  
SEC Group A Accreditation  
Partner - No. 0628-AR-2 (until Sept. 5, 2016)  
Firm - No. 0002-FR-3 (until Apr. 30, 2015)  
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

April 7, 2015

Certified Public Accountants  
P&A is a member firm within Grant Thornton International Ltd  
Offices in Cebu, Davao, Cavite  
BOA/PRC Cert. of Reg. No. 0002  
SEC Group A Accreditation No. 0002-FR-3

**Lodestar Investment Holdings Corporation**  
**List of Supplementary Information**  
**December 31, 2014**

Schedule	Content	Page No.
<b>Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68</b>		
A	Financial Assets	
	Financial Assets at Fair Value Through Profit or Loss	1
	Held-to-maturity Investments	1
	Available-for-sale Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Intangible Assets - Other Assets	4
E	Long-term Debt	5
F	Indebtedness to Related Parties	6
G	Guarantees of Securities of Other Issuers	7
H	Capital Stock	8
<b>Others Required Information</b>		
	Reconciliation of Retained Earnings Available for Dividend Declaration	9
	Summary of Philippine Financial Reporting Standards Effective as of December 31, 2014	10
	Map Showing the Relationship Between the Company and its Related Entities	14
	Key Performance Indicators	15

Lodestar Investment Holdings Corporation  
Schedule A - Financial Assets  
December 31, 2014

<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, 2014

<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> Advances to a stockholder	P 3,626,772 P - P	-	P 1,169,696 P - P	-	P 2,457,076 P - P	-	P 2,457,076

The advances to the stockholder are unsecured and are demandable anytime. These advances are generally settled in cash.

Lodestar Investment Holdings Corporation  
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements  
December 31, 2014

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

N/A

Lodestar Investment Holdings Corporation  
Schedule D - Intangible Assets - Other Assets  
December 31, 2014

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

N/A

Schedule E - Long-term Debt  
December 31, 2014

<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, 2014

<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, 2014

<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

N/A

Lodestar Investment Holdings Corporation  
 Schedule H - Capital Stock  
 December 31, 2014

<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	-	-	45,000	739,955,000

Lodestar Investment Holdings Corporation  
Reconciliation of Retained Earnings Available for Dividend Declaration  
December 31, 2014

<b>DEFICIT AT BEGINNING OF YEAR</b>	( P 95,666,537 )
Loss actually incurred during the year	( P 1,959,574 )
<b>DEFICIT AT END OF YEAR</b>	( P 97,625,911 )

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**Schedule of Philippine Financial Reporting Standards and Interpretations**  
**Adopted by the Securities and Exchange Commission and the**  
**Financial Reporting Standards Council as of December 31, 2014**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
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>				
PFRS 1 <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	✓ ✓ ✓ ✓ ✓		
PFRS 2	Share based Payment Amendments to PFRS 2: Vesting Conditions and Cancellations Amendments to PFRS 2: Group Cash-settled Share based Payment Transactions			✓ ✓ ✓
PFRS 3 <i>(Revised)</i>	Business Combinations			✓
PFRS 4	Insurance Contracts Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓ ✓
PFRS 5	Non current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	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 (effective when PFRS 9 is first applied)*	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments* (effective January 1, 2018)			✓
PFRS 10	Consolidated Financial Statements Amendment to PFRS 10: Transition Guidance Amendment to PFRS 10: Investment Entities Amendment to PFRS 10: Investment Entities - Applying the Consolidation Exception (effective January 1, 2016)			✓ ✓ ✓ ✓
PFRS 11	Joint Arrangements Amendment to PFRS 11: Transition Guidance			✓ ✓
PFRS 12	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 (effective January 1, 2016)			✓ ✓ ✓ ✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* (effective January 1, 2018)			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Newly Adopted	Newly Applicable
<i>Philippine Accounting Standards (PAS)</i>				
PAS 1  (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation**	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative * (effective January 1, 2016)			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases			✓
PAS 18	Revenue	✓		
PAS 19  (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions (effective July 1, 2014)*			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23  (Revised)	Borrowing Costs			✓
PAS 24  (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27  (Revised)	Separate Financial Statements			✓
	Amendment to PAS 27: Investment Entities			✓
PAS 28  (Revised)	Investments in Associates and Joint Ventures			✓
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

IMPLEMENTING FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	New Adopted	New Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and 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	✓		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
<i>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</i>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment**	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**	✓		
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stepping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies**	✓		

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

\* These standards will be effective for periods subsequent to 2014 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, 2014

N/A

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**Key Performance Indicators**  
**December 31, 2014**

	2014	2013	2014	2013
a.) Current Ratio				
	<u>Current Assets</u>	<u>P</u>	<u>8,871,495</u>	<u>P</u>
	<u>Current Liabilities</u>	<u>786,218</u>	<u>8,096,505</u>	<u>55,305</u>
			8.74	146.40
b.) Quick Ratio				
	<u>Cash</u>	<u>383,754</u>	<u>490,045</u>	<u>0.49</u>
	<u>Current Liabilities</u>	<u>786,218</u>	<u>55,305</u>	<u>8.86</u>
c.) Debt-to-equity Ratio				
	<u>Debt</u>	<u>786,218</u>	<u>55,305</u>	<u>0.02</u>
	<u>Equity</u>	<u>43,088,947</u>	<u>45,048,321</u>	<u>0.00</u>
d.) Book value per share				
	<u>Equity</u>	<u>43,088,947</u>	<u>45,048,321</u>	<u>0.06</u>
	<u>No. of Shares Outstanding</u>	<u>740,000,000</u>	<u>740,000,000</u>	<u>0.06</u>
e.) Net Profit Margin				
	<i>Not applicable. The Company is in a net loss position in 2014 and 2013 since it has not yet started its commercial operations.</i>			
f.) Asset to Equity Ratio				
	<u>Asset</u>	<u>43,875,165</u>	<u>45,103,626</u>	<u>1.02</u>
	<u>Equity</u>	<u>43,088,947</u>	<u>45,048,321</u>	<u>1.00</u>
g.) Interest Rate Coverage Ratio				
	<i>Not applicable. The Company has no borrowings in 2014 and 2013.</i>			
h.) Gross Profit Margin				
	<i>Not applicable. The Company has no revenue in 2014 and 2013 since it has not yet started its commercial operations.</i>			

# ANNEX 'B'

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	A	
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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

45 South Maya, Philam Homes, Quezon City
--

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

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-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, 2014**
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**      6.  ( SEC Use Only)  
Province, Country or other jurisdiction of      Industry Classification Code:  
incorporation or organization
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>740,000,000</b>

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

Yes [ / ]      No [ ]

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

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

12. Check whether the issuer:

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

Yes [ / ]      No [ ]

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

Yes [ / ]      No [ ]

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

The aggregate market value as at 18 March 2015 of the voting stock held by non-affiliates of the registrant is ₦ 536,692,050.

**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. As an investment holding company, the Company will have flexibility in pursuing new business ventures that would enhance shareholder value over time.

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

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

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

The Board of Directors, during its special meeting held on October 28, 2008, approved the private placement offering of 12,694,000 LIHC shares at the price of ₱ 2.50 per share. On 12 December 2008, the stockholders of the Company likewise approved the capital increase of the Company from ₱50,000,000.00 divided into 50,000,000 shares at ₱1.00 per share to ₱100,000,000.00 divided into 100,000,000 shares at ₱1.00 per share. In line with this application for capital increase, the Board of Directors of the Company, during its special meeting held on 13 March 2009, approved the private placement offering of 14,000,000 shares at the price of ₱1.20 per share. Said private placement funded the increase in authorized capital stock.

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

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

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

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

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

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

## **Item 2. Properties**

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

The Company has no real properties.

## **Item 3. Legal Proceedings**

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

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

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

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

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

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

Closing market price as at April 08, 2015 is pegged at ₱ 0.82

The high and low sales prices of each quarter covering the years 2014, 2013 and 2012 are as follows:

	<u>High</u>	<u>Low</u>
2015		
First Quarter (April 8)	₱ 0.83	₱ 0.80
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
2012		
First Quarter	₱ 1.49	0.76
Second Quarter	1.28	1.02
Third Quarter	1.29	1.02
Fourth Quarter	1.31	0.96

*Source: Technistock*

The number of shareholders as of 31 December 2014 is 59<sup>1</sup>. Common shares outstanding as at 31 December 2014 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 2014:

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

Name of Shareholder	Class of Security	Number of Shares	Percentage to Total
PCD Nominee Corporation-Filipino	Common	607,584,430	82.106%
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	24,878,000	3.362%
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%
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%
Rogelio Corpus	Common	100,000	0.014%
Warlito De Guzman	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 September 24, 2008, the Company entered into a Heads of Agreement with Music Semiconductors Corporation (“MSC”) and Abacus Consolidated Resources Holdings, Inc. (“ACRHI”) for the joint acquisition by the Company and MSC of all issued and outstanding shares of stock of ABACOAL, a subsidiary of ACRHI. The Company and MSC have likewise entered into an Agreement for Joint Investment whereby the investment parameters for such investment I ABACOAL were set forth. Under the same agreement, MSC will own 55% of the issued and outstanding capital stock of ABACOAL while the company will own 45% of ABACOAL.

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

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

On November 3, 2010, ABACOAL and the Company further revised the terms of the Heads of Agreement. In the revised agreement, the Company shall acquire the Coal property and all the other assets and liabilities of ABACOAL by and through a merger, with the Company as the surviving entity. By virtue of said merger, the Company shall issue 250,000,000 new common shares at a par

value of ₱0.10 and an agreed issue value of ₱0.90 to ABACOAL. The Company undertakes to list the said shares with the PSE. These terms and conditions shall be incorporated in a Merger Agreement and Plan of Merger which ABACOAL and the Company agree to execute at the proper time.

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

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

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

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

The approval of the Plan of Merger with ABACOAL was not discussed during the last convened annual stockholders' meeting of Lodestar for lack of the necessary votes of 2/3 majority.

#### **Business Plan:**

Still in line with the primary purpose of the Company as a holdings corporation, business outlook for 2015 is geared towards expansion. Thus, the Company may again tap into various sources to look for opportunities in the mining sector. Specifics of such deals, if any, will be properly disclosed in accordance with the continuing disclosure requirements of the SEC and the PSE.

## **Financial Performance In Philippine Pesos**

	Year 2014	Year 2013	Year 2012
Revenues	762	5,483	11,183
Cost and Expenses	1,960,136	3,236,160	4,327,074
Other Losses		-	15,724,330
Net Income (Loss)	(1,959,374)	(3,230,677)	(20,040,221)
Current Assets	6,871,495	8,096,505	11,382,422
Current Liabilities	786,218	55,305	110,946
Total Assets	43,875,165	45,103,626	48,389,944
Total Liabilities	786,218	55,305	110,946
Stockholders' Equity	43,088,947	45,048,321	48,278,998
Current Ratio Current Assets / Current Liabilities	8.74 6,871,495 / 786,218	146.40 8,096,505 / 55,305	102.59 11,382,422 / 110,946
Debt to Equity Ratio Total Liabilities/Stockholders' Equity	0.02 786,218 / 43,088,947	0.00 55,305 / 45,048,321	0.00 110,946 / 48,278,998
Return on assets Net Income / Total Assets	NA	NA	NA
Earnings (Loss) Per Share Net Income (Loss) /No. of shares outstanding	(0.003) (1,959,374)/ 740 M	(0.004) (3,230,677)/ 740 M	(0.027) (20,040,221)/ 740 M

## **Full Fiscal Years**

### Calendar Year 2014

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 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:

13. 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.
14. Commission expense – 100% or ₦187 thousand lower due to liquidation of traded shares in 2012.
15. Salaries and Employee benefits – 2.77% or ₦17 thousand lower.
16. 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.
17. Office supplies and other miscellaneous expenses – 27.91% or ₦ 64 thousand lower from ₦ 221 thousand million in 2012 to ₦156 thousand in 2013.
18. 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
19. Repairs and Maintenance – 100% or ₦8 thousand incurred in 2012 and nil in 2013.
20. 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.
21. 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.
22. Transportation and Travel expenses – 75.53% or ₦184 thousand lower from ₦244 thousand in 2012 to ₦60 thousand in 2013.
23. Depreciation – 64.25% or ₦19 thousand lower due to full depreciation of some assets.
24. Insurance – 100% or ₦ 12 thousand in 2013 and nil in 2012.
25. Legal fees – 10.84% or ₦ 90 thousand higher from ₦ 830 thousand in 2012 to ₦ 920 thousand in 2013.
26. 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.

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 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **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 2014 amounted to P 215,000.00, same amount for 2013 and P205,000.00 for 2012.

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

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

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

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

The Company retained the External Auditors who prepared the financial statements for the calendar year ended 31 December 2013 and 2012. Thus, the financial statements and notes thereto for the

calendar year ended 31 December 2014 were likewise prepared by Punongbayan & Araullo (P&A). There were no disagreements with Accountants on accounting and financial disclosure.

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

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

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

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

The following table presents the members of the Board of Directors and Officers as at 31 December 2014

Name	Age	Nationality	Present Position	Date Elected and / or Appointed
Antonio V.F. Gregorio III	42	Filipino	Director and Chairman	May 15, 2009 as Director and Dec. 13, 2012 as Chairman
Chi Ho Co	42	Filipino	Director and President	Sept. 22, 2008 as Director and Dec. 13, 2012 as President
Leonardo S. Gayao	68	Filipino	Director	December 22, 2010
Venus L. Gregorio	46	Filipino	Corporate Secretary and Corporate Information Officer	December 13, 2012
Jose Francisco Miranda	37	Filipino	Director, CFO and Treasurer	December 13, 2012
Manuel Acenas	70	Canadian	Director	December 13, 2012
Lam Kok Duen	58	Chinese	Independent Director	December 4, 2013
Felixes Latonero	41	Filipino	Independent Director	April 13, 2011

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

**ANTONIO VICTORIANO F. GREGORIO III**, 42, 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 in 1999. He finished both his Bachelor of Science Degree, Major in Management Engineering and a Bachelor of Arts, Major in Economics-Honors, from the Ateneo de Manila University, Magna Cum Laude. He was the valedictorian of his high school class in the Ateneo. Atty. Gregorio sits as director and officer of various public and private companies, including, NiHao Mineral Resources International, Inc. (Chairman and President), Lodestar Investment Holdings Corporation (Chairman), Dizon Copper-Silver Mines (Director and CFO), Abacus Consolidated Resources and Holdings, Inc., Minerales Industrias Corporation, and GNA Resources International Limited, among other companies.

**CHI HO CO**, 42, 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), Fasttrack Realty & Development, Inc. (Chairman, 2004 to present) and CAC Motors Corp. (President, 2002 to present) among other companies.

**LEONARDO S. GAYAO**, 68, Filipino/ Director/ Member, Remuneration Committee

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

**VENUS L. GREGORIO**, 46, Filipino/ Corporate Information Officer/ Corporate Secretary

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

**JOSE FRANCISCO MIRANDA**, 37, Filipino/ Director

Mr. Miranda was elected Director of the Company on 13 December 2012 and became a member of the Remuneration Committee on the same date. He is currently the Company's Chief Financial Officer and Treasurer. He graduated from the University of the Philippines, Diliman, Quezon City,

with a degree in B. S. Geodetic Engineering. He sits as a director and officer of various public and private corporations including Geograce Resources Philippines, Inc. as its President.

### **MANUEL G. ACENAS, 70, Canadian/ Director**

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

### **LAM KOK DUEN, 57, Chinese/ Independent Director**

Mr. Duen was elected Independent Director of the Company on 04 December 2013. He is currently the Chairman of Metro Steel Manufacturing Corporation, Jal Property & Holdings Corp., Maptco Fasteners Pty., Ltd., Maptco Fasteners Pty. Ltd (New Zealand), Maptco Fasteners Pty. Ltd. (Australia), Jal Ventures, Inc. (Australia), Quanzhou Fense Cot Trading, Xiamen Cot Trading Co., Besttop Fasteners Co., Xiamen (Joan Fasteners) Trading Co. Ltd, Jintin Trading Pty. Ltd. (Sydney), Maptco Fasteners Pty., Ltd. (Australia), Maptco Fasteners (QLD) Pty., Ltd., Thread Industrial Sales Corp.; President of Joan Marketing Co. and Director of Minnan Science Technology Institute (Fujin, China); Managing director of Ilaya Hardware and partner at Jarco Realty Corp. (Bahuio Mail Center)

### **FELIXES G. LATONERO, 41, 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.

### **Family Relationships**

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

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

### **Involvement in Certain Legal Proceedings**

The Company is not aware of:

- (a) any bankruptcy petition filed by or against any business or which any director or member of senior management was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;
- (b) any conviction by final judgment, of any director or member of senior management, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- (c) of any director or member of senior management being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign permanently or temporarily enjoining, barring, suspending or otherwise limiting such director's or member of senior management's involvement in any type of business, securities, commodities or banking activities; and
- (d) any director or member of senior management being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self regulatory been reversed, suspended, or vacated, during the last five (5) years up to the date of filing.

## **Item 10. Executive Compensation**

### **SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Amount of Compensation
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	2015 (est)	260,000 sum of the aggregate annual cash compensation of the named executives
Antonio V.F. Gregorio III, Chairman (1) Chi Ho Co , President (2) Jose Francisco Miranda, CFO (3) No other officers receiving compensation as a group	2013	260,000 sum of the aggregate annual cash compensation of the named executives
Antonio V.F. Gregorio III, Chairman (1) Chi Ho Co (2) Jose Francisco Miranda (3) No other officers receiving compensation as a group	2013	1,074,312 sum of the aggregate annual cash compensation of the named executives
Antonio V.F. Gregorio III, Chairman (1) Chi Ho Co, President (2) Jose Francisco Miranda, COO (3) No other officers receiving compensation as a group	2012	1,237,827 sum of the aggregate annual cash compensation of the named executives

- (1) No compensation for services rendered  
 (2) Starting Feb.2013, no compensation for services rendered. Prior to Feb 2013, compensation in the form of management fees subject to expanded withholding tax. Resigned as Treasurer and was elected President on 16 October 2012.  
 (3) Compensation as Treasurer and CFO. Appointed as Treasurer on 12 November 2012. Prior to appointment, he was the COO.

- **Compensation of Directors**

Other than a minimal per diem in the amount of ₦5,000.00 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 2014.

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	PCD Nominee Corporation	<b>Various Owners</b> <ol style="list-style-type: none"> <li>1. Abacus Securities Corporation – 97,128,986 (13.12%)</li> <li>2. King's power Securities - 49,064,000 (6.63%)</li> <li>3. Angping &amp; Associates Securities, Inc – 47,038,000 (6.36%)</li> <li>3. Tower Securities Inc.- 40,687,000 (5.50%)</li> </ol>	Filipino	<b>607,584,430</b>	<b>82.106%</b>
Common	Renato Reyes		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, 2014:

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	Jose Francisco Miranda Director, CFO and Treasurer	2,000 (Direct)	Filipino	0.00%
Common	Manuel Acenas Director	2,000 (Direct)	Filipino	0.00%
Common	Lam Kok Duen Independent Director	10,000 (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	45,000		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 extend advances to a stockholder amounting to ₱2,457,076 as of December 31, 2014. 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 of Gregorio Law Offices. One of the key management personnel of the Company is also a partner of this firm. The related legal fees amounted to ₱730 thousand and ₱ 920 thousand in 2014 and 2013 respectively.

## 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 11, 2014	<p>The following matters were taken up during the board meeting :</p> <ul style="list-style-type: none"><li>(1) Resignation of RGFS Registry &amp; Agency Services, Inc. as the Company's stock and transfer agent and the appointment of Professional Stock Transfer, Inc. as the Company's stock and transfer agent both to become effective 31 May 2014.</li><li>(2) Amendment of the Articles of Incorporation of the Company changing its place of business from Metro Manila to 7/F, Peaksun Bldg., Princeton Sts. Barangay Wack Wack, Mandaluyong City. The amendments to reflect the new address shall be submitted for approval by the shareholders and shall form part of the agenda for the 2014 Annual Stockholders' Meeting of the Company.</li><li>(3) Board approval of the Annual Financial Statement and Annual Report for the fiscal year 2013.</li><li>(4) Postponement of the Annual Stockholders' Meeting scheduled to be held on 2<sup>nd</sup> Thursday of May to a date to be determined by the President.</li></ul>

July 24, 2014

The following matters were taken up during the special board meeting :

- (1) Approval of the Amended Manual of Corporate Governance in compliance with SEC Memorandum Circular No. 9 Series of 2014. The required amendments, per SEC's directive, have been incorporated in the Amended Manual of Corporate Governance, a copy of which is hereto attached.
- (2) Calling of the Annual Stockholders' Meeting to be held in October 2014 at a specific date and time to be determined by the President.

August 12, 2014

The following matters were taken up during the special board meeting :

- (1) Approval for issuance of the Second Quarter Financial Statements of the Company.
- (2) Change of the Company's stock and transfer agent from Professional Stock Transfer, Inc. to BDO Unibank, Inc. effective 1 October 2014.

## 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 10, 2015.

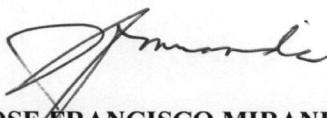
By:



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



**CHI HO CO**  
President



**JOSE FRANCISCO MIRANDA**  
CFO/ Treasurer



**VENUS L. GREGORIO**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 10 2015 day of April 2015 affiants exhibiting to me

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

Notary Public

Doc. No. 13 :  
Page No. 30 :  
Book No. 75 :  
Series of 2015.

**JOVEN G. SIMEULLANO**  
NOTARY PUBLIC  
COMMISSION NO. 0265-15 UNTIL DECEMBER 31, 2016  
ROLL NO. 53970  
IBP LIFETIME NO. 011302 RIZAL  
PTR NO. 2277151; 1-5-15; MANDALUYONG  
MCLE COMPLIANCE NO. IV - 0014990 23 APRIL 2013  
METRO MART COMPLEX, MANDALUYONG CITY

# ANNEX 'C'

## COVER SHEET

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	L	D	G	.	,	1	5	0	5	P	R	I	N	C	E	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	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	
---	---	---	--

Secondary License Type, If Applicable

N	/	A	
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### COMPANY INFORMATION

Company's Email Address

[www.lodestarholdings.com](http://www.lodestarholdings.com)

Company's Telephone Number/s

(632) 928-9246

Mobile Number

N/A

No. of Stockholders

59

Annual Meeting

Month/Day

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@my  
destiny.net](mailto:Nitsbeng.gregoriolaw@mydestiny.net)

Telephone Number/s

(632)920-9306

Mobile Number

Contact Person's Address

45 South Maya , Philam Homes, Quezon City

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

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-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, 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**
5. **Philippines** 6.  (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code:  
incorporation or organization
7. **7th Floor Peaksun Bldg., 1505 Princeton St.,  
Shaw Blvd., Mandaluyong City** **1555**  
Address of principal office 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**
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

---

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

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;
- g) 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.

On April 12, 2011, the Department of Energy approved the conversion of Coal Operating Contract 148 to Development and Production phase. The proposed 5-year work

program of Abacus Coal Exploration and Development Corporation (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., subject to the following terms and conditions:

1. The COC for Exploration No. 148 is converted into COC for Development and Production effective 10 January 2010 for a period of ten (10) years, and should there be remaining mineable reserves, extendible for another ten (10) years and thereafter renewable for series of three (3) year periods not exceeding twelve (12) years under such terms and condition as may be agreed upon by the DOE and the Contractor.
2. The area subject of the COC for development and production shall cover seven (7) blocks.
3. Section IV, sub-paragraph 4.3 of COC for exploration shall be amended to provide for the development and production commitments.
4. The training component of the approved COC for development and production shall be ₱ 200,000.00 per year cumulative during the Development and Production Phase.
5. ABACOAL shall implement its, health, safety and environmental protection program as well as its emergency response program, as the need arises, as approved by the DOE.

Upon commencement of the operations of the Project and/or identification of other profitable Projects for the Company, the capital restructuring and fund raising activities approved by the Board of Directors and shareholders of the Company may be implemented.

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

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

On May 21, 2008, the Board of Directors approved resolutions authorizing the Company to amend the Agreement for Joint Investment dated September 24, 2008 between the Company and Music Semiconductors Corporation (MUSX). The subject amendment will result in the assignment to the Company of MUSX's 55% interest and participation in the Abacoal Investment subject to the payment of the following: (1) ₱12 million by way of reimbursement of expenses made by MUSX in the Abacoal Investment upon the signing of the amendment; (2) a second tranche of ₱10 million by way of reimbursement of the remainder of expenses and payments made by MUSX, payable on or before December 31, 2009 or on such later date as may be agreed upon by the parties. The arrangement carried the option to convert this payment to equivalent number of new shares to be issued by the Company to MUSX based on the closing price of the Company's shares on the date of the exercise by MUSX of the option; LIHC likewise agreed to pay MUSX 0.25% of the gross coal price per ton based on FOB loaded to vessel, payable within five (5) days from receipt of payments by the Company therefore, as MUSX royalties during the first five years of operations. Advanced royalties may be agreed upon on a discounted basis depending on the initial operations of the Abacoal Investment.

Any and all payables and deliverables to MUSX of the Company has been settled on 21 February 2011, with the execution between the Company and MUSX of a document entitled Execution of Payment and Waiver. Simultaneously, the Company paid MUSX the amount of ₱ 10 million by way of full and final payment of any and all its obligations under the Amended Agreement. MUSX likewise waived in full any and all possible collectible from the Company resulting from the various Agreements, including but not limited to the percentage shares of MUSX in the sales / income of ABACOAL upon its operation.

On May 31, 2009, the Company executed a Memorandum of Agreement with Oriental Vision Mining Philippines Corp. to undertake exploration and development activities of the coal properties of ABACOAL over which the Company has an interest. Oriental Vision shall pay the Company a royalty fee of Eight Percent (8%) of gross coal price per ton based on FOB loaded to vessel payable within 45 days from receipt of payment by Oriental Vision.

On Nov 6, 2009, the Board of Directors during its special meeting approved the following:

1. Proposed reduction in the par value of the shares of stock of the Company from ₱1.00 to ₱0.10 per share, resulting in a stock split of ten shares for every one share issued. A share buy-back program was also adopted, which will depend on the Company's retained earnings and the market price of the Company's shares under such terms and conditions to be determined and set by the BOD.
2. Proposed increase in the authorized capital stock of the Company from ₱100.00 million divided into 100 million shares at ₱1.00 par value per share to ₱300.00 million divided into 3 billion shares at ₱0.10 par value per share.
3. Delegation to the Board of Directors of the power and authority to identify and secure equity investments from subscribers, implement share swaps, and undertake share issuances at such subscription price(s) and under terms and conditions to be determined by the Board with a waiver of the requirement to conduct a rights or public offering of the shares
4. Issuance of shares of stock from the proposed capital increase through preemptive stock rights offering. The preemptive 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 ₱0.10, representing the reduced par value of the shares at the expected time of the stock rights offering, or at ₱1.00 if the stock rights offering happen at the time prior to the reduction in the par value of the shares.

The above resolutions were subsequently ratified in the shareholders meeting of the Corporation held on December 2009.

Also, during the meeting of the Board of Directors on November 6, 2009, the Company and two investors executed Investment and Subscription Agreements to effect share issuances via private placement transactions. This was pursuant to the September 14, 2009, Board of Directors approval for issuance of shares by way of private placements in favor of its investors. Under agreed terms, LIHC agreed to issue one hundred million (100,000,000) LIHC shares out of the unissued and unsubscribed portion of its authorized capital stock at the price of Five hundred and five Centavos (₱0.505) per share or a total consideration of Fifty Million Five Hundred Thousand (₱50,500,000.00) for the following business purposes:

- a) To enable the Company to pay its financial obligations to Abacus Consolidated Resources Holdings, Inc. (ABACON) constituting partial consideration for the purchase of 100% of the shares of Abacus Coal Exploration Development Corporation (ABACOAL) as provided under the Heads of Agreement that the Corporation executed with ABACON.
- b) To allow the Company to expand its investments

- c) To permit the Company to enter and finance new businesses
- d) For working capital and costs of the private placements

Further, at the same meeting, the Board of Directors discussed the implementation of the Stock Rights Offering in a planned capital increase. The SRO will enable qualified shareholders to purchase shares at better prices or even at the par value of ₱0.10 while giving the company an opportunity to offer and distribute more shares from said capital increase.

On November 3, 2010, ABACOAL and the Company further revised the terms of the Heads of Agreement. In the revised agreement, the Company shall acquire the Coal Property and all the other assets and liabilities of ABACOAL by and through a merger, with the Company as the surviving entity. By virtue of said merger, the Company shall issue 250,000,000 new common shares at a par value of ₱0.10 and an agreed issue value of ₱0.90 to ABACOAL. The Company undertakes to list the said shares with the PSE. These terms and conditions shall be incorporated in a Merger Agreement and Plan of Merger which ABACOAL and the Company agree to execute at the proper time. 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 ₱75.0 million, payable as follows:

- ₱30.0 million advance deposit on ABACOAL's participation due on September 24, 2008, June 1, 2009 and June 8, 2009;
- Amounts to be paid upon and to be taken from the sale of the first production of coal products from the Coal Property:
  - a. ₱20.0 million upon consummation of said first sale of coal products; and,
  - b. ₱25.0 million payable thirty days from consummation of said first sale of coal products.

In order for the Company to completely pursue its operational and compliance goals for the South Surigao Coal Project (SSCoal), the merger with Abacoal and the takeover of management of the project must be effected.

The approval of the Plan of Merger with ABACOAL was not submitted for approval by the shareholders during the scheduled December 2013 Annual Stockholders' Meeting due to lack of quorum to convene the meeting.

#### **Management's Discussion and Analysis for the Interim Period Ended March 31, 2015 as compared with March 31, 2014:**

##### **Revenues**

The Company did not earn any revenue during the three-month period ended March 31, 2015 as it has not undertaken commercial operations.

##### **Operating Expenses**

Operating expenses decreased by ₱25 thousand or 5.31% from ₱ 470 thousand in March 2014 to ₱445 thousand in March 2015 due to lesser expenses incurred in connection with its investment in ABACOAL.

##### **Net Loss**

After deducting minimal interest income from regular savings account, the Company posted a net loss of ₱445 thousand for the period ended March 2015 which is 5.31% or ₱25 thousand lower as compared to net loss of ₱469 thousand for the same period in 2014.

**Material Changes to the Company's Income Statement as of March 31, 2015 as compared with March 31, 2014:**

As compared with the same period in 2014, the net effect of following expenses contributed to the decrease in operating expenses of ₦25 thousand:

1. Professional Fees – 31.82% or ₦ 14 thousand lower from ₦44 thousand in 2014 to ₦44 thousand in 2015
2. Repairs & maintenance – 100% decrease in 2014 or ₦6 thousand lower
3. Subscription fee – 62.5% or ₦5 thousand lower.

**Financial Condition**

The Company's Total Assets comprised of 15% of Current Assets and 85% Non-Current Assets. The Total Assets as of March 31, 2015 amounting to ₦43.45 million was 2.86% or ₦1.28 million lower than that of March 31, 2014, which amounted to ₦44.73 million. Total Assets in 2015 is comprised of ₦227 thousand Cash, ₦ 2.157 million advances to a stockholder, ₦37.0 million deposit made to Abacus Consolidated Resources Holdings, Inc. (Abacon) for the acquisition of 100% stake in Abacus Coal Exploration Development Corporation (Abacoal), input tax of ₦ 2.905 million, advances to supplier ₦ 1.108 million, advances to Abacon of ₦ 0.048 million and office equipment net of accumulated depreciation of ₦ 3 thousand.

The Company's Total Liabilities were comprised of accounts payable and advances from third parties. The Total Liabilities increased by ₦ 655 thousand or 448.66% from ₦149 thousand in March 2014 to ₦804 thousand in March 2015.

Stockholders' equity posted a 4.34% or ₦1.934 million decrease from ₦44.58 million in March 2014 to ₦42.64 million in March 2015.

**Material Changes to the Company's pro-forma Balance Sheet as of March 31, 2015 as compared with pro-forma Balance Sheet as of March 31, 2014 (increase/decrease of 5.00% or more)**

46.01% or ₦ 194 thousand decrease in Cash and cash equivalents from ₦ 421 thousand in March 2014 to ₦ 227 thousand in March 2015. The significant decrease is due to operating expenses.

34.17% or ₦ 1.12 million decrease in Advances to a stockholder due to partial collection of said shareholders' advances.

0.92% or ₦37 thousand increase in other current assets from ₦ 4.02 million in March 2014 to ₦4.06 million in March 2015. The increase is brought about by input taxes generated from professional fees and PSE annual membership fees.

448.66% or ₦ 655 thousand increase in liabilities from ₦146 thousand in March 2014 to ₦801 thousand in March 2014 due to accrual of expenses.

2.01% or ₦ 1.93 million increase in deficit due to losses incurred during the period.

## Key Performance Indicators

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

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Current Ratio (1)	8.02x	51.83x
Quick Ratio (2)	0.28x	2.83x
Debt-equity ratio (3)	0.019x	0.003x
Book value per share (4)	0.06x	0.06x
Net Profit Margin (5)	NA	NA

*(1) Current Assets / Current Liabilities*

March 2015 ( $\text{P} 6,445,490/\text{P} 803,725$ )  
 March 2014 ( $\text{P} 7,721,784/\text{P} 148,983$ )

*(2) Cash / Current Liabilities*

March 2015 ( $\text{P} 227,388/\text{P} 803,725$ )  
 March 2014 ( $\text{P} 421,136/\text{P} 148,983$ )

*(3) Debt / Equity*

March 2015 ( $\text{P} 803,725/\text{P} 42,644,572$ )  
 March 2014 ( $\text{P} 148,983/\text{P} 44,579,059$ )

*(4) Equity /Subscribed Shares*

March 2015 ( $\text{P} 42,644,572/740,000,000$ )  
 March 2014 ( $\text{P} 44,579,059/740,000,000$ )

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, 2015</b>	<b>March 31, 2014</b>
Asset to equity ratio (1)	1.02x	1.00x
Interest Rate coverage ratio (2)	NA	NA
Gross Profit Margin (3)	NA	NA

- (1) *Total Assets / Total Equity*  
*March 2015 (P 43,448,297/ P42,644,572)*  
*March 2014 (P 44,728,042/ P 44,579,059)*
- (2) *Income before Interest and Taxes / Interest Expense*  
*March 2015*  
*March 2014*
- (3) *Gross Profit / Sales*  
*March 2015*  
*March 2014*

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.

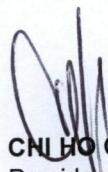
## PART II – OTHER INFORMATION

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 on May 13, 2015.

By:



CNI HO CO  
President



JOSE FRANCISCO MIRANDA  
Treasurer

LODESTAR INVESTMENT HOLDINGS CORPORATION  
STATEMENTS OF FINANCIAL POSITION

" ANNEX A"

	Notes	Unaudited March 31, 2015	Audited Dec 31, 2014
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents		₽ 227,388	₽ 383,754
Advances to a stockholder	2	2,157,076	2,457,076
Other current assets		4,061,026	4,030,665
<b>Total Current Assets</b>		<b>6,445,490</b>	<b>6,871,495</b>
Non - current assets			
Deposit for future stock investment	3	37,000,000	37,000,000
Property and Equipment (net)		2,807	3,670
<b>Total Non-Current Assets</b>		<b>37,002,807</b>	<b>37,003,670</b>
		₽ 43,448,297	₽ 43,875,165
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>			
Liabilities			
Accounts payable and accrued expenses	5	₽ 800,676	₽ 783,169
Advances from third parties	4	3,049	3,049
<b>Total Liabilities</b>		<b>803,725</b>	<b>786,218</b>
Stockholder's Equity			
Capital Stock - P0.10 par value	6	74,000,000	74,000,000
Additional Paid-In Capital	6	66,714,858	66,714,858
Deficit		(98,070,286)	(97,625,911)
<b>Total Stockholders' Equity</b>		<b>42,644,572</b>	<b>43,088,947</b>
		₽ 43,448,297	₽ 43,875,165

LODESTAR INVESTMENT HOLDINGS CORPORATION  
 STATEMENTS OF INCOME  
 (Unaudited)

	P	<u>January 1 to March 31, 2015 (Three Months)</u>	P	<u>January 1 to March 31, 2014 (Three Months)</u>
REVENUES		444,559		469,500
EXPENSES		(444,559)		(469,500)
INCOME (LOSS) BEFORE OTHER LOSSES		184		238
INTEREST INCOME		(444,375)		(469,262)
NET INCOME (LOSS)		(0.001)		(0.001)
WEIGHTED AVE. NUMBER OF COMMON SHARES		740,000,000		740,000,000
Loss Per Share		(0.001)		(0.001)

*Note: No dividends declared during the period*

LODESTAR INVESTMENT HOLDINGS CORPORATION  
STATEMENTS OF CHANGES IN EQUITY

	Unaudited March 31, 2015	Audited Dec. 31, 2014	Unaudited March 31, 2014	Audited Dec. 31, 2013
<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 (97,625,911)	P (95,666,537)	P (95,666,537)	P (92,435,860)
Net Income (loss)	(444,375)	(1,959,374)	(469,262)	(3,230,677)
Balance at end of period	P (98,070,286)	P (97,625,911)	P (96,135,799)	P (95,666,537)
<b>STOCKHOLDERS' EQUITY, END</b>	P 42,644,572	P 43,088,947	P 44,579,059	P 45,048,321

LODESTAR INVESTMENT HOLDINGS CORPORATION  
 STATEMENTS OF CASH FLOWS  
 (Unaudited)

	Jan 1 to March 31, 2015 (Three Months)	Jan 1 to March 31, 2014 (Three Months)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	₽ (444,375)	₽ (469,262)
Adjustment for:		
Realized FV loss on AFS	863	863
Depreciation	(184)	(239)
Interest Income	(443,696)	(468,638)
Net loss before working capital changes	(456,550)	(419,148)
Adjustment to reconcile net loss to net cash provided by operating activities		
Changes in operating assets and liabilities		
Decrease (increase) in :		
Other current assets	(30,361)	(44,188)
Increase (decrease) in :		
Accounts payable and accrued expenses	17,507	93,678
Net cash provided by operating activities	184	239
Interest Received	(456,366)	(418,909)
<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	350,000
Receipts of payment of subscription to capital stocks		
Net cash provided by (used in) financing activities	300,000	350,000
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(156,366)	(68,909)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		
	383,754	490,045
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
	₽ 227,388	₽ 421,136

**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, 2015, based on management's assessment, the outstanding balance of the Company's advances to a stockholder is not impaired, hence, no impairment loss is recognized.

**3. DEPOSIT FOR FUTURE STOCK INVESTMENT**

This account pertains to amount of deposits made in 2009 to Abacus Consolidated Resources Holdings, Inc. (Abacon) for the Company's and MSC's joint acquisition of Abacoal, pursuant to the Agreement for Joint Investment executed by the Company and Music Semiconductors Corporation (MSC) on September 24, 2008. This Agreement has already been amended on 21 May 2009 resulting in the assignment by MSC of all its rights to acquire Abacoal's shares of stock to the Company.

**4. ADVANCES FROM THIRD PARTIES**

On May 31, 2009, the Company and Oriental Vision Mining Corporation (Oriental) entered into a MOA whereby Oriental will undertake exploration and development of a 7,000-hectare coal property in Surigao del Sur owned by Abacoal. Under the MOA, Oriental paid the Company ₱25 million 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. To date, balance of the deposit amounts to ₱ 3,049.

**5. 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) and payroll related expenses. This is composed of legal fees, stock transfer agent fees and government statutory obligations like withholding taxes, SSS, Phil health and HDMF.

## **6. 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 April 18, 2012, the Board of Directors approved the increase in authorized capital stock from One Hundred Million Pesos (₱ 100,000,000.00) divided into One Billion shares at Ten Centavos (₱ 0.10) per share to Three Hundred Million Pesos (₱300,000,000.00) divided into Three Billion (3,000,000,000) shares at Ten Centavos (₱ 0.10) per share. This shall be the capital increase which will be undertaken per the approval of the shareholders during the 17 December 2009 stockholders' meeting. A total of Five Hundred Million shares will be subscribed via private placement at the subscription price of Seventy Centavos (₱ 0.70) per share.

## **7. 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.

### **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.

	<u>March 31, 2015</u>	<u>2014</u>
Cash	P      227,388	P      383,754
Advances to a stockholder	<u>2,157,076</u>	<u>2,457,076</u>
	<b>P      2,384,464</b>	<b>P      2,840,830</b>

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 P0.5 million for every depositor per banking institution. The amount of cash on hand excluded from this insurance to PDIC amounted to P5,000 in both years.

#### *(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.

### ***4.2 Liquidity Risk***

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

As at March 31, 2015 and December 31, 2014, the Company's financial liabilities having contractual maturities of less than twelve months are presented below.

March 31, 2015    December 31, 2014

Accounts payable and accrued expenses (excluding tax-related liabilities)	P      795,759	P      699,439
Advances from third parties	11      3,049	3,049
	<b>P      798,808</b>	<b>P      702,488</b>

## 8. 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, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	<b>P227,388</b>	<b>P227,388</b>	P383,754	P383,754
Advances to stockholder	<b>2,157,076</b>	<b>2,157,076</b>	2,457,076	2,457,076
	<b>P2,384,464</b>	<b>P2,384,464</b>	P2,480,830	P2,480,830

	March 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Liabilities</b>				
Other financial liabilities:				
Accounts payable and accrued expenses (*)	<b>P795,759</b>	<b>P795,759</b>	P699,439	P699,439
Advances from third parties	<b>3,049</b>	<b>3,049</b>	3,049	3,049
	<b>P798,808</b>	<b>P798,808</b>	P702,488	P702,488

(\*) Net of taxes

### Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and 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,
- © 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, 2015 and December 31, 2014.

## 9. 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.

## 10. COMPLIANCE WITH SEC MEMORANDUM CIRCULAR No. 3, Series of 2012

PFRS9, *Financial Instruments: Classification and Measurement* (effective from January 1, 2015). This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace PAS 39 in its entirety. This chapter deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangement, does not require separation from the host contract.

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

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

The Company does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. Based on Management's current assessment, this standard has no significant impact to the Company's financial statement except for potential reclassification of fair value gain (losses) on available-for-sale financial assets recorded in other comprehensive income to profit or loss. The Company will continue to assess the possible effect of this standard considering the impact of all changes until its implementation in 2015.

# ANNEX 'D'

SEC Registration Number

5	4	1	0	6								
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Company Name

L	O	A	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	E	E	T	O	N	S	T	R	E	E	T	,	c	o	r	n	e	r	S	H	A	W	B	O	U
L	E	V	A	R	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			

Department requiring the report

Secondary License Type, If Applicable

1	7	-	Q	2
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C	R	M	
---	---	---	--

N	/	A	
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## COMPANY INFORMATION

Company's Email Address

Company's Telephone Number/s

Mobile Number

Not Applicable
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(632)920-9306
---------------

Not Applicable
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No. of Stockholders

Annual Meeting  
Month/Day

Year/Month/Day

59
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2 <sup>nd</sup> Wednesday of May
----------------------------------

2015/06/30
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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@my destiny.net
--

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

Not Applicable
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Contact Person's Address

45 South Maya, Philam Homes, Quezon 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-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, 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**
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** **1555**  
Address of principal office 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**

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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.

On April 12, 2011, the Department of Energy approved the conversion of Coal Operating Contract 148 to Development and Production phase. The proposed 5-year work program of Abacus Coal Exploration and Development Corporation (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., subject to the following terms and conditions:

1. The COC for Exploration No. 148 is converted into COC for Development and Production effective 10 January 2010 for a period of ten (10) years, and should there be remaining mineable reserves, extendible for another ten (10) years and thereafter renewable for series of three (3) year periods not exceeding twelve (12) years under such terms and condition as may be agreed upon by the DOE and the Contractor.
2. The area subject of the COC for development and production shall cover seven (7) blocks.
3. Section IV, sub-paragraph 4.3 of COC for exploration shall be amended to provide for the development and production commitments.
4. The training component of the approved COC for development and production shall be ₱ 200,000.00 per year cumulative during the Development and Production Phase.
5. ABACOAL shall implement its, health, safety and environmental protection program as well as its emergency response program, as the need arises, as approved by the DOE.

Upon commencement of the operations of the Project and/or identification of other profitable Projects for the Company, the capital restructuring and fund raising activities approved by the Board of Directors and shareholders of the Company may be implemented.

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

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

On May 21, 2008, the Board of Directors approved resolutions authorizing the Company to amend the Agreement for Joint Investment dated September 24, 2008 between the Company and Music Semiconductors Corporation (MUSX). The subject amendment will result in the assignment to the Company of MUSX's 55% interest and participation in the Abacoal Investment subject to the payment of the following: (1) ₱12 million by way of reimbursement of expenses made by MUSX in the Abacoal

Investment upon the signing of the amendment; (2) a second tranche of ₱10 million by way of reimbursement of the remainder of expenses and payments made by MUSX, payable on or before December 31, 2009 or on such later date as may be agreed upon by the parties. The arrangement carried the option to convert this payment to equivalent number of new shares to be issued by the Company to MUSX based on the closing price of the Company's shares on the date of the exercise by MUSX of the option; LIHC likewise agreed to pay MUSX 0.25% of the gross coal price per ton based on FOB loaded to vessel, payable within five (5) days from receipt of payments by the Company therefore, as MUSX royalties during the first five years of operations. Advanced royalties may be agreed upon on a discounted basis depending on the initial operations of the Abacoal Investment.

Any and all payables and deliverables to MUSX of the Company has been settled on 21 February 2011, with the execution between the Company and MUSX of a document entitled Execution of Payment and Waiver. Simultaneously, the Company paid MUSX the amount of ₱ 10 million by way of full and final payment of any and all its obligations under the Amended Agreement. MUSX likewise waived in full any and all possible collectible from the Company resulting from the various Agreements, including but not limited to the percentage shares of MUSX in the sales / income of ABACOAL upon its operation.

On May 31, 2009, the Company executed a Memorandum of Agreement with Oriental Vision Mining Philippines Corp. to undertake exploration and development activities of the coal properties of ABACOAL over which the Company has an interest. Oriental Vision shall pay the Company a royalty fee of Eight Percent (8%) of gross coal price per ton based on FOB loaded to vessel payable within 45 days from receipt of payment by Oriental Vision.

On Nov 6, 2009, the Board of Directors during its special meeting approved the following:

1. Proposed reduction in the par value of the shares of stock of the Company from ₱1.00 to ₱0.10 per share, resulting in a stock split of ten shares for every one share issued. A share buy-back program was also adopted, which will depend on the Company's retained earnings and the market price of the Company's shares under such terms and conditions to be determined and set by the BOD.
2. Proposed increase in the authorized capital stock of the Company from ₱100.00 million divided into 100 million shares at ₱1.00 par value per share to ₱300.00 million divided into 3 billion shares at ₱0.10 par value per share.
3. Delegation to the Board of Directors of the power and authority to identify and secure equity investments from subscribers, implement share swaps, and undertake share issuances at such subscription price(s) and under terms and conditions to be determined by the Board with a waiver of the requirement to conduct a rights or public offering of the shares
4. Issuance of shares of stock from the proposed capital increase through preemptive stock rights offering. The preemptive 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 ₱0.10, representing the reduced par value of the shares at the expected time of the stock rights offering, or at ₱1.00 if the stock rights offering happen at the time prior to the reduction in the par value of the shares.

The above resolutions were subsequently ratified in the shareholders meeting of the Corporation held on December 2009.

Also, during the meeting of the Board of Directors on November 6, 2009, the Company and two investors executed Investment and Subscription Agreements to effect share issuances via private placement transactions. This was pursuant to the September 14, 2009, Board of Directors approval for issuance of shares by way of private placements in favor of its investors. Under agreed terms, LIHC agreed to issue one hundred million (100,000,000) LIHC shares out of the unissued and unsubscribed portion of its authorized capital stock at the price of Five hundred and five Centavos (₱0.505) per share or

a total consideration of Fifty Million Five Hundred Thousand (₱50,500,000.00) for the following business purposes:

- a) To enable the Company to pay its financial obligations to Abacus Consolidated Resources Holdings, Inc. (ABACON) constituting partial consideration for the purchase of 100% of the shares of Abacus Coal Exploration Development Corporation (ABACOAL) as provided under the Heads of Agreement that the Corporation executed with ABACON.
- b) To allow the Company to expand its investments
- c) To permit the Company to enter and finance new businesses
- d) For working capital and costs of the private placements

Further, at the same meeting, the Board of Directors discussed the implementation of the Stock Rights Offering in a planned capital increase. The SRO will enable qualified shareholders to purchase shares at better prices or even at the par value of ₱0.10 while giving the company an opportunity to offer and distribute more shares from said capital increase.

On November 3, 2010, ABACOAL and the Company further revised the terms of the Heads of Agreement. In the revised agreement, the Company shall acquire the Coal Property and all the other assets and liabilities of ABACOAL by and through a merger, with the Company as the surviving entity. By virtue of said merger, the Company shall issue 250,000,000 new common shares at a par value of ₱0.10 and an agreed issue value of ₱0.90 to ABACOAL. The Company undertakes to list the said shares with the PSE. These terms and conditions shall be incorporated in a Merger Agreement and Plan of Merger which ABACOAL and the Company agree to execute at the proper time. 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 ₱75.0 million, payable as follows:

- ₱30.0 million advance deposit on ABACOAL's participation due on September 24, 2008, June 1, 2009 and June 8, 2009;
- Amounts to be paid upon and to be taken from the sale of the first production of coal products from the Coal Property:
  - a. ₱20.0 million upon consummation of said first sale of coal products; and,
  - b. ₱25.0 million payable thirty days from consummation of said first sale of coal products.

In order for the Company to completely pursue its operational and compliance goals for the South Surigao Coal Project (SSCoal), the merger with Abacoal and the takeover of management of the project must be effected.

The approval of the Plan of Merger with ABACOAL was not submitted for approval by the shareholders during the scheduled December 2013 Annual Stockholders' Meeting due to lack of quorum to convene the meeting.

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 Company tried to have the Merger with ABACORE approved by its shareholders but the same was not achieved for lack of quorum during the Annual Shareholder's Meetings called for the last three(3) years.

**Management's Discussion and Analysis for the Interim Period Ended June 30, 2015 as compared with June 30, 2014:**

**Revenues**

The Company did not earn any revenue during the six-month period ended June 30, 2015 as it has not undertaken commercial operations.

**Operating Expenses**

Operating expenses decreased by ₦142 thousand or 18.5% from ₦ 768 thousand in June 2014 to ₦626 thousand in June 2015 due to lesser expenses incurred in connection with its investment in ABACOAL.

**Net Loss**

After deducting minimal interest income from regular savings account, the Company posted a net loss of ₦626 thousand for the period ended June 2015 which is 18.5% or ₦142 thousand lower as compared to net loss of ₦768 thousand for the same period in 2014.

**Material Changes to the Company's Income Statement as of June 30, 2015 as compared with June 30, 2014:**

As compared with the same period in 2014, the net effect of following expenses contributed to the decrease in operating expenses of ₦142 thousand:

1. Audit Fees – 40% or ₦ 96 thousand lower from ₦240 thousand in 2014 to ₦144 thousand in 2015
2. Salaries & Wages – 33% decrease in 2014 or ₦40 thousand lower
3. Personnel Cost – 21% or ₦23 thousand lower.

**Financial Condition**

The Company's Total Assets comprised of 14% of Current Assets and 86% Non-Current Assets. The Total Assets as of June 30, 2015 amounting to ₦43.18 million was 2.56% or ₦ 1.132 million lower than that of June 30, 2014, which amounted to ₦44.312 million. Total Assets in 2015 is comprised of ₦231 thousand Cash, ₦ 1.857 million advances to a stockholder, ₦37.0 million deposit made to Abacus Consolidated Resources Holdings, Inc. (Abacon) for the acquisition of 100% stake in Abacus Coal Exploration Development Corporation (Abacoal), input tax of ₦ 2.933 million, advances to supplier ₦ 1.156 million, and office equipment net of accumulated depreciation of ₦ 2 thousand.

The Company's Total Liabilities were comprised of accounts payable and advances from third parties. The Total Liabilities decreased by ₦ 684 thousand or 2087.87% from ₦32 thousand in June 2014 to ₦717 thousand in June 2015.

Stockholders' equity posted a 4.1% or ₦1.8 million decrease from ₦44.2 million in June 2014 to ₦42.462 million in June 2015.

**Material Changes to the Company's pro-forma Balance Sheet as of June 30, 2015 as compared with pro-forma Balance Sheet as of June 30, 2014 (increase/decrease of 2.56 % or more)**

26.1 % or ₦ 81 thousand decrease in Cash and cash equivalents from ₦ 313 thousand in June 2014 to ₦ 231 thousand in June 2015. The significant decrease is due to operating expenses.

100% or ₦ 1.1 million decrease in Advances to a stockholder due to partial collection of said shareholders' advances.

1.31% or ₦ 53 thousand increase in other current assets from ₦ 4.03 million in June 2014 to ₦4.09 million in June 2015. The increase is brought about by input taxes generated from professional fees and PSE annual membership fees.

2087.87% or ₦ 685 thousand increase in liabilities from ₦ 33 thousand in June 2014 to ₦717 thousand in June 2015 due to accrual of expenses.

1.88% or ₦ 1.817 million increase in deficit due to losses incurred during the period.

## **Key Performance Indicators**

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

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Current Ratio (1)	8.6x	222.75x
Quick Ratio (2)	0.32x	9.55 x
Debt-equity ratio (3)	0.016x	0.0007x
Book value per share (4)	0.06x	0.06x
Net Profit Margin (5)	NA	NA

### *(1) Current Assets / Current Liabilities*

June 2015    (₦ 6,178,680/₦ 717,735)  
 June 2014    (₦ 7,307,465/₦ 32,805)

### *(2) Cash / Current Liabilities*

June 2015    (₦ 231,575/₦ 717,735)  
 June 2014    (₦ 313,372/₦ 32,805)

### *(3) Debt / Equity*

June 2015    (₦717,735/₦42,462,888)  
 June 2014    (₦32,805/₦44,280,055)

### *(4) Equity /Subscribed Shares*

June 2015    (₦42,462,888/740,000,000)  
 June 2014    (₦44,280,055/740,000,000)

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>June 30, 2015</b>	<b>June 30, 2014</b>
Asset to equity ratio (1)	1.02x	1.00x
Interest Rate coverage ratio (2)	NA	NA
Gross Profit Margin (3)	NA	NA

*(1) Total Assets / Total Equity*

June 2015 ( $\text{P} 43,180,624/\text{P} 42,462,888$ )

June 2014 ( $\text{P} 44,312,860/\text{P} 44,280,055$ )

*(2) Income before Interest and Taxes / Interest Expense*

June 2015

June 2014

*(3) Gross Profit / Sales*

June 2015

June 2014

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.

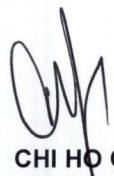
#### **PART II – OTHER INFORMATION**

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

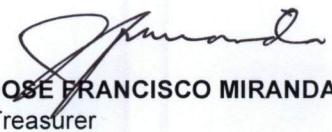
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in \_\_\_\_\_ on \_\_\_\_\_ 2015.

By:



CHI HO CO  
President

08/12/2015



JOSE FRANCISCO MIRANDA  
Treasurer

08/12/2015

LODESTAR INVESTMENT HOLDINGS CORPORATION  
STATEMENTS OF FINANCIAL POSITION

	Notes	Unaudited June 30, 2015	Audited Dec 31, 2014
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents		₽ 231,575	₽ 383,754
Advances to a stockholder	2	1,857,076	2,457,076
Other current assets		4,090,029	4,030,665
<b>Total Current Assets</b>		<b>6,178,679</b>	<b>6,871,495</b>
Non - current assets			
Deposit for future stock investment	3	37,000,000	37,000,000
Property and Equipment (net)		1,944	3,670
<b>Total Non-Current Assets</b>		<b>37,001,944</b>	<b>37,003,670</b>
		<b>₽ 43,180,623</b>	<b>₽ 43,875,165</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>			
Liabilities			
Accounts payable and accrued expenses	5	₽ 714,686	₽ 783,169
Advances from third parties	4	3,049	3,049
<b>Total Liabilities</b>		<b>717,735</b>	<b>786,218</b>
Stockholder's Equity			
Capital Stock - P0.10 par value	6	74,000,000	74,000,000
Additional Paid-In Capital	6	66,714,858	66,714,858
Deficit		(98,251,970)	(97,625,911)
<b>Total Stockholders' Equity</b>		<b>42,462,888</b>	<b>43,088,947</b>
		<b>₽ 43,180,623</b>	<b>₽ 43,875,165</b>

LODESTAR INVESTMENT HOLDINGS CORPORATION  
 STATEMENTS OF INCOME  
 (Unaudited)

	April 1 to June 30, 2015 (Three Months)	January 1 to June 30, 2015 (Six Months)	April 1 to June 30, 2014 (Three Months)	January 1 to June 30, 2014 (Six Months)
REVENUES	P			
EXPENSES		181,809	626,368	299,174
INCOME (LOSS) BEFORE OTHER LOSSES		(181,809)	(626,368)	(299,174)
INTEREST INCOME		126	309	170
NET INCOME (LOSS)	P	(181,683)	(626,059)	(299,004)
WEIGHTED AVE. NUMBER OF COMMON SHARES		740,000,000	740,000,000	740,000,000
Loss Per Share		(0.0002)	(0.001)	(0.0004)
				<u>(0.001)</u>

*Note: No dividends declared during the period*

LODESTAR INVESTMENT HOLDINGS CORPORATION  
STATEMENTS OF CHANGES IN EQUITY

	Unaudited June 30, 2015		Audited Dec. 31, 2014		Unaudited June 30, 2014		Audited Dec. 31, 2013	
<b>CAPITAL STOCK - ₦ 0.10 par value</b>								
Beginning Balance	₦	74,000,000	₦	74,000,000	₦	74,000,000	₦	74,000,000
Subscribed		-		-		-		-
Balance at end of period	₦	74,000,000	₦	74,000,000	₦	74,000,000	₦	74,000,000
<b>ADDITIONAL PAID-IN CAPITAL</b>								
Beginning Balance	₦	66,714,858	₦	66,714,858	₦	66,714,858	₦	66,714,858
Subscribed		-		-		-		-
Balance at end of period	₦	66,714,858	₦	66,714,858	₦	66,714,858	₦	66,714,858
<b>DEFICIT</b>								
Beginning Balance	₦	(97,625,911)	₦	(95,666,537)	₦	(95,666,537)	₦	(92,435,860)
Net Income (loss)		(626,059)		(1,959,374)		(768,266)		(3,230,677)
Balance at end of period	₦	(98,251,970)	₦	(97,625,911)	₦	(96,434,803)	₦	(95,666,537)
<b>STOCKHOLDERS' EQUITY, END</b>								
	₦	42,462,888	₦	43,088,947	₦	44,280,055	₦	45,048,321

LODESTAR INVESTMENT HOLDINGS CORPORATION  
STATEMENTS OF CASH FLOWS  
(Unaudited)

	April 1 to June 30, 2015 (Three Months)	Jan 1 to June 30, 2015 (Six Months)	April 1 to June 30, 2014 (Six Months)	Jan 1 to June 30, 2014 (Six Months)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax	₱ (181,683)	(626,059)	₱ (299,004)	(768,266)
Adjustment for:				
Realized FV loss on AFS				
Depreciation	863	1,726	863	1,726
Interest Income	(126)	(309)	(170)	(409)
Net loss before working capital changes	(180,946)	(624,642)	(298,311)	(766,949)
Adjustment to reconcile net loss to net cash provided by operating activities				
Changes in operating assets and liabilities				
Decrease (increase) in :				
Other current assets	(29,003)	(59,364)	(13,141)	(57,329)
Increase (decrease) in :				
Accounts payable and accrued expenses	(85,990)	(68,482)	(116,178)	(22,500)
Net cash provided by operating activities	(295,939)	(752,488)	(427,630)	(846,778)
Interest Received	126	309	170	409
Net cash from operating activities	(295,813)	(752,179)	(427,460)	(846,369)
<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	600,000	319,696	669,696
Receipts of payment of subscription to capital stocks				
Net cash provided by (used in) financing activities	300,000	600,000	319,696	669,696
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	4,187	(152,179)	(107,764)	(176,673)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>				
	227,388	383,754	421,136	490,045
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>				
	₱ 231,575	₱ 231,575	₱ 313,372	₱ 313,372

**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, 2015, based on management's assessment, the outstanding balance of the Company's advances to a stockholder is not impaired, hence, no impairment loss is recognized.

**3. DEPOSIT FOR FUTURE STOCK INVESTMENT**

This account pertains to amount of deposits made in 2009 to Abacus Consolidated Resources Holdings, Inc. (Abacon) for the Company's and MSC's joint acquisition of Abacoal, pursuant to the Agreement for Joint Investment executed by the Company and Music Semiconductors Corporation (MSC) on September 24, 2008. This Agreement has already been amended on 21 May 2009 resulting in the assignment by MSC of all its rights to acquire Abacoal's shares of stock to the Company.

**4. ADVANCES FROM THIRD PARTIES**

On May 31, 2009, the Company and Oriental Vision Mining Corporation (Oriental) entered into a MOA whereby Oriental will undertake exploration and development of a 7,000-hectare coal property in Surigao del Sur owned by Abacoal. Under the MOA, Oriental paid the Company ₱25 million 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. To date, balance of the deposit amounts to ₱ 714 thousand

**5. 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) and payroll related expenses. This is composed of legal fees, stock transfer agent fees and government statutory obligations like withholding taxes, SSS, Phil health and HDMF.

**6. 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 April 18, 2012, the Board of Directors approved the increase in authorized capital stock from One Hundred Million Pesos (₱ 100,000,000.00) divided into One Billion shares at Ten Centavos (₱ 0.10) per share to Three Hundred Million Pesos (₱300,000,000.00) divided into Three Billion (3,000,000,000) shares at Ten Centavos (₱ 0.10) per share. This shall be the capital increase which will be undertaken per the approval of the shareholders during the 17 December 2009 stockholders' meeting. A total of Five Hundred Million shares will be subscribed via private placement at the subscription price of Seventy Centavos (₱ 0.70) per share.

## 7. 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.

#### 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.

	<u>June 30, 2015</u>	<u>2014</u>
Cash	P      231,575	P      383,754
Advances to a stockholder	<u>1,857,076</u>	<u>2,457,076</u>
	<u>P      2,088,651</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 .

*(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 P5,000 in both years.

*(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.

#### **4.2 Liquidity Risk**

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

As at June 30, 2015 and December 31, 2014, the Company's financial liabilities having contractual maturities of less than twelve months are presented below.

June 30, 2015    December 31, 2014

Accounts payable and accrued expenses (excluding tax-related liabilities)		P	714,686	P	699,439
Advances from third parties	11		<u>3,049</u>		<u>3,049</u>
		P	<u>717,735</u>	P	<u>702,488</u>

## 8. 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, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	<b>P231,575</b>	<b>P231,575</b>	P383,754	P383,754
Advances to stockholder	<b>1,857,076</b>	<b>1,857,076</b>	2,457,076	2,457,076
	<b>P2,088,651</b>	<b>P2,088,651</b>	P2,480,830	P2,480,830

	June 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Liabilities</b>				
Other financial liabilities:				
Accounts payable and accrued expenses (*)	<b>P714,686</b>	<b>P714,686</b>	P699,439	P699,439
Advances from third parties	<b>3,049</b>	<b>3,049</b>	3,049	3,049
	<b>P717,735</b>	<b>P717,735</b>	P702,488	P702,488

(\*) Net of taxes

### Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and 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,
- © 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, 2015 and December 31, 2014.

## **9. 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.

## **10. COMPLIANCE WITH SEC MEMORANDUM CIRCULAR No. 3, Series of 2012**

PFRS9, *Financial Instruments: Classification and Measurement* ( effective from January 1, 2015). This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace PAS 39 in its entirety. This chapter deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangement, does not require separation from the host contract.

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

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

The Company does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. Based on Management's current assessment, this standard has no significant impact to the Company's financial statement except for potential reclassification of fair value gain (losses) on available-for-sale financial assets recorded in other comprehensive income to profit or loss. The Company will continue to assess the possible effect of this standard considering the impact of all changes until its implementation in 2015.

**LODESTAR INVESTMENT HOLDINGS CORPORATION**

7th Floor, Peaksun Bldg., Princeton Street corner Shaw Blvd., Mandaluyong City

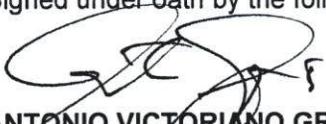
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The management of **Lodestar Investment Holdings Corporation** is responsible for the preparation and fair presentation of the financial statements as of **December 31, 2013 and 2012**, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility 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 consolidated financial statements and submit 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

  
**JOSE FRANCISCO MIRANDA**  
 Chief Financial Officer

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of April 2014 affiants exhibiting to me

<u>Name</u>	<u>ID No.</u>
Antonio V.F. Gregorio III	TIN 201-897-602
Chi Ho Co	TIN 167-858-435
Jose Franciso Miranda	TIN 291-271-321

Doc. No. 45 :  
 Page No. 17 :  
 Book No. 28 :  
 Series of 2014

*Tom F. Dulay Jr.*  
**ATTY. TOMAS F. DULAY JR.**  
 Notary Public  
 UNTIL DEC. 31, 2015  
 PTR NO. 0042500 / 01-02-14 / Q.C.  
 IPP NO. 016078 / G.Y.2014 / Q.C.  
 ROLL NO. 10503 / 03-13-1961  
 MCLE EXEMPTED NO. 00083

APR 11 2014



# Punongbayan & Araullo

An instinct for growth™

## Report of Independent Auditors

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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**

### Report on the Financial Statements

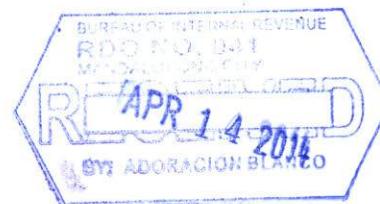
We have audited the accompanying financial statements of Lodestar Investment Holdings Corporation which comprise the statements of financial position as at December 31, 2013 and 2012, and statements of profit or loss, the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

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

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

#### *Auditors' Responsibility*

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





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

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

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lodestar Investment Holdings Corporation as at December 31, 2013 and 2012, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2013 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 P3,230,677 P20,040,221 and P4,217,437 for the years ended December 31, 2013, 2012 and 2011, respectively, and has accumulated deficit of P95,666,537 and P92,435,860 as of December 31, 2013 and 2012, respectively. These conditions raise material uncertainty on the Company's ability to continue as a going concern entity. However, as discussed in Note 1, the Company is currently in the process of searching for possible mining opportunities. Moreover, the Company has a plan to enter into a merger with Abacus Coal Exploration and Development Corporation which the Company intends to finalize in 2014. 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.

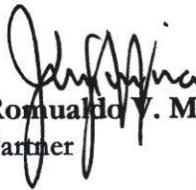




## Report on Other Legal and Regulatory Requirements

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, 2013 required by the Bureau of Internal Revenue as disclosed in Note 18 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## PUNONGBAYAN & ARAULLO

By:   
Romualdo V. Murcia III  
Partner

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TIN 906-174-059  
PTR No. 4225011, January 2, 2014, Makati City  
SEC Group A Accreditation  
Partner - No. 0628-AR-2 (until Sept. 5, 2016)  
Firm - No. 0002-FR-3 (until Jan. 18, 2015)  
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

April 11, 2014



**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

	Notes	<b>2013</b>	<b>2012</b>
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash	7	P <b>490,045</b>	P      3,406,425
Advances to a stockholder	12	<b>3,626,772</b>	4,076,772
Other current assets	9	<b>3,979,688</b>	<b>3,899,225</b>
Total Current Assets		<b><u>8,096,505</u></b>	<b><u>11,382,422</u></b>
<b>NON-CURRENT ASSETS</b>			
Deposit for future stock investment	10	<b>37,000,000</b>	37,000,000
Office furniture - net		<b><u>7,121</u></b>	<b><u>7,522</u></b>
Total Non-Current Assets		<b><u>37,007,121</u></b>	<b><u>37,007,522</u></b>
<b>TOTAL ASSETS</b>		<b><u>P      45,103,626</u></b>	<b><u>P      48,389,944</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses		P <b>52,256</b>	P      107,897
Advances from third parties	11	<b>3,049</b>	<b>3,049</b>
Total Current Liabilities		<b><u>55,305</u></b>	<b><u>110,946</u></b>
<b>EQUITY</b>			
Capital stock	13	<b>74,000,000</b>	74,000,000
Additional paid-in capital	13	<b>66,714,858</b>	66,714,858
Deficit		<b>( <u>95,666,537</u> )</b>	<b>( <u>92,435,860</u> )</b>
Total Equity		<b><u>45,048,321</u></b>	<b><u>48,278,998</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>P      45,103,626</u></b>	<b><u>P      48,389,944</u></b>

*See Notes to Financial Statements.*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF PROFIT OR LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011**  
*(Amounts in Philippine Pesos)*

	Notes	2013	2012	2011
	P	-	P	-
<b>REVENUE</b>				
EXPENSES				
Legal fees		<b>920,000</b>	830,000	915,000
Salaries and wages	12, 18	<b>627,815</b>	645,180	643,815
Professional fees		<b>621,156</b>	1,400,667	762,922
Representation		<b>411,342</b>	227,237	13,380
Membership dues		<b>250,000</b>	250,000	250,000
Directors' fees		<b>138,889</b>	116,667	35,000
Printing and office supplies		<b>102,399</b>	126,950	48,508
Transportation and travel		<b>59,683</b>	243,941	87,091
Taxes and licenses	18	<b>11,812</b>	11,604	13,273
Depreciation		<b>10,758</b>	30,090	22,567
Trustee fees		<b>-</b>	16,384	62,422
Management fees		<b>-</b>	<b>-</b>	1,200,000
Listing and other regulatory fees		<b>-</b>	<b>-</b>	61,200
Commission		<b>-</b>	187,364	<b>-</b>
Loss on sale of available-for sale financial assets	8	<b>-</b>	15,724,330	<b>-</b>
Others		<b>81,209</b>	<b>238,753</b>	<b>122,307</b>
		<b>3,235,063</b>	<b>20,049,167</b>	<b>4,237,485</b>
<b>OPERATING LOSS</b>		<b>3,235,063</b>	20,049,167	4,237,485
<b>INTEREST INCOME</b>	7	<b>5,483</b>	<b>11,183</b>	<b>25,060</b>
<b>LOSS BEFORE TAX</b>		<b>3,229,580</b>	20,037,984	4,212,425
<b>TAX EXPENSE</b>	15	<b>1,097</b>	<b>2,237</b>	<b>5,012</b>
<b>NET LOSS</b>		<b>P 3,230,677</b>	<b>P 20,040,221</b>	<b>P 4,217,437</b>
<b>LOSS PER SHARE</b>	14	<b>P 0.004</b>	<b>P 0.027</b>	<b>P 0.006</b>

*See Notes to Financial Statements.*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011**  
*(Amounts in Philippine Pesos)*

	Note	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>NET LOSS</b>		<b>(P 3,230,677)</b>	<b>(P 20,040,221)</b>	<b>(P 4,217,437)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Reclassification adjustment due to disposal of available-for-sale financial assets	8	-	9,278,628	-
Unrealized losses on available-for-sale financial assets		-	-	( 24,049,395 )
		<u>-</u>	<u>-</u>	<u>( 24,049,395 )</u>
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(P 3,230,677)</b>	<b>(P 10,761,593)</b>	<b>(P 28,266,832)</b>

*See Notes to Financial Statements.*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011**  
*(Amounts in Philippine Pesos)*

	Note	<u>Capital Stock</u>	<u>Additional Paid-in Capital</u>	<u>Revaluation Reserves</u>	<u>Deficit</u>	<u>Total</u>
Balance at January 1, 2013	13	P 74,000,000	P 66,714,858	P -	( P 92,435,860 )	P 48,278,998
Total comprehensive loss for the year		<u>-</u>	<u>-</u>	<u>-</u>	( <u>3,230,677</u> )	( <u>3,230,677</u> )
Balance at December 31, 2013		<b>P 74,000,000</b>	<b>P 66,714,858</b>	<b>P -</b>	<b>( P 95,666,537 )</b>	<b>P 45,048,321</b>
Balance at January 1, 2012	13	P 74,000,000	P 66,714,858	( P 9,278,628 )	( P 72,395,639 )	P 59,040,591
Total comprehensive loss for the year		<u>-</u>	<u>-</u>	<u>9,278,628</u>	<u>( 20,040,221 )</u>	<u>( 10,761,593 )</u>
Balance at December 31, 2012		<b>P 74,000,000</b>	<b>P 66,714,858</b>	<b>P -</b>	<b>( P 92,435,860 )</b>	<b>P 48,278,998</b>
Balance at January 1, 2011	13	P 66,500,000	P 36,339,858	P 14,770,767	( P 68,178,202 )	P 49,432,423
Paid up portion of subscribed capital stock		<u>7,500,000</u>	<u>30,375,000</u>	<u>-</u>	<u>-</u>	<u>37,875,000</u>
Total comprehensive loss for the year		<u>-</u>	<u>-</u>	<u>( 24,049,395 )</u>	<u>( 4,217,437 )</u>	<u>( 28,266,832 )</u>
Balance at December 31, 2011		<b>P 74,000,000</b>	<b>P 66,714,858</b>	<b>( P 9,278,628 )</b>	<b>( P 72,395,639 )</b>	<b>P 59,040,591</b>

*See Notes to Financial Statements.*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011**  
*(Amounts in Philippine Pesos)*

	Notes	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before tax		( P <b>3,229,580</b> )	( P      20,037,984 )	( P      4,212,425 )
Adjustments for:				
Depreciation		10,758	30,090	22,567
Interest income	7	( 5,483 )	( 11,183 )	( 25,060 )
Loss on sale of available-for-sale financial assets		<u>-</u>	<u>15,724,330</u>	<u>-</u>
Operating loss before working capital changes		( 3,224,305 )	( 4,294,747 )	( 4,214,918 )
Increase in other current assets		( 80,463 )	( 1,374,297 )	( 1,350,173 )
Decrease (increase) in advances to a stockholder	12	450,000	( 4,076,772 )	-
Decrease in accounts payable and accrued expenses		( 55,641 )	( 1,696,519 )	( 503,756 )
Decrease in advances from third parties		<u>-</u>	<u>( 1,083,209 )</u>	<u>( 11,667,657 )</u>
Cash used in operations		( 2,910,409 )	( 12,525,544 )	( 17,736,504 )
Interest received	7	5,483	11,183	25,060
Cash paid for final taxes	15	( 1,097 )	( 2,237 )	( 5,012 )
Net Cash Used in Operating Activities		<u>( 2,906,023 )</u>	<u>( 12,516,598 )</u>	<u>( 17,716,456 )</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of office furniture		( 10,357 )	-	( 60,179 )
Proceeds from sale of available-for-sale financial assets	8	-	14,333,898	-
Deposit for future stock investment	10	-	-	( 10,000,000 )
Acquisition of available-for-sale financial assets		<u>-</u>	<u>-</u>	<u>( 7,733,495 )</u>
Net Cash From (Used in) Investing Activities		<u>( 10,357 )</u>	<u>14,333,898</u>	<u>( 17,793,674 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from subscribed capital stock	13	-	-	37,875,000
Repayments of advances from stockholders		<u>-</u>	<u>-</u>	<u>( 1,050,000 )</u>
Net Cash From Financing Activities		<u>-</u>	<u>-</u>	<u>36,825,000</u>
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>( 2,916,380 )</b>	1,817,300	1,314,870
<b>CASH AT BEGINNING OF YEAR</b>		<u>3,406,425</u>	<u>1,589,125</u>	<u>274,255</u>
<b>CASH AT END OF YEAR</b>		<b>P      490,045</b>	<b>P      3,406,425</b>	<b>P      1,589,125</b>

*See Notes to Financial Statements.*

**LODESTAR INVESTMENT HOLDINGS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013, 2012 AND 2011**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE MATTERS**

***1.1 Corporate Information***

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

The Company's registered office is located at 3rd Floor, Certeza Building, 795 EDSA, Diliman, Quezon City, while its 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 P3,230,677, P20,040,221 and P4,217,437 for the years ended December 31, 2013, 2012 and 2011, respectively, and has accumulated deficit of P95,666,537 and P92,435,860 as of December 31, 2013 and 2012, respectively. These conditions raise uncertainty on the Company's ability to continue as a going concern entity. However, the Company is currently in the process of searching for possible mining opportunities. Moreover, the Company has a plan to enter into a merger with Abacus Coal Exploration and Development Corporation (ABACOAL), which the Company intends to finalize in 2014 (see Note 16). 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 for the year ended December 31, 2013 (including the comparatives for the years ended December 31, 2012 and 2011) were authorized for issue by the Company's Audit Committee on April 11, 2014.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

## 2.2 Adoption of New and Amended PFRS

### (a) Effective in 2013 that are Relevant to the Company

In 2013, the Company adopted for the first time the following new PFRS, annual improvements and amendments thereto that are relevant to the Company and effective for financial statements for the annual periods beginning on or after July 1, 2012 or January 1, 2013:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
PAS 34 (Amendment)	:	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
PFRS 13 Annual Improvements	:	Fair Value Measurement
	:	Annual Improvements to PFRS (2009-2011 Cycle)

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

- (i) PAS 1 (Amendment), *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRSs: (a) will not be reclassified subsequently to profit or loss; and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The adoption of this amended standard has no significant impact on the Company's financial statements as the Company has no items of other comprehensive income during the year.
- (ii) PAS 34 (Amendment), *Interim Financial Reporting and Segment Information for Total Assets and Liabilities* (effective January 1, 2013). This standard clarifies the requirements on segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in paragraph 23 of IFRS 8, *Operating Segments*. It also clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (a) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; and, (b) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment. This amendment has no significant impact in the Company's financial statements as it has no segment reporting.

(iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's statement of financial position. This amendment did not have a significant impact on the Company's financial statements as the Company does not have relevant offsetting arrangements.

(iv) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This new standard clarifies the definition of fair value and provides guidance and enhanced disclosures about fair value measurements. The requirements under this standard do not extend the use of fair value accounting but provide guidance on how it should be applied to both financial instruments items and non-financial items for which other PFRS require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances. The amendment applies prospectively from annual period beginning January 1, 2013, hence, disclosure requirements need not be presented in the comparative information in the first year of application.

Other than the additional disclosures presented in Note 5, the application of this new standard had no significant impact on the amounts recognized in the financial statements.

- (v) 2009-2011 *Annual Improvements to PFRS*. Annual improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following are relevant to the Company:
- (a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the third statement of financial position are not required to be presented.

This amendment did not significantly impact the Company's financial statements as the Company has no restatement or reclassification of items that would require presentation of three comparative periods in its statement of financial position.

- (b) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distribution to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12, *Income Taxes*. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity. This amendment had no effect on the Company's financial statements as it has no distributions to holders of equity instruments in current and previous years.

(b) *Effective in 2013 that are not Relevant to the Company*

The following new PFRS, amendments, revisions, annual improvement and interpretation to PFRS are mandatory for accounting period beginning on or after January 1, 2013 but are not relevant to the Company's financial statements:

PAS 19 (Revised)	: Employee Benefits
PFRS 1 (Amendments)	: First-time Adoption of PFRS – Government Loans
Consolidation Standards	
PAS 27 (Revised)	: Separate Financial Statements
PAS 28 (Revised)	: Investments in Associates and Joint Ventures
PFRS 10	: Consolidated Financial Statements
PFRS 11	: Joint Arrangements
PFRS 12	: Disclosures of Interests in Other Entities
PFRS 10, 11 and 12 (Amendments)	: Amendments to PRFS 10, 11, and 12 – Transition Guidance to PFRS 10,11 and 12
Philippine Interpretation International Financial Reporting Interpretations Committee 20	: Stripping Costs in the Production Phase of a Surface Mine
Annual Improvement PFRS 1 (Amendment)	: First-time Adoption of PFRS – Repeated Application of PFRS 1 and Borrowing Costs

(c) *Effective Subsequent to 2013 but not Adopted Early*

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2013. Management has initially determined the following pronouncements, which the Company will apply in accordance with their transitional provisions, to be relevant to its financial statements:

- (i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Company does not expect this amendment to have a significant impact on its financial statements.
- (ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. Management will reflect in its subsequent years' financial statements the changes arising from this relief on disclosure requirements, if the impact of the amendment will be applicable.
- (iii) PFRS 9, *Financial Instruments: Classification and Measurement*. This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. The first phase of the standard was issued in November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement and recognition of financial assets and financial liabilities. It requires financial assets to be classified into two categories: amortized cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows that represent solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt instruments and equity instruments are measured at fair value. In addition, the PFRS 9 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 arrangement, does not require separation from the host contract.

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

In November 2013, the IASB has published amendments to International Financial Reporting Standard (IFRS) 9 that contain new chapter and 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. The amendment also now 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 in profit or loss. It also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9.

To date, the remaining chapter of IFRS 9/PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The Company does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of the Company and it plans to conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

- (iv) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Company but management does not expect a material impact on the Company's financial statements:

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

- (a) PAS 16 (Amendment), *Property, Plant and Equipment*. The amendments clarify that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- (b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should be disclosed in the financial statements, and not the amounts of compensation paid or payable by the key management entity to its employees or directors.
- (c) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment, through a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payable with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

*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 or PFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32.

### **2.3 Financial Assets**

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

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

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

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

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

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

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

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

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

#### ***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 entity and the asset has a cost or value that can be measured reliably.

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

## ***2.6 Office Furniture***

Office furniture is stated at cost less accumulated depreciation and any impairment in value, if any.

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than the estimated recoverable amount (see Note 2.11).

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

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

## ***2.7 Financial Liabilities***

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

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

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

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. 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 liabilities are set-off and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

## ***2.9 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 Expense Recognition***

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

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

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

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

The Company's deposit for future stock investment and office furniture 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.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

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

## ***2.12 Income Taxes***

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled 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 deferred tax 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 relate to 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.

Revaluation reserves pertain to the unrealized gains or losses arising from the revaluation of available-for-sale financial assets.

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

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

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

## ***2.16 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 to the financial statements.

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

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

### ***3.1 Critical Management 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 17.

### ***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***

Adequate amount of allowance for impairment is provided, where objective evidence of impairment exists. The Company evaluates this account based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the counterparty, the counterparty's current credit status, average age of accounts, collection experience and historical loss experience.

Based on management's assessment, there is no allowance for impairment losses required to be recognized on the Company's Advances to a Stockholder as at December 31, 2013 and 2012.

(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 assets to be utilized.

As of December 31, 2013 and 2012, the Company did not recognize its deferred tax asset arising from net operating loss carry-over (NOLCO) as the Company may not have sufficient taxable income against which the NOLCO can be applied (see Note 15).

(c) *Impairment of Non-financial Assets*

The Company's policy on estimating the impairment of non-financial assets is discussed in 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 these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on deposit for future stock investment and office furniture in 2013, 2012, and 2011.

## 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 relevant financial risks to which the Company is exposed to are described below and in the succeeding pages.

### 4.1 *Interest Rate Risk*

At December 31, 2013 and 2012, the Company is exposed to changes in market interest rates through its cash, which are subject to variable interest rates (see Note 7). All other financial assets and liabilities have fixed rates.

The table below illustrates the sensitivity of the Company's profit before tax and equity to a reasonably possible change in interest rates of +/- 1.70% and +/-1.53% in 2013 and 2012, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	2013		2012	
	+1.70	-1.70	+1.53	-1.54
Loss before tax	(P 842)	P 842	(P 52,130)	P 52,130
Equity	( 590)	590	( 41,704)	41,704

#### 4.2 Credit Risk

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

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

	Notes	2013	2012
Cash	7	P 490,405	P 3,406,425
Advances to a stockholder	12.1	<u>3,626,772</u>	<u>4,076,772</u>
		<u>P 4,117,177</u>	<u>P 7,483,197</u>

##### (a) Cash and Cash Equivalents

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 P5,000 in both years.

##### (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.

#### **4.3 Liquidity Risk**

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

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

	Note	<b>2013</b>		<b>2012</b>	
Accounts payable and accrued expenses*		<b>P</b>	<b>41,399</b>	P	33,138
Advances from third parties	11		<b>3,049</b>		<b>3,049</b>
		<b>P</b>	<b>44,448</b>	P	<b>36,187</b>

\*Excluding tax-related liabilities

#### **5. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND 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 liabilities presented in the statements of financial position are shown below.

	Notes	<b>2013</b>		<b>2012</b>	
		<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<b><i>Financial assets</i></b>					
Loans and receivables					
Cash	7	<b>P</b>	<b>490,405</b>	P	3,406,425
Advances to a stockholder	12.1		<b>3,626,772</b>		<b>4,076,772</b>
		<b>P</b>	<b>4,117,177</b>	P	<b>7,483,197</b>
<b><i>Financial liabilities</i></b>					
At amortized cost					
Accounts payable and accrued expenses		<b>P</b>	<b>41,399</b>	P	33,138
Advances from third parties	11		<b>3,049</b>		<b>3,049</b>
		<b>P</b>	<b>44,448</b>	P	<b>36,187</b>

See Notes 2.3 and 2.7 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 6.

## 5.2 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and 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 liability, 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 and financial 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 or liabilities measured at fair value as of December 31, 2013 and 2012. The Company's AFS financial assets were disposed in 2012.

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

The table below and in the succeeding page summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the 2013 statement of financial position but for which fair value is disclosed.

Notes	Fair Value Hierarchy As At December 31, 2013				
	Level 1	Level 2	Level 3	Total	
<b>Financial Assets</b>					
<i>Loans and receivables:</i>					
Cash	7	P 490,405	P -	P -	P 490,405
Advances to a stockholder	12.1	-	-	3,626,772	3,626,772
		<u>P 490,405</u>	<u>P -</u>	<u>P 3,626,772</u>	<u>P 4,117,177</u>

Note	Fair Value Hierarchy As At December 31, 2013				
	Level 1	Level 2	Level 3	Total	
<b><i>Financial Liabilities</i></b>					
<i>Financial liabilities at amortized cost:</i>					
Accounts payable and accrued expenses	P	-	P	-	P
Advances from third parties	11				41,399
					P 41,399
					3,049
					P 3,049
					<b>P 44,448</b>
					<b>P 44,448</b>

For cash, the fair value is included in Level 1 as the amount pertains to the quotation coming from the counterparty bank.

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 of December 31 follows:

	2013	2012
Total liabilities	P 55,305	P 110,946
Total equity	<b>45,048,321</b>	<b>48,278,998</b>
Debt-to-equity ratio	<b>0.001 : 1.00</b>	<b>0.002 : 1.00</b>

As discussed in Note 1.2, the Company is in the process of searching for other mining opportunities. Moreover, it has a plan to enter into a merger with ABACOAL where the Company shall acquire the coal property and all other assets and liabilities of ABACOAL (see Note 16).

## 7. CASH

The Company's cash comprises cash in banks which generally earn interest at rates based on daily bank deposit rates. Total interest income earned arising from these deposits amounted to P5,483, P11,183 and P25,060 in 2013, 2012 and 2011, respectively, and are presented as Interest Income in the statements of profit or loss.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

## 9. OTHER CURRENT ASSETS

This account is composed of the following:

	Note		2013		2012
Input value added tax (VAT)	18.1(b)	P	<b>2,803,806</b>	P	2,730,222
Advances to contractor			<b>1,103,520</b>		1,103,520
Others			<b>72,362</b>		65,483
		P	<b>3,979,688</b>	P	<b>3,899,225</b>

Advances to a contractor pertain to cash advances made to a certain contractor in 2012 in relation to a survey of a prospect coal project. These remained outstanding as of December 31, 2013 and 2012 as there was no progress in the project as of those dates.

## 10. DEPOSIT FOR FUTURE STOCK INVESTMENT

This account pertains to amount of deposits made in 2009 to Abacus Consolidated Resources Holdings, Inc. (ACRHI) for the Company's 100% acquisition of ABACOAL, pursuant to the Agreement for Joint Investment executed by the Company and Music Semiconductors Corporation (MSC) on September 24, 2008 with certain amendments made on May 21, 2009 for the joint purchase by the Company and MSC of the 100% of the outstanding and issued shares of ABACOAL held by ACRHI (see Note 16). As of December 31, 2013 and 2012, the deposit for future stock investment amounted to P37,000,000.

As of December 31, 2013 and 2012, the foregoing Agreement is still valid and binding between both parties (see Note 16.1). Moreover, management had determined that the amount carried in the statements of financial position is fully recoverable, hence, no impairment loss is recognized as of those dates.

## 11. ADVANCES FROM THIRD PARTIES

On May 31, 2009, the Company and Oriental Vision Mining Philippines Corporation (Orvi) entered into a Memorandum of Agreement (MOA) whereby Orvi will undertake exploration and development of a 7,000-hectare coal property in Surigao del Sur owned by ABACOAL. Under the MOA, Orvi shall have the right to explore, develop and operate the subject coal property in exchange for royalty fee at 8% of gross price per ton of any coal to be mined in the property. In addition, Orvi paid the Company P25,000,000 representing reimbursement of the Company's advances made and to be made to third parties related to the initial exploration and development of the coal property. Any settlement in excess of the P25,000,000 shall be collectible from Orvi and any excess of the P25,000,000 over the settlement made shall be payable to Orvi. In 2012, the Company spent P1,083,209 (nil in 2013) in relation to the MOA, and charged the same to the Advances from Third Parties account. The remaining outstanding liability as of December 31, 2013 and 2012 amounted to P3,049 and are shown as Advances from Third Parties in the statements of financial position.

## 12. RELATED PARTY TRANSACTIONS

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

### *12.1 Advances to a Stockholder*

In 2013 and 2012, the Company granted non-interest bearing advances to a stockholder for working capital purposes. The advances to the stockholder are unsecured and are due and demandable anytime. These advances are generally settled in cash.

The movements in the balance of advances to a stockholder, shown as Advances to a Stockholder account in the statements of financial position as of December 31, are as follows:

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	P 4,076,772	P -
Additions	-	24,069,208
Collections	( 450,000)	( 19,992,436)
Balance at end of year	<u>P 3,626,772</u>	<u>P 4,076,772</u>

Collections in 2012 include assumption of the stockholder of the Company's liabilities to certain third party totaling P1,721,890.

Based on management's assessment, the outstanding balance of the Company's advances to a stockholder is not impaired as at December 31, 2013 and 2012, hence, no impairment loss is recognized during those years.

### ***12.2 Legal Services***

Legal services rendered by certain officers of the Company under the officers' law firm amounted to P920,000 in 2013, P780,000 in 2012 and P915,000 in 2011 and is presented as part of Legal Fees in the statements of profit or loss. There are no outstanding balance related to these transactions on those years.

### ***12.3 Key Management Personnel Compensation***

Key management personnel compensation amounted to P598,400 in 2013 and P626,600 in both 2012 and 2011 and is presented as part of Salaries and Wages under Expenses in the statements of profit or loss.

## **13. CAPITAL STOCK**

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

	Number of Shares			Amount		
	2013	2012	2011	2013	2012	2011
Authorized- P0.10 par value per share in 2013, 2012 and 2011	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>100,000,000</u>	<u>P 100,000,000</u>	<u>P 100,000,000</u>	<u>P 100,000,000</u>
Issued and outstanding:						
Issued:						
Balance at beginning						
of year	<u>740,000,000</u>	<u>740,000,000</u>	<u>665,000,000</u>	<u>P 74,000,000</u>	<u>P 74,000,000</u>	<u>P 66,500,000</u>
Issued during the year	<u>-</u>	<u>-</u>	<u>75,000,000</u>	<u>-</u>	<u>-</u>	<u>7,500,000</u>
Balance at end of year	<u>740,000,000</u>	<u>740,000,000</u>	<u>740,000,000</u>	<u>P 74,000,000</u>	<u>P 74,000,000</u>	<u>P 74,000,000</u>
Subscribed:						
Balance at beginning						
of year	<u>-</u>	<u>-</u>	<u>75,000,000</u>	<u>-</u>	<u>-</u>	<u>7,500,000</u>
Paid during the year	<u>-</u>	<u>-</u>	<u>( 75,000,000)</u>	<u>-</u>	<u>-</u>	<u>( 7,500,000)</u>
Balance at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total issued and outstanding	<u>740,000,000</u>	<u>740,000,000</u>	<u>740,000,000</u>	<u>P 74,000,000</u>	<u>P 74,000,000</u>	<u>P 74,000,000</u>

On May 26, 1989, the Philippine Securities and Exchange Commission (SEC) approved the listing of the Company's shares. As of December 31, 2013, 88.45% of the issued and outstanding shares are held by the public. Such listed shares closed at P0.63 per share as of December 27, 2013.

On November 6, 2009, the Company entered into another investment agreement with various investors whereas the investors agreed to subscribe by way of private placement of 10.0 million common shares of stock to be issued out of the unissued and unsubscribed portion of the authorized capital stock of the Company. The shares were subscribed at a price of P5.05 per share or for a total of P50.5 million, of which 25% or P12.6 million was initially paid in 2009. The transaction was approved by the BOD on September 14, 2009. The remaining amount of P37.9 million, which consists of par value and additional paid in capital of P7.5 million and P30.4 million, respectively, was fully paid in 2011.

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

The foregoing proposed transactions were approved by the Company's stockholders 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. As of December 31, 2013, the Company has yet to secure the approval of the SEC on the remaining transactions.

Further, in a meeting held on November 3, 2010, the BOD approved the proposed reduction in the par value of the shares of stock of the Company from P0.10 to P0.01 per share resulting in a stock split of ten shares for every one share owned. However, the reduction in par value has not been submitted to the SEC as of December 31, 2013.

#### 14. LOSS PER SHARE

Loss per share is computed as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net loss	P <b>3,230,677</b>	P    20,040,221	P    4,217,437
Divided by the weighted average number of outstanding common shares	<u>740,000,000</u>	<u>740,000,000</u>	<u>740,000,000</u>
Loss per share	<u>P      0.004</u>	<u>P       0.027</u>	<u>P       0.006</u>

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

## 15. INCOME TAXES

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

The Company has no RCIT or MCIT because of its taxable loss and gross loss position in each of the three years in the period ended December 31, 2013.

The Company did not recognize any deferred tax asset from its NOLCO as of December 31, 2013 and 2012 since it is doubtful that the Company will have sufficient taxable profit against which the deferred tax assets can be utilized.

The amounts of unrecognized deferred tax assets as of December 31, 2013 and 2012 amounted to P3,270,975 and P5,728,610, respectively.

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

<u>Year Incurred</u>		<u>Original Amount</u>		<u>Expired Balance</u>		<u>Remaining Balance</u>	<u>Valid Until</u>
2013	P	2,684,832	P	-	P	2,684,832	2016
2012		3,980,933		-		3,980,933	2015
2011		4,237,485		-		4,237,485	2014
2010		10,876,950		10,876,950		-	2013
		<u>P 21,780,200</u>		<u>P 10,876,950</u>		<u>P 10,903,250</u>	

In 2013, 2012 and 2011, the Company opted to continue claiming itemized deductions.

## 16. AGREEMENT FOR JOINT INVESTMENT

### *16.1 Purchase of ABACOAL Shares*

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

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

(a) *Assignment of Investment Interests and Participation*

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

(b) *Consideration for the Assignment*

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

(1) P12.0 million upon signing of the Agreement as and by way of reimbursement of certain expenses and payments already made by MSC into the ABACOAL project; (2) P10.0 million on or before December 31, 2009, as and by way of reimbursement of the remainder of the expenses and payments already made and advanced by MSC into the Project; (3) One-fourth percent (0.25%) of the gross coal price per ton based on FOB loaded to vessel payable within 5 days from receipt of payment by the Company, as and by way of Royalties in the project. These royalty payments are payable only for the period of the first five years of the operations of the ABACOAL project. The P12.0 million and P10.0 million are recorded as part of Deposit for Future Stock Investment in the statements of financial position (see Note 9). Moreover, the Company made an additional deposit amounting to P5.0 million as part of the pending acquisition by the Company of ABACOAL.

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

As of December 31, 2013 and 2012, this Agreement is still valid and binding between both parties (see Note 10).

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

In addition to the foregoing, the Company shall have the exclusive right to create a Management Group to manage the development and production of the coal property to protect the interests of the parties therein (see Note 10).

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

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

As of December 31, 2013, the merger between the Company and ABACOAL is not yet executed and no payment has been made to ABACOAL; however, the above agreements are still binding.

## **17. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the financial statements. As of December 31, 2013, management believes that losses, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

**18. 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.

***18.1 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 2013, 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 2,730,222
Services lodged under operating expenses	<u>73,584</u>
Balance at end of year	P <u>2,803,806</u>

The balance of input VAT is presented as Input VAT under Other Current Assets account in the 2013 statement of financial position (see Note 9).

*(c) Taxes on Importation*

The Company did not incur or pay any customs duties and tariff fees as it did not have any importation in 2013.

*(d) Excise Tax*

The Company did not have any transaction in 2013 which is subject to excise tax.

*(e) Documentary Stamp Tax*

The Company had not paid or accrued documentary stamp tax in 2013.

(f) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2013 are shown below.

Expanded Compensation and benefits	P	145,218
	<u>          </u>	<u>126,964</u>
	P	<u>272,182</u>

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, 2013 follows:

Permits	P	8,612
Barangay clearance		2,000
Residence tax – basic and additional		700
Annual registration fee	<u>          </u>	<u>500</u>
	P	<u>11,812</u>

(h) *Deficiency Tax Assessment and Tax Cases*

As of December 31, 2013, 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.

**18.2 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 2013 statement of profit or loss.

(a) *Taxable Revenues*

The Company has no taxable revenue in 2013.

(b) *Deductible Cost of Services*

The Company has no deductible cost of services in 2013.

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

The Company has no taxable non-operating and other income in 2013.

(d) *Itemized Deductions*

The amounts of itemized deductions under the regular tax rate for the year ended December 31, 2013 are as follows:

Legal fees	P	920,000
Salaries and wages		627,815
Professional fees		621,156
Membership dues		250,000
Printing and office supplies		102,399
Transportation and travel		59,683
Taxes and licenses		11,812
Depreciation		10,758
Miscellaneous		<u>81,209</u>
	P	<u>2,684,832</u>

# LODESTAR INVESTMENT HOLDINGS CORPORATION

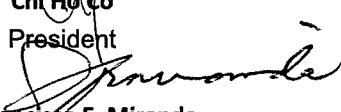
7<sup>th</sup> Floor Peaksun Bldg., Shaw Boulevard corner Princeton St., Mandaluyong City

## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

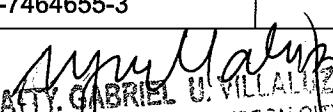
  
 Antonio Victoriano F. Gregorio III  
 Chairman  
  
  
 Chi Ho Co  
 President  
  
  
 Jose Francisco E. Miranda  
 Chief Financial Officer / Treasurer

06 NOV 2013

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

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

Doc No. 223  
 Page No. 11  
 Book No. 7  
 Series of 2013.

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



# Punongbayan & Araullo

An instinct for growth™

## Report of Independent Auditors

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

### Report on the Financial Statements

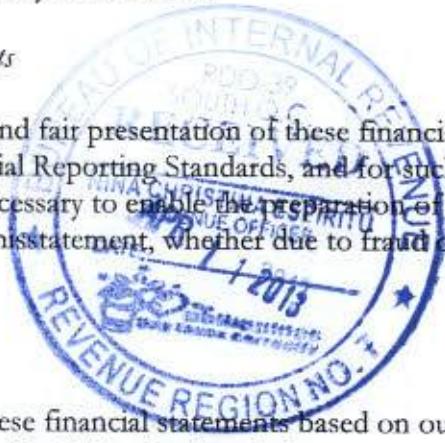
We have audited the accompanying financial statements of Lodestar Investment Holdings Corporation which comprise the statements of financial position as at December 31, 2012 and 2011, and statements of income, the statements of comprehensive income, statements of changes in equity and statements of cash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

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

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

#### *Auditors' Responsibility*

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



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

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

#### *Opinion*

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

#### *Emphasis of Matter*

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

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



### Report on Other Legal and Regulatory Requirements

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

### PUNONGBAYAN & ARAULLO

By:   
Romualdo V. Murcia III  
Partner

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

April 10, 2013



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

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

*See Notes to Financial Statements.*

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

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

*See Notes to Financial Statements*



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

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

*See Notes to Financial Statements.*



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

*See Notes to Financial Statements.*

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

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

*See Notes to Financial Statements.*

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

**1. CORPORATE MATTERS**

***1.1 Corporate Information***

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

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

***1.2 Status of Operations***

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

***1.3 Approval of Financial Statements***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Requirements for opening statement of financial position

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

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

- Requirements for additional comparative information beyond minimum requirements

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

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

### **2.3 Financial Assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ***2.5 Office Furniture***

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

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

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

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

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

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

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

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

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

## ***2.6 Financial Liabilities***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ***2.10 Income Taxes***

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

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

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

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

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

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

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

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

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

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

### ***2.12 Equity***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) *Impairment of Office Furniture*

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

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

#### 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

##### 4.1 *Market Risk*

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

*(a) Interest Rate Risk*

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

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

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

*(b) Other Price Risk*

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

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

#### **4.2 Credit Risk**

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

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

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

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

#### **4.3 Liquidity Risk**

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

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

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

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

### 5.1 Comparison of Carrying Amounts and Fair Values

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

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

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

### 5.2 Fair Value Hierarchy

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

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

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

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

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

## 6. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

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

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

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

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

## 7. CASH

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

## 8. AVAILABLE-FOR- SALE FINANCIAL ASSETS

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

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

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

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

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

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

## 9. OTHER CURRENT ASSETS

This account is composed of the following:

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

## 10. DEPOSIT FOR FUTURE STOCK INVESTMENT

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

## 11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of:

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

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

## 12. ADVANCES FROM THIRD PARTIES

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

### 13. RELATED PARTY TRANSACTIONS

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

#### *13.1 Advances to a Stockholder*

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

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

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

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

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

#### *13.2 Key Management Personnel Compensation*

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

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

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

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

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

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

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

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

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

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

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

## 15. LOSS PER SHARE

Loss per share is computed as follows:

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

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

## 16. INCOME TAXES

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

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

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

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

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

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

## 17. AGREEMENT FOR JOINT INVESTMENT

### 17.1 Purchase of ABACOAL Shares

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

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

(a) *Assignment of Investment Interests and Participation*

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

(b) *Consideration for the Assignment*

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

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

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

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

In addition to the foregoing, the Company shall have the exclusive right to create a Management Group to manage the development and production of the coal property to protect the interests of the parties therein (see Note 10).

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

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

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

## **18. COMMITMENTS AND CONTINGENCIES**

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

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

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

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

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

***(a) Output VAT***

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

***(b) Input VAT***

The movements in input VAT are summarized below.

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

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

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

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

***(d) Excise Tax***

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

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

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

(f) *Withholding Taxes*

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

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

The Company has no transaction subject to final withholding taxes.

(g) *Taxes and Licenses*

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

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

(h) *Deficiency Tax Assessment and Tax Cases*

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

**19.2 Requirements Under RR 19-2011**

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

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

(a) *Taxable Revenues*

The Company has no taxable revenues in 2012.

(b) *Deductible Cost of Services*

The Company has no deductible cost of services in 2012.

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

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

(d) *Itemized Deductions*

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

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

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

KNOW ALL MEN BY THESE PRESENTS:

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

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

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

-and-

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

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

WITNESSETH, That:

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

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

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

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

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

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

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

## **1. Cancellation of All Agreements**

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

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

## **2. Termination of Rights and Obligations**

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

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

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

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

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

**4. Non-Malevolence and No Fault**

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

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

ABACUS CONSOLIDATED  
RESOURCES HOLDINGS, INC.

By:

LEONARDO S. GAYAO  
President

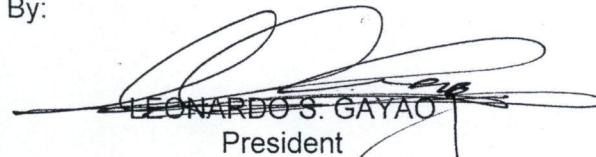
LODESTAR INVESTMENT HOLDINGS  
CORPORATION

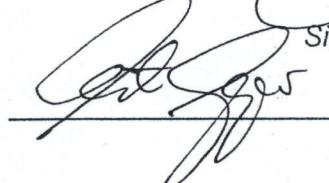
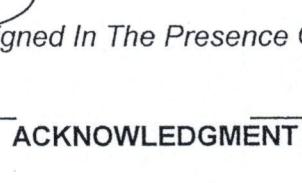
By:

CHI HO CO  
President

ABACUS COAL EXPLORATION &  
CORPORATION DEVELOPMENT  
CORPORATION

By:

  
LEONARDO S. GAYAO  
President

 Signed In The Presence Of   
 ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES )  
                                    )         S.S.

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

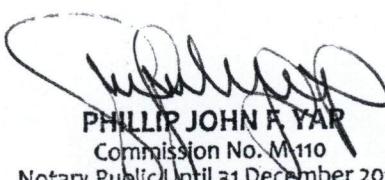
NAME	I.D.	EXPIRY
Leonardo S. Gayao	Passport No. EB6783300	11/18/2017
Chi Ho Co	Passport No. EB1845518	02/01/2016

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

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

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

NOTARY PUBLIC

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

## ANNEX 'A'

### HEADS OF AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

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

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

-and-

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

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

WITNESSETH, That:

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

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

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

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

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

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

**1. Sale and Purchase**

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

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

**2. Purchase Price**

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

**2.1. Cash Component**

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

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

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

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

**2.2. Stock Component**

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

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

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

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

### **3. Due Diligence**

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

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

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

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

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

### **4. Warranties**

**FIRST PARTY** warrants as follows:

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

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

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

#### **5. Closing**

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

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

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

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

#### **6. Shareholders' Approval**

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

#### **7. Termination**

This Agreement shall terminate upon:

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

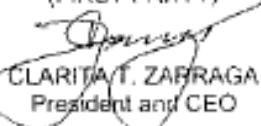
In the event of termination, FIRST PARTY shall, without need of court action and immediately upon written demand, reimburse any and all amounts paid by SECOND PARTY, with interest at the rate of twelve percent (12%) per annum.

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

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

ABACUS CONSOLIDATED  
RESOURCES HOLDINGS, INC.  
(FIRST PARTY)

By:

  
CLARITA T. ZARRAGA  
President and CEO

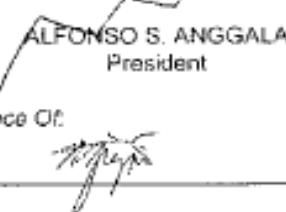
MUSIC SEMICONDUCTORS  
CORPORATION  
(SECOND PARTY)

By:

  
MICHAEL BURTON  
President

LODESTAR INVESTMENT HOLDINGS  
CORPORATION  
(SECOND PARTY)

By:

  
ALFONSO S. ANGGALA  
President

Signed In The Presence Of:

#### ACKNOWLEDGEMENT

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

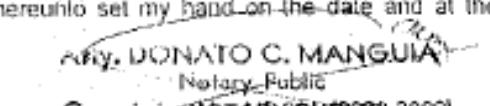
BEFORE ME, a Notary Public, for and in Quezon City, this 2 day  
of September, 2008, personally appeared the following:

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

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

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

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

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

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF ENERGY  
Taguig City  
Metro Manila

**COAL OPERATING CONTRACT**

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

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

and

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

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

WITNESSETH: That;

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

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

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

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

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

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

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

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X  
JMA  
X  
JMA  
X

## **SECTION I - SCOPE**

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

## **SECTION II - DEFINITIONS**

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

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

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

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

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

2.9 **Coal Operation** shall include:

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

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

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

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

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

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

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

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

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

### SECTION III - TERM

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

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

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

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

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

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

#### SECTION IV - WORK PROGRAM AND EXPENDITURES

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

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

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

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

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

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

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

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

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

#### SECTION V RIGHTS AND OBLIGATIONS OF THE PARTIES

- 5.1 The OPERATOR shall have the following obligations:

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

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

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

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

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

5.2 The OPERATOR shall have the following rights:

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

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

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

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

## SECTION VI

### RECOVERY OF OPERATING EXPENSES AND ACCOUNTING FOR PROCEEDS OF PRODUCTION

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

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

#### SECTION VII - PAYMENTS

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

#### SECTION VIII - ASSETS AND EQUIPMENT

*J. M. de la Torre*

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

#### SECTION IX EMPLOYMENT AND TRAINING OF FILIPINO PERSONNEL

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

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

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

#### SECTION X - TERMINATION

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

#### SECTION XI - BOOKS OF ACCOUNTS AND AUDIT

- 11.1 The OPERATOR shall be responsible for keeping complete books of accounts, reflecting all transactions in connection with Coal Operation in accordance with the Accounting Procedures attached hereto as Annex "B".
- 11.2 The DEPARTMENT shall have the right to inspect and audit the OPERATOR's books of accounts relating to this Contract for any Calendar Year within the twenty-four (24) months period following the end of each Calendar Year. Any such audit will be completed within twelve (12) months from the commencement of audit. Any exception must be made in writing within ninety (90) days following the completion of such an audit. If the DEPARTMENT fails to give



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

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

#### SECTION XII - OTHER PROVISIONS

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

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

To the GOVERNMENT -

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

To the OPERATOR -

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

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

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

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

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

12.4 Suspension of Obligations

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

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

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

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

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

#### SECTION XIII - EFFECTIVITY

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

#### SECTION XIV - VENUE OF JUDICIAL ACTION

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

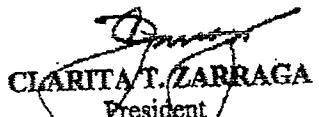
*[Handwritten signature]*

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

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

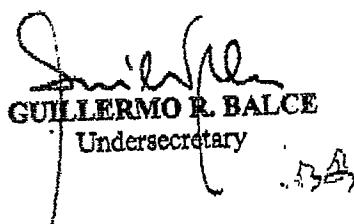
**ABACUS CONSOLIDATED RESOURCES  
AND HOLDINGS, INC.**

By:

  
**CLARITA T. ZARRAGA**  
President

**DEPARTMENT OF ENERGY**

By:

  
**GUILLERMO R. BALCE**  
Undersecretary



Republic of the Philippines  
**DEPARTMENT OF ENERGY**

ANNEX "A"

**ABACUS CONSOLIDATED RESOURCES & HOLDINGS, INC.**  
Technical Description

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

Parcel 1

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

Situated in the province of Surigao del Sur.

Bounded on all sides by free areas.

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

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

Parcel 2

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

Situated in the province of Surigao del Sur.

Bounded on all sides by free areas.

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

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

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

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

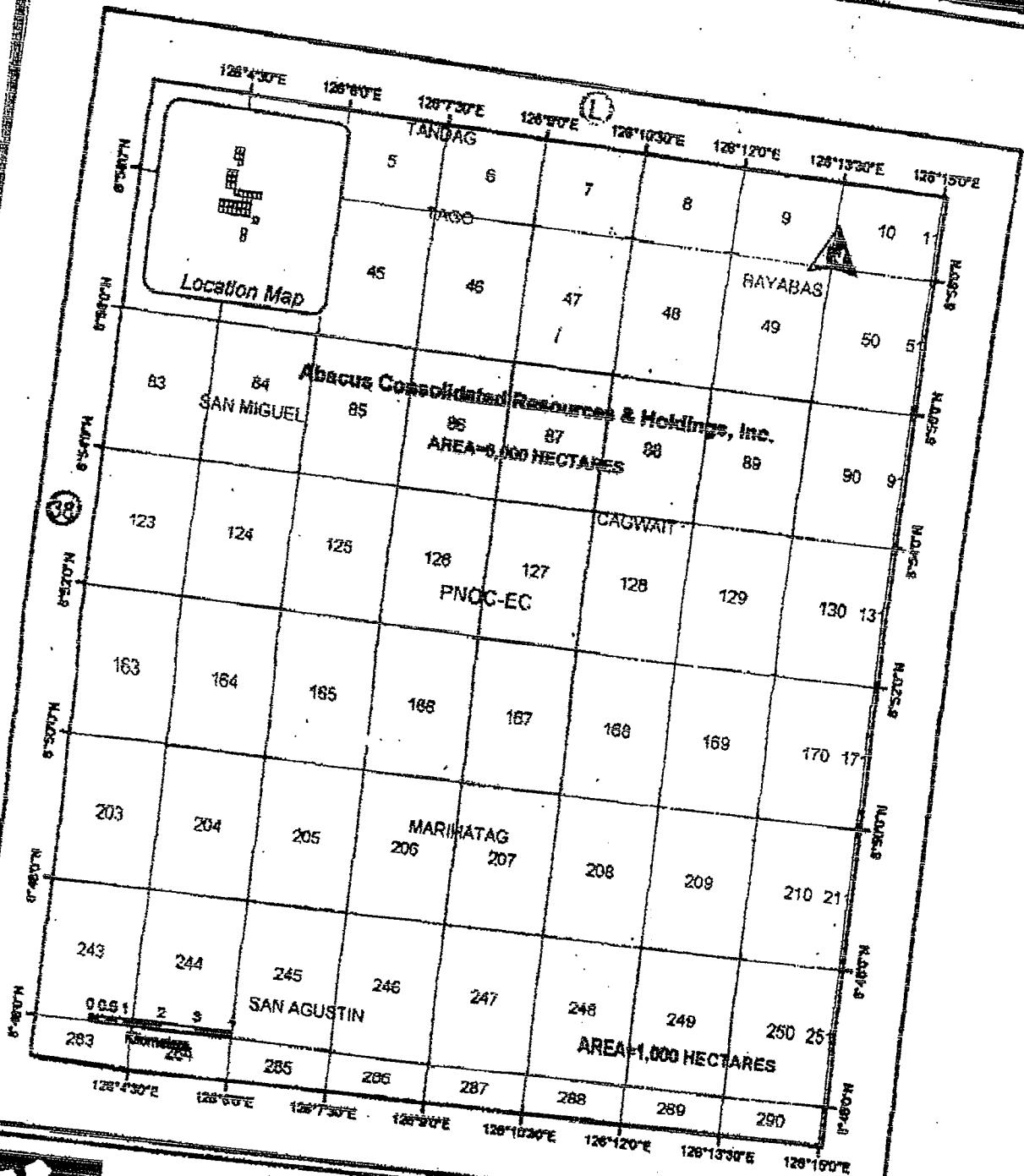
Subject to the provisions of PD 972, as amended, and BED Circular No. 81-11-10.

Prepared by:

*Fernannte B. Apoderado*  
Fernannte B. Apoderado  
Geodetic Engineer

*RAAP:MCUG*  
05/16/05

*JMC* *At J. M. C.*



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

GE: Natural Resources Atlas 1986

ORIGINAL SCALE: 1:500,000

DATUM: Luzon Datum 1971

DEPARTMENT OF ENERGY INFORMATION TECHNOLOGY & GOVERNMENT SERVICES	
PROPOSED BY:	PNA
LISTED BY:	ACB/RECD/JS
DATA SOURCE:	DP
LAW UPDATE:	07 MAY 2005
APPROVED BY:	PNP

PROJECTION: unprojected

ANNEX 'A-2'

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

KNOW ALL MEN BY THESE PRESENTS

This Deed of Assignment, made and executed by and between

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

-in favor of-

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

WITNESSETH, That -

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

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

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

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

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

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

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

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

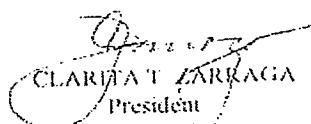
WHEREAS, the intention of the parties is that as a result of the assignment, exchange, the ASSIGNOR shall gain further control of the ASSIGNEE under the provisions of Sec. 406(e)(2) of the National Internal Revenue Code;

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

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

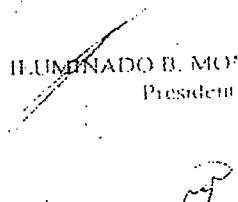
IN WITNESS WHEREOF, we have set our hands hereinbelow this day of  
SEP 23 2008, 2008, at Quezon City, Philippines.

ABACUS CONSOLIDATED  
RESOURCES & HOLDINGS, INC.  
By:

  
CLARITA TARRAGA  
President

ABACUS COAL EXPLORATION &  
DEVELOPMENT CORPORATION

By:

  
ILUMINADO B. MONTEMAYOR  
President

Signed in the presence of:

ACKNOWLEDGMENT

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

BEFORE ME, a Notary Public for and in  
following persons

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

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

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

Notary Public

Doc. No. 257

Page No. 80

Book No. Y

Series of 2008.

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



Republic of the Philippines  
DEPARTMENT OF ENERGY

December 14, 2009

MR. LEONARDO S. GAYAO

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

*Subject: Coal Operating Contract (COC) No. 148*

Dear Mr. Gayao:

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

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

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

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

Very truly yours

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

/mag  
Ltr-Gayao-AbacusCoal-COC148

**ANNEX 'A-3'**

22 May 2008

**ABACUS CONSOLIDATED RESOURCES AND HOLDINGS, INC**

28 N. Domingo St., New Manila  
Quezon City

Attention : **MS. CLARITA ZARRAGA**  
President

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

Gentlemen :

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

**Management Responsibility of Client**

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

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

**Responsibility of the Valuation Professional**

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

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

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

#### Prohibitions

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

#### Representations

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

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

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

Very truly yours,

CUERVO APPRAISERS, INC.

By:

*cole - alfao*  
CHARITO COLE ALFARO  
President



**Cuervo Appraisers**  
Asset Valuation Solutions

## NARRATIVE REPORT

### I. GENERAL PRINCIPLES GOVERNING THIS REPORT

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

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

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

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

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

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

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

#### A. Company Overview

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

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

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

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

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

#### B. Shareholders and Officers

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

Its Board of Directors consists of the following:

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

#### III. THE GEOLOGIC REVIEW BY ABACUS

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

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

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

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

#### IV. FINANCIAL ANALYSIS

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

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

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

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

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

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

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

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

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

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



**Cuervo Appraisers**  
Asset Valuation Solutions

## V. VALUATION

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

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

The general model for this purpose is:

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

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

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

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

ln = natural logarithm

S = current value of underlying asset

K = strike price of the option

t = life to expiration of the option

r = riskless interest rate

$\sigma_2$  = variance in the ln(value) of the underlying product

y = dividend yield

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

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

The value of the underlying resource was computed as follows:

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

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

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

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

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

#### V. CONCLUSION

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

STATEMENT OF CAPABILITY OF THE VALUATION PROFESSIONAL

CHARITO COLE-ALFARO

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

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

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

**AGREEMENT FOR JOINT INVESTMENT**

KNOW ALL MEN BY THESE PRESENTS:

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

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

-and-

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

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

WITNESSETH, That:

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

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

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

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

## **1. Investment Scheme and Sharing**

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

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

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

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

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

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

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

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

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

## 2. Appointment of Board of Directors of ABACOAL

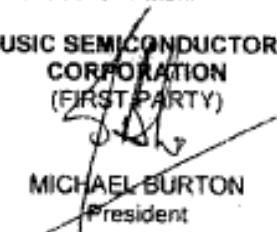
Upon purchase of ABACOAL, the Parties shall appoint members of the Board of Directors of ABACOAL in accordance with and reflective of their respective interests in the Project as described above, unless otherwise agreed upon. The PARTIES shall likewise appoint as many independent directors as may be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

## 3. Decisions after Due Diligence

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

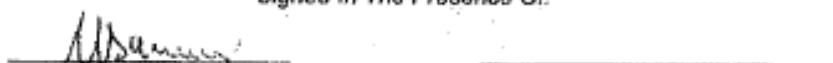
In the event of disagreement on whether or not to continue with the Project, the dissenting PARTY shall forfeit the remainder of its share in the Project in favor of the other PARTY. The dissenting PARTY shall, however, still keep any SHARE that said PARTY already invested and paid for into the Project,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

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

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

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

Signed In The Presence Of:



## ACKNOWLEDGEMENT

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

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

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

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

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

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

AMENDMENT TO AGREEMENT FOR JOINT INVESTMENT

KNOW ALL MEN BY THESE PRESENTS:

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

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

-and-

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

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

WITNESSETH, That:

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

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

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

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

1

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

**1. Assignment of Investment Interests and Participation**

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

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

**2. Consideration for Assignment**

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

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

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

### 3. Management Group

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

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

MUSX CORPORATION  
(FIRST PARTY)

By:

MICHAEL BURTON  
President

LODESTAR INVESTMENT HOLDINGS  
CORPORATION  
(SECOND PARTY)

By:

JERRY C. ANGPING  
President

Signed In The Presence Of:

### ACKNOWLEDGEMENT

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

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

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

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

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

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

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

## EXECUTION OF PAYMENT AND WAIVER

KNOW ALL MEN BY THESE PRESENTS:

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

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

-and-

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

FIRST and SECOND PARTIES are jointly referred to the PARTIES.

WITNESSETH, That:

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

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

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

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

## 1. Effecting Payment

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

## 2. Waiver and Acceptance of Payment

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

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

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

LODESTAR INVESTMENT HOLDINGS  
CORPORATION (SECOND PARTY)

*Signed In The Presence Of:*

**ACKNOWLEDGEMENT**

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

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

- Antonio L. Tiu
  - Richard N. Palou

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

Doc. No. 121  
Page No. 34  
Book No. 11.  
Series of 2011.

*John S. Hinanay Jr.*  
A notary public  
NOTARY PUBLIC  
NOTARY PUBLIC  
VALID DECEMBER 31/2012  
PER NG 4559347/MAR 3/2011/R/C  
PER NO. 80127314613-2011 R/C  
TIN NO. 125-652-659  
COMMISSION NO. 082 (2011-2012)  
MAIL ADDRESS: 12345 12345

## REVISED HEADS OF AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

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

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

  
-and-

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

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

WITNESSETH, That:

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

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

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

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

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





## **1. Merger and Acquisition**

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

## **2. Participation in Operating Revenues**

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

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

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

## **3. Warranties**

FIRST PARTY warrants as follows:

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



#### **4. Closing**

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

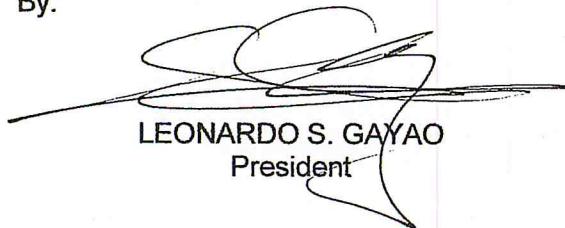
#### **5. Shareholders' Approval**

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

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

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

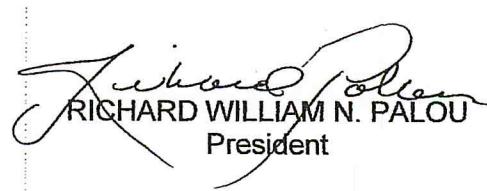
By:



LEONARDO S. GAYAO  
President

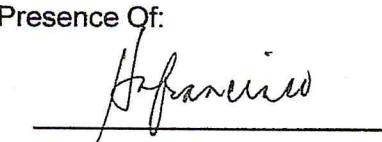
**LODESTAR INVESTMENT HOLDINGS  
CORPORATION  
(SECOND PARTY)**

By:



RICHARD WILLIAM N. PALOU  
President

Signed In The Presence Of:



#### **ACKNOWLEDGEMENT**

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

NOV 08 2010

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

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

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

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

Doc. No. 281  
Page No. 13  
Book No. X1A  
Series of 2010

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

*G. Johnson*

*[Handwritten signature]*

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

### CERTIFICATION OF INDEPENDENT DIRECTOR

I, FELIXES G. LATONERO, Filipino, of legal age, with address at 62 Xavierville Ave., Loyola Heights 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 2015-2016.
2. I am currently the President of Nontrad Advertising and FGL Modular Cabinet System, Inc.
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 22 2015**

Done this \_\_\_\_\_ day of \_\_\_\_\_ 2015 at Quezon City.

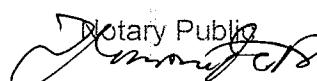


FELIXES G. LATONERO  
Affiant

**OCT 22 2015**

SUBSCRIBED AND SOWRN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2015,  
at Quezon City, affiant exhibiting to me his Driver's License No. N02-00-426715 expiring  
on 06/11/2017.

Doc No. 249  
Page No. Cef  
Book No. V  
Series of 2015.



Notary Public  
**ATTY. FLORIMOND C. ROUS**  
Notary Public for Quezon City  
Until DECEMBER 31, 2015  
PTR No. 0569712 / 01-05-15 / Q.C.  
IBP LIFETIME NO. 00316  
ROLL No. 25769 / TIN: 142-154-935  
MCLE 5 Comp-0001559; 1-22-2014

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.

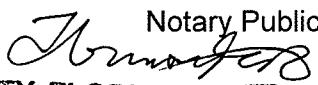
Done this \_\_\_\_\_ day of OCT 22 2015 2015 at QUEZON CITY

  
MANUEL G. ONG  
Affiant

OCT 22 2015

SUBSCRIBED AND SOWRN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2015,  
at QUEZON CITY, affiant exhibiting to me his Passport No. EB9053161 expiring on 3  
September 2018.

Doc No. 324  
Page No. 6  
Book No. V;  
Series of 2015.

  
Notary Public  
**ATTY. FLORIMOND C. ROUS**  
Notary Public for Quezon City  
Until DECEMBER 31, 2015  
PTR No. 0509712 / 01-05-16 / Q.C.  
ISP LIFETIME NO. 00315  
ROLL No. 25769 / TIN: 142-164-035  
MCLE 5 Comp-0001559; 1-22-2014

ANNEX I

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 22<sup>nd</sup> day of October 2015 at Quezon City.

  
VENUS L. GREGORIO

Affiant

OCT 22 2015

SUBSCRIBED AND SOWRN to before me this \_\_\_\_\_ day of October 2015, at Quezon City, affiant exhibiting to me her Passport No. EB2782656 expiring on 06.22.2016.

  
ATTY. FLORIMOND C. ROUS  
Notary Public for ~~Notary Public~~  
Until DECEMBER 31, 2015  
PTR No. 0569712 / Q.C.-05-15 / Q.C.  
IBP LIFETIME / TIN: 142-154-935  
ROLL No. 25769 / MCLE 5 Comp-0001559; 1-22-2014

Doc No. 391  
Page No. 6  
Book No. V  
Series of 2015.