



**Consolidated Resources & Holdings, Inc.**

No. 28 N. Domingo St., near corner Gilmore St., New Manila, Quezon City

Tel. Nos. 724-3759 / 725-7875 / 724-5055; Fax No. 724-3290

27 December 2011

**JANET A. ENCARNACION**

Head, Disclosure Department

The Philippine Stock Exchange, Inc.

3<sup>rd</sup> Floor Philippine Stock Exchange Plaza

Ayala Triangle, Ayala Avenue, Makati City

**Dear Ms. Encarnacion:**

We would like to inform you that our company, Abacus Consolidated Resources and Holdings, Inc. (ACRHI), has just executed a *Deed of Assignment of Mining Rights in Exchange for Shares of Stock* assigning its rights, title and interest in its gold tenements in Agusan del Sur and Surigao del Sur in favor of Abacus Goldmines Exploration and Development Corporation (ABAGOLD), a fully owned subsidiary of ACRHI.

We submit herewith further details on the said transaction:

- a) Copy of all agreements relevant to the transaction.

*Deed of Assignment of Mining Rights in Exchange for Shares of Stock* (Annex "A").

- b) Reason/purpose of and benefits expected from the transaction.

The transaction is preparatory to the entry of a joint venture partner, notably a Chinese Group with which the company has been in discussions. The assignment, together with the necessary procedure of estimating and appraising the mining rights, is expected to enable ACRHI to record a book income of approximately 300 Million Pesos.

- c) Terms and condition of the transaction

c.1. Number of shares to be issued by ABAGOLD and the aggregate issuing amount.

ABAGOLD will issue Two Hundred Ninety Million (290,000,000) new fully paid and non assessable common shares with a par value of One Peso (P1.00) per share with an aggregate issuing amount equivalent to Two Hundred Ninety Million Pesos (P290,000,000.00).

c.2 Basis upon which the value of the Contract was determined.

The gold mining rights have an estimated valuation exceeding the amount of Two Hundred Ninety Million Pesos (P290,000,000.00). The transaction price has been set on the basis of this presumptive or estimated valuation pending the completion of the final appraisal report by Cuervo Appraisers, Inc. We shall be submitting the appraisal report as soon as it becomes available.

c.3 Independent fairness opinion concerning the valuation of the Contract.

As stated above, this is still in process.

- d) Any material relationship between ACRHI and ABAGOLD, its directors, officers, or any of its affiliates.

ABAGOLD is a 100%-owned subsidiary of ACRHI.

e) Detailed background of ABAGOLD

e.1 Date of incorporation: 28 April 2008

Nature of business: operation and exploration of gold mines

e.2 Major projects and investments : None has been undertaken.

e.3 Capital structure

	Before	After (subject to SEC approval)
Authorized capital stock	₱40 million	P300 million
Issued and outstanding shares	10 million	300 million
Listed Shares	None	None
Par Value	₱1.00	P1.00

e.4 Subsidiaries and affiliates : None

e.5 Ownership structure

Principal Stockholders	Before			After (subject to SEC approval)		
	Amount in Pesos	No. Of share	%	Amount in Pesos	No. Of share	%
Abacus Consolidated Resources & Holdings, Inc.	₱9,999,993.00	9,999,993	99.99%	P299,999,993.00	299,999,993	99.99%
Juliano T. Lim	1.00	1	Less than 1.00%	1.00	1	Less than 1.00%
Leonardo S. Gayao	1.00	1	Less than 1.00%	1.00	1	Less than 1.00%

Jose V. Romero Jr.	1.00	1	Less than 1.00%	1.00	1	Less than 1.00%
Manuel A. De Leon	1.00	1	Less than 1.00%	1.00	1	Less than 1.00%
Joaquin E. San Diego	1.00	1	Less than 1.00%	1.00	1	Less than 1.00%
Jose L. Carlos Jr.	1.00	1	Less than 1.00%	1.00	1	Less than 1.00%
Martha R. Horrigan	1.00	1	Less than 1.00%	1.00	1	Less than 1.00%
TOTAL	₱10,000,000.00	10,000,000	100.00%	P300,000,000.00	300,000,000	100%

e.6 Board of Directors and principal officers

Leonardo S. Gayao	-	Director/Chairman
Juliano T. Lim	-	Director/President
Jose Revilla Reyes Jr.	-	VP-Finance
Jose L. Carlos Jr.	-	Director/Treasurer
Joaquin E. San Diego	-	Director/Corporate Secretary
Jose V. Romero Jr.	-	Director
Martha R. Horrigan	-	Director
Manuel A. De Leon	-	Director

e.7 Latest audited financial statements : enclosed

f) Timetable for the effectivity of the transaction. The deed is effective upon notarization. The issuance of ABAGOLD shares is subject to SEC approval which the company will be applying for within the month of January 2012.

g) Other relevant information: None

For the information of the Exchange, the Trading Participants and the investing public.

Very truly yours,

  
JOAQUIN E. SAN DIEGO  
Corporate Secretary

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

**ANNEX** cc A 2)

KNOW ALL MEN BY THESE PRESENTS:

This Deed of Assignment, made and executed by and between:

ABACUS CONSOLIDATED RESOURCES & HOLDINGS, INC., 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 Chairman of the Board, JOSE V. ROMERO, JR., hereinafter to be known as the "ASSIGNOR",

-in favor of -

ABACUS GOLDMINES 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 Chairman of the Board, LEONARDO S. GAYAO, hereinafter to be known as the "ASSIGNEE",

WITNESSETH: That -

WHEREAS, the ASSIGNOR is the owner of certain gold mining rights covered by Exploration Permit Application (EPA) No. 000028-XIII containing an area of 6,731.953 hectares located in Municipality of Barobo, Surigao del Sur and Municipalities of San Francisco and Rosario, Agusan del Sur;

WHEREAS, the aforesaid gold mining rights have an estimated valuation that exceeds the amount of Two Hundred Ninety Million Pesos (P290,000,000.00);

WHEREAS, the ASSIGNEE is a stock corporation with an authorized capital stock of Forty Million Pesos (P40,000,000.00) divided into Forty Million (40,000,000) shares with a par value of One Peso (P1.00), of which the amount of Ten Million Pesos (P10,000,000.00) has been subscribed and Two Million Five Hundred Thousand Pesos (P2,500,000.00) has been paid;

WHEREAS, the ASSIGNEE is increasing its authorized capital stock from Forty Million Pesos (P40,000,000.00) to Three Hundred Million Pesos (P300,000,000.00), or an increase of Two Hundred Sixty Million Pesos (P260,000,000.00);

WHEREAS, the ASSIGNEE has as its primary purpose the commercial operation and exploration of gold mines;

WHEREAS, the ASSIGNOR is willing to assign its gold mining rights described in the first whereas clause hereof in favor of the ASSIGNEE, and in exchange therefor the ASSIGNEE is willing to issue Two Hundred Ninety Million (290,000,000) new fully paid and non-assessable common shares with a par value of One Peso (P1.00) per share as follows:

-from the ASSIGNEE's existing capital stock, Thirty Million (30,000,000) shares

-from the increase in the ASSIGNEE's authorized capital stock from P40,000,000.00 to P300,000,000.00, Two Hundred Sixty Million (260,000,000) shares;

WHEREAS, the ASSIGNEE is willing to accept the assignment, exchange and conveyance of the gold mining rights of the ASSIGNOR in exchange for a total of Two Hundred



Ninety Million (290,000,000) new fully paid and non-assessable common shares of the ASSIGNEE with a par value of One Peso (₱1.00) per share;

WHEREAS, the intention of the parties is that as a result of this assignment and exchange, the ASSIGNOR shall gain further control of the ASSIGNEE, in accordance with the provisions of Sec. 40(c)(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 gold mining rights described in the first whereas clause hereof, with an estimated valuation exceeding the amount of Two Hundred Ninety Million Pesos (P290,000,000.00), in exchange for Two Hundred Ninety Million (290,000,000) new fully paid and non-assessable common shares of the ASSIGNEE, with a par value of One Peso (₱1.00) per share, subject to the following terms and conditions:

1. That the ASSIGNEE shall issue new shares of stock to the ASSIGNOR, as follows:
  - 1.1 Thirty Million (30,000,000) shares from the unsubscribed capital stock of the ASSIGNEE
  - 1.2 Two Hundred Sixty Million (260,000,000) shares from the increase in the ASSIGNEE's authorized capital stock from Forty Million Pesos (₱40,000,000.00) to Three Hundred Million Pesos (₱300,000,000.00);
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 ₱40,000,000.00 to ₱300,000,000.00;
3. That any expenses on the assignment of the ASSIGNOR's gold 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 the validity of this assignment shall be subject to the approval of the proper agencies of the Philippine government, including but not limited to the Securities and Exchange Commission.

DEC 27 2011

IN WITNESS WHEREOF, we have set our hands hereinbelow this \_\_\_\_\_, 2011, in Quezon City, Philippines.

ABACUS CONSOLIDATED  
RESOURCES & HOLDINGS, INC.

By:

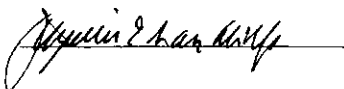
JOSE V. ROMERO, JR.  
Chairman of the Board

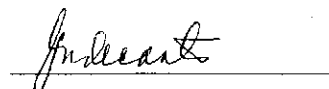
ABACUS GOLDMINES EXPLORATION  
& DEVELOPMENT CORPORATION

By:

LEONARDO S. GAYAO  
Chairman of the Board

Signed in the presence of:





ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)

QUEZON CITY ) S.S

BEFORE ME, a Notary Public for and in QUEZON CITY, this  
**DEC 27 2011**, 2011 personally appeared the following persons:

NAME	COMPETENT IDENTIFICATION	PARTICULARS
Jose V. Romero, Jr.	Passport No. UU0605266	Valid until Feb. 2, 2012
Leonardo S. Gayao	Passport No. XX0449982	Valid until Jan. 30, 2013

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 that they have been duly authorized by the corporations they represent.

WITNESS MY HAND AND SEAL.

ATTY. JOEL G. GORDOLA  
NOTARY PUBLIC  
JUDICIAL COMMISSION NO. NP-052  
COMMISSION EXPIRES DEC 31, 2011  
PTR NO. 4859910; 1/03/2011; Q.C.  
IBP NO. 774185; 1/12/2010; Q.C.  
ROLL OF ATTORNEY NO. 25103/

Doc. No. 441 ;

Page No. 97 ;

Book No. 57-0 ;

Series of 2011.

*[Handwritten signature]*

# COVER SHEET

C	S	2	0	0	8	0	6	3	6	4
---	---	---	---	---	---	---	---	---	---	---

S.E.C. Registration Number

A	B	A	C	U	S		G	O	L	D	M	I	N	E	S		E	X	P	L	O	R	A	T	I	O	N		
---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---	--	--

A	N	D		D	E	V	E	L	O	P	M	E	N	T		C	O	R	P	O	R	A	T	I	O	N			
---	---	---	--	---	---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---	--	--	--

( Company's Full Name )

N	O	.	2	8		N	.	D	O	M	I	N	G	O		S	T	.		N	E	W		M	A	N	I	L	A
---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	--	---	---	---	--	---	---	---	--	---	---	---	---	---	---

Q	U	E	Z	O	N		C	I	T	Y																			
---	---	---	---	---	---	--	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

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

ATTY. JOAQUIN E. SAN DIEGO

Contact Person

725-7875; 724-5055

Company Telephone Number

1	2
---	---

Month

3	1
---	---

Day

AFS '10

FORM TYPE

--	--

Month

--	--

Day

Annual Meeting

NA

Secondary License Type, If Applicable

--	--	--	--	--	--	--

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--

File Number

LCU

--	--	--	--	--	--	--	--	--	--

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

# ABACUS

## Goldmines Exploration & Development Corporation

No. 28 N. Domingo St., New Manila, Quezon City

Tel. Nos. 724-3759 / 725-7875 / 724-5055; Fax No. 724-3290

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

The management of **Abacus Goldmines Exploration & Development Corporation** is responsible for all information and representations contained in the financial statements for the year (s) ended December 31, 2010 and 2009. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

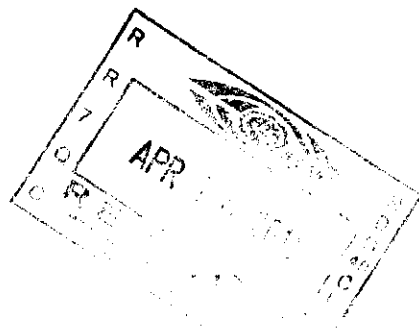
Valdes Abad & Associates, the independent auditors and appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to stockholders.



**JULIANO T. LIM**  
Chairman & President



**JOSE L. CARLOS, JR.**  
Treasurer





# Valdes Abad & Associates

(Formerly: Carlos J. Valdes & Associates)

certified public accountants

CJV Building 108 Aguirre  
Street, Legaspi Village,  
Makati City,  
Philippines

Branches:

Cebu and Davao

Phone: (632) 892-5931 to 35  
(632) 750-7563  
Fax: (632) 819-1468  
E-mail:  
valdes.abad.associates@gmail.com

BOA/PRC Reg. No. 0314  
SEC Accreditation No. 0024-FR-1



PARTNERING FOR SUCCESS

## INDEPENDENT AUDITOR'S REPORT

### The Board of Directors

#### **ABACUS GOLDMINES EXPLORATION AND DEVELOPMENT CORPORATION**

No. 28 N. Domingo St.

New Manila, Quezon City

### Report on the Financial Statements

We have audited the accompanying financial statements of **ABACUS GOLDMINES EXPLORATION AND DEVELOPMENT CORPORATION** which comprise the balance sheet as at December 31, 2010, and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements of **ABACUS GOLDMINES EXPLORATION AND DEVELOPMENT CORPORATION** as of December 31, 2009 were audited by another auditor whose report dated April 30, 2010 expressed an unqualified opinion on those statements.

### Management's Responsibility for the Financial Statements

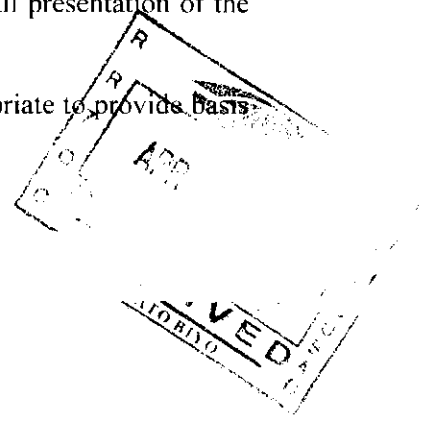
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 whether 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 misstatements 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 basis for our audit opinion.



## Opinion

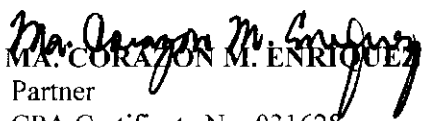
In our opinion, the financial statements present fairly, in all material respects, the financial position of **ABACUS GOLDMINES EXPLORATION AND DEVELOPMENT CORPORATION** as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

## Report on the Supplementary Information Required under Revenue Regulation 15 – 2010

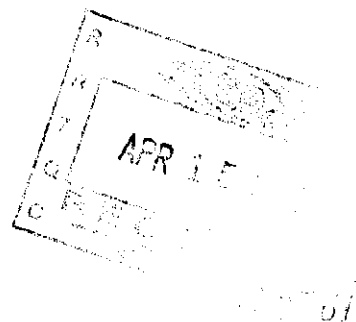
Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 13 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our 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.

**VALDES, ABAD & ASSOCIATES**

**For the firm:**

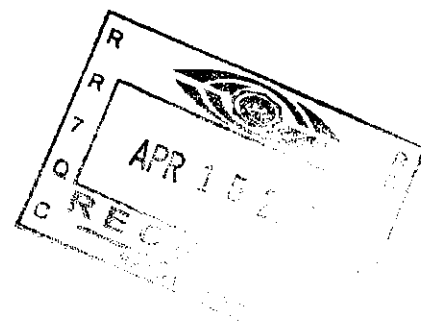
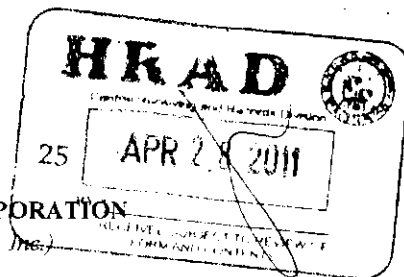
  
MA. CORAZON M. ENRIQUEZ  
Partner  
CPA Certificate No. 031628  
TIN 123 – 046 – 974  
PTR No. 2673576 – 1/10/2011  
PRC – BOA Reg. No. 0314  
SEC Accreditation No. 1081 - A  
BIR Accreditation No. 08 – 002126 – 2

Makati City, Philippines  
March 3, 2011



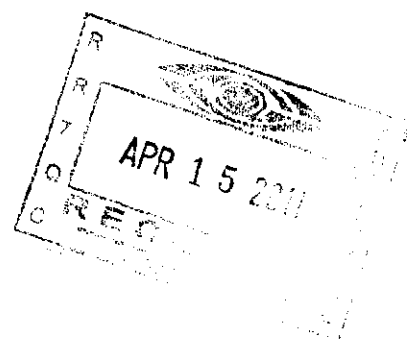
**ABACUS GOLDMINES EXPLORATION AND DEVELOPMENT CORPORATION***(A wholly-owned subsidiary of Abacus Consolidated Resources Holdings, Inc.)***STATEMENT OF FINANCIAL POSITION***(In Philippine Peso)**(With comparative figures for December 31, 2009)*

ASSETS	Notes	December 31,	
		2010	2009
CURRENT ASSETS			
Cash	4	69,065	51,558
Advances to related party	7	2,180,000	2,219,520
Total current assets		2,249,065	2,271,078
NON-CURRENT ASSETS			
Property and equipment, net	5	13,887	32,404
TOTAL ASSETS		2,262,953	2,303,482
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	6	34,845	18,300
EQUITY			
Share capital	8	2,500,000	2,500,000
Retained earnings		(271,892)	(214,818)
Total equity		2,228,108	2,285,182
TOTAL LIABILITIES AND EQUITY		2,262,953	2,303,482

*See Notes to Financial Statements*

**ABACUS GOLDMINES EXPLORATION AND DEVELOPMENT CORPORATION***(A wholly-owned subsidiary of Abacus Consolidated Resources Holdings, Inc.)***STATEMENT OF COMPREHENSIVE INCOME***(In Philippine Peso)**(With comparative figures for December 31, 2009)*

<b>For the Year Ended December 31,</b>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
<b>REVENUE</b>			
Interest income	4	464	259
<b>EXPENSES</b>			
Professional fees		32,200	18,300
Depreciation	5	18,516	18,516
Taxes and licenses		5,872	7,988
Representation		600	2,200
Travel and transportation		-	519
Miscellaneous		350	12,921
		57,538	60,444
<b>INCOME/ LOSS BEFORE INCOME TAX</b>		<b>(57,074)</b>	<b>(60,185)</b>
<b>BENEFIT FROM INCOME TAX</b>	9	-	-
<b>INCOME/ (LOSS) AFTER TAX</b>		<b>(57,074)</b>	<b>(60,185)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>NET COMPREHENSIVE LOSS</b>		<b>(57,074)</b>	<b>(60,185)</b>

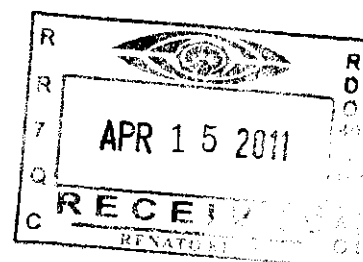
*See Notes to Financial Statements*

**ABACUS GOLDMINES EXPLORATION AND DEVELOPMENT CORPORATION**  
*(A wholly-owned subsidiary of Abacus Consolidated Resources Holdings, Inc.)*

**STATEMENT OF CHANGES IN EQUITY**  
*(In Philippine Peso)*  
*(With comparative figures for December 31, 2009)*

	<i>Notes</i>	<b>Capital Stock</b>	<b>Deficit</b>	<b>Total</b>
<b>BALANCE AS OF DECEMBER 31, 2008</b>	<b>8</b>	<b>2,500,000</b>	<b>(154,633)</b>	<b>2,345,367</b>
Issuance of shares of stock		-	-	-
Net comprehensive loss		-	(60,185)	(60,185)
<b>BALANCE AS OF DECEMBER 31, 2009</b>	<b>8</b>	<b>2,500,000</b>	<b>(214,818)</b>	<b>2,285,182</b>
Issuance of shares of stock		-	-	-
Net comprehensive loss		-	(57,074)	(57,074)
<b>BALANCE AS OF DECEMBER 31, 2010</b>		<b>2,500,000</b>	<b>(271,892)</b>	<b>2,228,108</b>

*See Notes to Financial Statements*



**ABACUS GOLDMINES EXPLORATION AND DEVELOPMENT CORPORATION***(A wholly-owned subsidiary of Abacus Consolidated Resources Holdings, Inc.)***STATEMENT OF CASH FLOWS***(In Philippine Peso)**(With comparative figures for December 31, 2009)*

<b>For the Year Ended December 31,</b>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income/ (loss) before income tax		(57,074)	(60,185)
Adjustments for:			
Depreciation	5	18,516	18,516
Interest income		(464)	(259)
Operating receipts before working capital changes		(39,022)	(41,928)
(Increase) decrease in:			
Advances to related party	7	39,520	10,000
Increase (decrease) in:			
Accounts payable and accrued expenses	6	16,545	-
Adjustment for:			
Interest income		464	259
Net cash from (used in) operating activities		17,507	(31,669)
<b>NET INCREASE IN CASH</b>		17,507	(31,669)
<b>CASH, BEGINNING</b>		51,558	83,227
<b>CASH, ENDING</b>		69,065	51,558

*See Notes to Financial Statements*

**ABACUS GOLDMINES EXPLORATION AND DEVELOPMENT CORPORATION**  
*(A Wholly-owned Subsidiary of Abacus Consolidated Resources and Holdings, Inc.)*

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

*(With comparative figures for December 31, 2009)*

<b>NOTE 1 – CORPORATE INFORMATION</b>
---------------------------------------

Abacus Goldmines Exploration and Development Corporation (the Company) is a domestic corporation that was incorporated in the Philippines on April 28, 2008. The Company is engaged to carry on the business of operating gold mines and of prospecting, exploration and of mining, milling, concentrating, converting, smelting, treating, refining, preparing for market, manufacturing, buying, selling, exchanging and otherwise, producing and dealing in all other kinds of ores, metals and minerals, hydrocarbon, acids and chemicals, and in the products and by-products of every kind and description and by whatsoever process, the same can be or may hereafter be produced; to purchase, lease, option, locate, or otherwise acquire, own, exchange, sell or otherwise dispose of pledge, mortgage, deed in trust, hypothecate and deal in mines, mining claims, mineral lands, gold lands, timber lands, water and water rights, and other property, both real and personal.

The Company is a wholly-owned subsidiary of Abacus Consolidated Resources and Holdings, Inc., a domestic corporation operating as an investment house.

The Company's registered office is at No. 28 N. Domingo Street, New Manila, Quezon City.

The Company has not started commercial operations as yet pending completion of the granting of exploration permit.

The company has no employee and is under professional management.

The financial statements of the Company for the year ended December 31, 2010 (including the comparatives for the year ended December 31, 2009) were authorized for issue by the Board of Directors (BOD) on March 3, 2011.

<b>NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>
--

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

**2.1 Basis of Preparation of Financial Statements**

**2.1.1 Statement of Compliance**

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 (FRDC) from the pronouncements issued by the International Accounting Standards Board (IASB). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations which have been approved by the FRSC and adopted by the Securities and Exchange Commission (SEC).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment in associate.

The preparation of financial statements, in conformity with PFRS, requires the use of certain critical accounting estimates. It also requires the management to exercise judgments in the process of applying accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 3.

### 2.1.2 Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency.

### 2.2 Adoption of revised and new standards

The Company has adopted and applied the following Philippine Accounting Standards.

PAS 1	Presentation of Financial Statements
PAS 7	Cash Flow Statements
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
PAS 10	Events after the Balance Sheet Date
PAS 16	Property, Plant and Equipment
PAS 18	Revenue
PAS 24	Related Party Disclosures
PAS 32	Financial Instruments: Presentation
PAS 36	Impairment of Assets
PAS 37	Provisions, Contingent Liabilities and Contingent Assets
PAS 39	Financial Instruments: Recognition and Measurement
PFRS 7	Financial Instruments: Disclosure

- *PAS 1 (Amendment), Presentation of Financial Statements (effective from January 1, 2010).* The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments. The Company will apply the amendment in its 2010 financial statements but expects to have no material impact in the Company's financial statements.
- *PAS 7 (Amendment), Statement of Cash Flows (effective from January 1, 2010).* The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. The amendment will not have a material impact on the financial statements since only recognized assets are classified by the Company as cash flow from investing activities.
- *PAS 8 (Amendment), Accounting Policies, Changes in Accounting Estimates and Errors.* The Standard requires retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It removes the allowed alternative in the previous version of IAS 8:
  - a) to include in profit or loss for the current period the adjustment resulting from changing an accounting policy or the amount of a correction of a prior period error; and
  - b) to present unchanged comparative information from financial statements of prior periods.
 As a result of the removal of the allowed alternative, comparative information for prior periods is presented as if new accounting policies had always been applied and prior period errors had never occurred.



- *PAS 10 (Amendment), Events after the Balance Sheet Date (effective from January 1 2005)* If an entity declares dividends to holders of equity instruments (as defined in IAS 32 *Financial Instruments: Presentation*) after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period. It also clarifies that if dividends are declared after the reporting period but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the end of the reporting period because no obligation exists at that time. Such dividends are disclosed in the notes in accordance with IAS 1 *Presentation of Financial Statements*.
- *PAS 16 (Amendment), Property, Plant and Equipment (and consequential amendment to PAS 7, "Statement of Cash Flows") (effective from January 1, 2009)*. Entities whose ordinary activities comprise of renting and subsequently selling assets should present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to PAS 7 states that cash flow arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The Company will apply PAS 16 (Amended) and provides the required disclosure where applicable.
- *PAS 18 (Amendment), Revenue (effective from January 1, 2010)*. The amendment provides guidance on determining whether an entity is acting as a principal or as an agent.
- *PAS 24 (Amendment), Related Party Disclosure (effective from January 1, 2011)*. This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent, venturer or investor presented in accordance with IAS 27 *Consolidated and Separate Financial Statements*. This Standard also applies to individual financial statements.
- *PAS 32 (Amendment), 'Financial Instruments: Presentation', and PAS 1 (Amendment) 'Presentation of Financial Statements' – 'Puttable Financial Instruments and Obligations Arising on Liquidation' (effective from 1 January 2009)*. The amendment standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions.
- *PAS 36 (Amendment), 'Impairment of Assets' (effective from 1 January 2009)*. Where fair value less cost to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply PAS 36 (Amended) and provides the required disclosure where applicable for impairment tests.
- *PAS 37 Provisions, Contingent Liabilities and Contingent Assets*. The Standard prescribes the accounting and disclosure for all provisions, contingent liabilities and contingent assets, except those resulting from financial instruments that are carried at fair value; those resulting from executory contracts, except where the contract is onerous. Executory contracts are contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent; those arising in insurance entities from contracts with policyholders; or those covered by another Standard.
- *PAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' (effective from 1 January 2009)*.

--This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

--The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments management together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio in initial recognition.

--The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment.

--When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are cost. The Company will apply PAS 39 (Amendment) when it becomes relevant.

- *PFRS 7 (Amendment), Financial Instrument: Disclosure (effective from 1 January 2007)* The standard requires enhanced disclosures about fair value measurements and liquidity risk. These have been made to address application issues and provide useful information to users.

## **2.3 Cash**

Cash is valued at face amount. The Company considers all highly liquid instruments purchased with maturity of three months or less from date of acquisition and that are subject to insignificant risk in value as cash equivalent. As of balance sheet date, the Company has no cash equivalents.

## **2.4 Financial Instruments**

A *financial instrument* is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. It is recognized in the statements of financial position when, and only when, the Company becomes a party to the contractual provisions of an instrument.

### **2.4.1 Financial Assets**

#### **2.4.1.1 Classification**

Financial assets are categorized by the management on initial recognition to different categories. These classifications are re-evaluated every reporting period when such accounting treatment is available and a choice of classification is available. Such accounting treatment is subject to compliance with its applicable accounting standards.

The following are categories of financial assets.

- *Financial assets at fair value through profit or loss*  
This includes financial assets classified as held for trading purposes and those classified by the Company, at initial recognition, to be carried at fair value through profit or loss. Derivatives are included in this category, unless they fall under hedging instruments.

These assets are to be realized within 12 months from the end of the reporting period. Assets in this category are classified as current assets.

- *Loans and receivables*  
These assets are non-derivative financial assets with fixed payments that are not quoted in an active market. Loans and receivables are considered current assets unless their maturities are more than 12 months after the reporting period; therefore, they are classified as non-current assets.
- *Held-to-maturity investments*  
This asset includes non-derivative financial assets with fixed or determinable payments and a fixed maturity date, where the Company has the positive ability to hold it to maturity and has the intention to do so. When the Company sells any amount, significant or not, which results to the whole category to be tainted and reclassified as available-for-sale. Such assets are classified under non-current assets unless the maturity falls within 12 months from the reporting period, where it would be classified under current assets.

Subsequently, such assets are recognized at their amortized amount using the effective interest method, less any impairment loss. The impairment loss is the difference between the carrying amount and the present value of estimated cash flows of the assets.

- *Available-for-sale financial assets*  
This includes non-derivative financial assets that do not qualify in any classifications or designated specifically as such. Such assets are classified under non-current assets unless the maturity falls within 12 months from the reporting period, where it would be classified under current assets.

#### *2.4.1.2 Recognition and Measurement*

- *Initial measurement*  
Regular purchase and sales of investment are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction cost for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction cost are expensed in the statements of comprehensive income.
- *Subsequent measurement*  
Financial assets at fair value through profit or loss and available for-sale financial assets are carried at fair value. Gains or losses arising from the change in the fair value are recognized in profit or loss in the statement of comprehensive income.

Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. The changes in value of available for-sale financial assets are recognized in other comprehensive income.

#### *2.4.1.3 Derecognition of financial assets*

Financial assets are derecognized when, and only when the contractual rights to the cash flows from the financial asset expire; or the Company transfers the financial asset and the transfer qualifies for derecognition – when the Company transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

#### *2.4.1.4 Impairment and uncollectibility of financial assets*

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If it is not possible to identify a single, discrete event that caused the impairment, a combined effect of several events may have caused the impairment.

Losses expected as a result of future events, no matter how likely, are not recognised.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties;
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - i. adverse changes in the payment status of borrowers in the group; or
  - ii. national or local economic conditions that correlate with defaults on the assets in the group.

The disappearance of an active market because an entity's financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an entity's credit rating is not, of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a financial asset below its cost or amortised cost is not necessarily evidence of impairment

#### *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in profit or loss.

#### *Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a

derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

#### *Available-for-sale financial assets*

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised.

The amount of the cumulative loss that is reclassified from equity to profit or loss under shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

#### 2.4.2 Financial Liabilities

This includes interest-bearing loans, trade and other payables, due to related parties and other non-current liabilities.

Financial liabilities are measured at amortized cost using effective interest rate method. It is recognized when the Company becomes a party to contractual terms of the instrument. Interest-related charges are recognized as an expense in profit or loss in the statement of comprehensive income.

Trade payables are recognized at their fair value and subsequently at their amortized cost.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the entity.

Financial liabilities are derecognized only when the obligations are extinguished through discharge, cancellation or expiration.

#### 2.5 Property and Equipment

Property and equipment are valued at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Additions, betterments, and major replacements are capitalized while minor repairs and maintenance are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and any impairment loss are removed from the account and any resulting gain (loss) is credited (charged) to results of operations for the year.

Property and Equipment are carried at cost less accumulated depreciation and impairment in value. Depreciation is computed using the straight-line method over the estimated useful lives of the properties.

<u>Property and equipment</u>	<u>Estimated useful life in years</u>
Office equipment	3 years

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

The Company's management periodically monitors the conditions of the property and equipment as well as the depreciation method used and the estimates on related useful lives to ensure that estimates adopted represent the actual situation. The carrying value of property and equipment amounted to **₱ 13,887 at December 31, 2010** and **₱ 32,404 at December 31, 2009** (see *Note 5* for related balances).

An item of property and equipment 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 (computed as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of financial performance in the year the item is derecognized. The Company likewise assures that if any variation exists between the estimates and the actual scenario, it will have an immaterial effect on the financial statements.

## **2.6 Impairment of non-financial assets**

Assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## **2.7 Provisions and Contingencies**

Provisions for restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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

## **2.8 Share Capital**

Ordinary shares are classified as equity.

Share capital is determined using the nominal value of shares that have been issued.

## **2.9 Retained earnings**

Retained earnings include all current and prior period results of operations.

## **2.10 Revenue and expense recognition**

Revenue is recognized when it is probable that the economic benefits, during the period, associated with the transaction will flow to the Company and the amount of revenue can be measured reliably; and the cost incurred or to be incurred can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable. The fair value of the consideration received or receivable takes into account the amount of any trade discounts, prompt settlement discounts and volume rebates allowed by the entity.

Trading gain on securities is recognized when the significant risks and rewards of ownership of the securities have passed to the buyer and the amount of revenue can be measured reliably.

Dividend income is recognized when the shareholder's right to receive payment has been established.

Interest income is recognized as the interest accrues on a time basis, using the effective interest method.

Expenses are recognized in the income statement upon utilization of the services or consumption of goods or at the date they are incurred.

## **2.11 Current and deferred income tax**

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 balance sheet date. 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 income statement.

Deferred tax is provided, using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the balance sheet 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 carry forward 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 income tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income 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 balance sheet date.

### **2.12 Related party transactions and relationship**

A related party is a person or entity that is related to the entity that is preparing its financial statements (the reporting entity). It may either be a person or a reporting entity. A person or a close family member of that person is considered a related party when he is a member of the key management personnel of the reporting entity or of the parent of the reporting entity, has control over the reporting entity, or has joint control or significant influence over the reporting entity or has significant voting power in it.

Related party relationships exist when a reporting entity has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities, which are under common control with the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

### **2.13 Events after financial reporting date**

Post year-end events that provide additional information about the Company's position at balance sheet date (adjusting events) are reflected in the financial statements, if any. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

<b>NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES</b>
--

The financial statements prepared in accordance with PFRS require certain judgments and estimates to be made by the management. These judgments affect amounts reported in the financial statements, the income, expenses, resources and liabilities, and its related notes.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, such as its expectation of future events that are believed to be reasonable within certain circumstances.

### **3.1 Judgments**

#### **Determination of Functional Currency**

Based on economic substance of the underlying circumstances relevant to the Company, the functional currency is denominated to be the Philippine peso. It is the currency that mainly influences the sale of services and the cost of providing the services.

### **3.2 Critical accounting estimates and assumptions**

#### **Estimating Financial Asset Impairment**

The Company reviews its cash and cash equivalents, accounts receivable and its financial asset at fair value through profit or loss. This includes considering the counterparty in financial difficulty, default in trade payment, probability that they will enter bankruptcy or other financial reorganization and where the observable data indicate that there is measurable decrease in the estimated future cash



flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of non-financial assets (see Note 2.6)

Provisions (see Note 2.7)

Revenue Recognition (see Note 2.10)

Classification of Financial Instruments (see Note 2.4.1.1)

Fair value of Financial Assets

Where fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to the financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to this model are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

#### **NOTE 4 – CASH**

	2010	2009
Cash in bank – BPI	<b>₱ 69,065</b>	<b>₱ 51,558</b>

Cash in bank earns interest based on daily bank deposit rates. The interest earned from the bank deposits amounted to **₱ 464** in 2010 and **₱ 259** in 2009.

#### **Note 5 – PROPERTY AND EQUIPMENT**

The gross carrying amount and accumulated depreciation at the beginning and end of 2010 and 2009 are shown below.

	2010	2009
Cost		
Beginning	<b>₱ 55,549</b>	<b>₱ 55,549</b>
Additions	<b>-</b>	<b>-</b>
Ending	<b>55,549</b>	<b>55,549</b>
Accumulated Depreciation		
Beginning	<b>23,145</b>	<b>4,629</b>
Provisions	<b>18,516</b>	<b>18,516</b>
Ending	<b>41,662</b>	<b>23,145</b>
Net Book Value	<b>₱ 13,887</b>	<b>₱ 32,404</b>

This account pertains to the office equipment owned by the company purchased in 2008. The useful life of the equipment is three years. Depreciation charged to operations in 2010 and 2009 amounted to **₱ 18,516**.

<b>NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES</b>
---

	2010		2009	
Accounts payable	₱	22,245	₱	-
Accrued expenses		12,600		18,300
	₱	34,845	₱	18,300

<b>NOTE 7 – RELATED PARTY TRANSACTIONS</b>
--

The Company's related party is Abacus Consolidated Resources and Holdings, Inc., the Company's parent company.

The company's advances to its parent are non-interest bearing, unsecured and repayable in 12 months.

The Company has the right to offset.

The details are as follows:

	2010		2009	
<b>Advances to ABA-Coal:</b>				
Balance at beginning of year	₱	2,219,520	₱	2,229,520
Additions		-		-
Payments		39,520		-
Adjustments		2,180,000		
Balance at end of year	₱	-	₱	2,219,520
<b>Advances to ACRHI:</b>				
Balance at beginning of year	₱	-	₱	-
Adjustments		2,180,000		
Balance at end of year	₱	2,180,000	₱	-

<b>NOTE 8 – SHARE CAPITAL</b>
-------------------------------

Share Capital consists of:

	Shares		Amount	
	2010	2009	2010	2009
Common shares - ₱ 1				
Authorized	40,000,000	40,000,000	₱ 40,000,000	₱ 40,000,000
Issued and outstanding	2,500,000	2,500,000	₱ 2,500,000	₱ 2,500,000

As of December 31, 2010 and 2009, 100% of the issued and outstanding shares are owned by Abacus Consolidated Resources and Holdings Inc.

## NOTE 9 – INCOME TAXES

The company has incurred a net taxable net loss for the reporting period 2010 amounting to ₱ 56,938. The details can be seen below.

Net income/ (loss) per books	₱	(57,074)
Add: Non-deductible expense		
Representation		600
Less: Income subject to final tax		
Interest income		(464)
		<u>(464)</u>
Net taxable income/ (loss)	₱	<u>(56,938)</u>

No deferred income tax asset was recognized by the Company regarding their NOLCO because the management believes that future taxable profit would not be available against which the temporary difference can be utilized.

The details of NOLCO as of December 31, 2010 are presented below.

Year Incurred	Amount	Expired	Unapplied	Expiry Date
2010	₱ 56,938	₱ -	₱ 56,938	2013
2009	58,244	-	58,244	2012
2008	157,730	-	157,730	2011
	₱ 272,912		₱ 272,912	

The reconciliation between the provision for income tax computed and the actual income tax expense (benefit) is presented below.

	2010	2009
Income tax expense (benefit)	₱ (17,081)	₱ (17,473)
Addition (reduction) to income tax		
Unrecognized NOLCO	17,081	17,473
	₱ -	₱ -

## NOTE 10 – FINANCIAL RISK MANAGEMENT

### Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and other risks that results from both operating and investing activities.

The Company has no market risk.

### Credit risk

Credit risk is the risk where a counterparty defaults on its obligation to the Company, thus, resulting to

a financial loss to the Company.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial position or in the detailed analysis provided for in the notes to the financial statements. Stated below are the financial assets.

	2010	2009
Cash	₱ 69,065	₱ 51,558
Advances to related party	2,180,000	2,219,520
	₱ 2,249,065	₱ 2,271,078

The Company's advances to its related party are neither past due nor impaired.

#### Liquidity Risk

Liquidity risk pertains to the Company not being able to meet its financial obligations as they fall due.

As of December 31, 2010, the Company's only financial obligations is the accounts payable amounting to ₱ 22,245 and accrued expenses amounting to ₱ 12,600, both with maturity of less than one year, while the accrued expense for the prior year amounted to ₱ 18,300.

The company has no liquidity risk.

#### Market Risk

Market risk is the risk of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rate. The Company's market risk is manageable within conservative bounds.

- Interest Rate Risk

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

#### **NOTE 11 – CAPITAL MANAGEMENT**

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

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

The Company monitors capital on the basis of the debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is equivalent to accrued expense. Total equity comprises all components of equity including share capital and deficit. Total equity amounts to ₱ 2,228,108 and ₱ 2,285,182 for the year 2010 and 2009, respectively.

The Company is not subject to externally imposed capital requirements.

# **NOTE 12 – FINANCIAL INSTRUMENTS**

## Classification of financial Instruments

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash	₱ 69,065	₱ 69,065	₱ 51,558	₱ 51,558
Advances to related parties	2,180,000	2,180,000	2,219,250	2,219,250
	₱ 2,249,065	₱ 2,249,065	₱ 2,271,078	₱ 2,271,078
<b>Financial Liability</b>				
Accounts payable and accrued expense	₱ 34,845	₱ 34,845	₱ 18,300	₱ 18,300

## Fair Value of Financial Instruments

The carrying amount of cash, advances to related party and accounts payable and accrued expenses approximate their fair value due to relatively short-term maturities of the said financial instruments.

# **Note 13 – SUPPLEMENTARY TAX INFORMATION UNDER RR 15-2010**

## **TAXES, LICENSES AND FEES:**

Municipal Permit – 2010	₱	4,082
Barangay Permit		750
Community Tax Certificate		540
BIR Registration – 2010		500
	₱	5,872

# Valdes Abad & Associates

(Formerly: Carlos J. Valdes &  
Associates)

certified public accountants

CJV Building 108 Aguirre Street,  
Legaspi Village, Makati City,  
Philippines

Branches:

Cebu and Davao

Phone: (632) 892-5931 to 35

(632) 750-7563

Fax: (632) 819-1468

E-mail:

valdes.abad.associates@gmail.com

BOA/PRC Reg. No. 0314

SEC Accreditation No. 0024-FR-1



PARTNERING FOR  
SUCCESS

## To the Board of Directors

### ABACUS GOLDMINES EXPLORATION AND DEVELOPMENT CORPORATION

No. 28 N. Domingo St.

New Manila, Quezon City

We have examined the financial statements of **ABACUS GOLDMINES EXPLORATION AND DEVELOPMENT CORPORATION** for the year the ended December 31, 2011 on which we have rendered the attached report dated March 3, 2010.

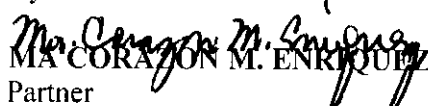
In compliance with SRC Rule 68, we are stating that the said company has a total number of one (1) stockholder owning one hundred (100) or more shares each.

Very truly yours,

**VALDES, ABAD & ASSOCIATES**

**201 – 130 – 974**

By:

  
MA CORAZON M. ENRIQUEZ  
Partner

CPA Certificate No. 031628

TIN 123 – 046 – 974

PTR No. 2673576 – 01/10/11

PRC – BOA Reg. No. 0314

SEC Accreditation No. 1081 - A

Makati City, Philippines

March 3, 2011