

COVER SHEET

				5	4	1	0	6
--	--	--	--	---	---	---	---	---

S.E.C. Registration Number

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

(Company's Full Name)

c	/	o	1	2	J	A	I	M	E	S	T	.	C	A	R	M	E	L	I
B	A	H	A	Y	T	O	R	O	Q	U	E	Z	O	N	C	I	T	Y	

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

ANTONIO V. F. GREGORIO III

Contact Person

920-9306

Company Telephone Number

1	2	3	1
Month	Day	Fiscal Year	

Form 17-Q2-2011

FORM TYPE

Month	Day	Annual Meeting	

Secondary License Type, If Applicable

C R M D

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

S T A M P S

Remarks = pls. Use black ink for scanning purposes

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, 2011
2. SEC Identification Number: 54106 3. BIR Tax Identification No.: 200-751-430-000
4. Exact name of issuer as specified in its charter:
LODESTAR INVESTMENT HOLDINGS CORPORATION
5. Philippines Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. c/o The Peak, 107 LP Leviste St., Makati City 1600
c/o 12 Jaime Street, Carmel I, Bahay Toro, Quezon City 1106
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
(Par value: P0.10) | Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding |
|---|--|
| Common Shares (issued) | 740,000,000 ¹ |
| Common Shares (authorized) | 1,000,000,000 |
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 : 640,000,000²

¹ Number of issued and outstanding shares based on the records of the Stock and Transfer Agent.

² As of the end of the second quarter of 2010

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 consolidated 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

See attached Annex “B”

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 Q.C. on Aug. 12, 2011.

By:


JERRY ANGPING
Chairman & President


CHIH HO CO
Treasurer

LODESTAR INVESTMENT HOLDINGS CORPORATION
STATEMENTS OF FINANCIAL POSITION

" ANNEX A "

	Notes	Unaudited June 30, 2011	Audited Dec 31, 2010
ASSETS			
Current Assets			
Cash and cash equivalents		₱ 4,219,294	₱ 274,256
Available-for-sale Financial Assets	2	23,000,700	37,095,500
Accounts Receivable	3	361,425	-
Deposit for future stock investment	4	37,000,000	27,000,000
Other current assets		2,760,785	1,174,755
Total Current Assets		67,342,204	65,544,511
Non - current assets			
Property and Equipment		52,656	
		₱ 67,394,860	₱ 65,544,511
LIABILITIES & STOCKHOLDERS' EQUITY			
Liabilities			
Advances from third parties	5	₱ 12,557,535	₱ 12,753,915
Advances from stockholders	6	-	1,050,000
Accounts payable and accrued expenses	7	1,795,408	2,308,173
Total Liabilities		14,352,943	16,112,088
Stocholder's Equity			
Capital Stock - P1 par value	8	74,000,000	66,500,000
Additional Paid-In Capital	8	66,714,858	36,339,858
Revaluation Reserve		(7,057,528)	14,770,767
Deficit		(80,615,413)	(68,178,202)
Total Stockholders' Equity		53,041,918	49,432,423
		₱ 67,394,860	₱ 65,544,511

LODESTAR INVESTMENT HOLDINGS CORPORATION
 STATEMENTS OF INCOME
 (Unaudited)

	April 1 to June 30, 2011 <u>(Three Months)</u>	April 1 to June 30, 2010 <u>(Three Months)</u>	January 1 to June 30, 2011 <u>(Six Months)</u>	January 1 to June 30, 2010 <u>(Six Months)</u>
REVENUES	₱	₱	₱	₱
EXPENSES	9,504,260	3,050,079	12,451,560	6,335,651
INCOME (LOSS) BEFORE OTHER LOSSES	(9,504,260)	(3,050,079)	(12,451,560)	(6,335,651)
INTEREST INCOME	9,981	15,074	14,350	21,548
NET INCOME (LOSS)	₱ (9,494,279) ₱	(3,035,005)	(12,437,211) ₱	(6,314,103)
WEIGHTED AVE. NUMBER OF COMMON SHARES	74,000,000	50,000,000	74,000,000	50,000,000
Loss Per Share	(0.128)	(0.061)	(0.168)	(0.126)

Note: No dividends declared during the period

LODESTAR INVESTMENT HOLDINGS CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Unaudited		Audited		Unaudited		Audited	
	June 30, 2011		Dec. 31, 2010		June 30, 2010		Dec. 31, 2009	
CAPITAL STOCK - P 1 par value								
Beginning Balance	₱	66,500,000	₱	56,000,000	₱	56,000,000		50,000,000
Subscribed		7,500,000		10,500,000		10,500,000		6,000,000
Balance at end of period		74,000,000		66,500,000	₱	66,500,000		56,000,000
ADDITIONAL PAID-IN CAPITAL								
Beginning Balance		36,339,858		34,239,858		34,239,858		23,414,858
Subscribed		30,375,000		2,100,000		2,100,000		10,825,000
Balance at end of period		66,714,858		36,339,858	₱	36,339,858		34,239,858
DEPOSIT FOR FUTURE SUBSCRIPTION								
						-		
REVALUATION RESERVE								
		(7,057,528)		14,770,767		13,673,267		27,062,767
DEFICIT								
Beginning Balance		(68,178,202)		(57,327,454)		(57,327,453)		(44,872,305)
Net Income (loss)		(12,437,211)		(10,850,748)		(6,314,103)		(12,455,149)
Balance at end of period		(80,615,413)		(68,178,202)		(63,641,555)		(57,327,454)
STOCKHOLDERS' EQUITY, END								
	₱	53,041,918	₱	49,432,423	₱	52,871,570		59,975,171

LODESTAR INVESTMENT HOLDINGS CORPORATION
 STATEMENT OF CASH FLOWS
 (Unaudited)

	April 1 to June 30, 2011 (Three Months)	April 1 to June 30, 2010 (Three Months)	January 1 to June 30, 2011 (Six Months)	January 1 to June 30, 2010 (Six Months)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	P (9,489,912)	P (3,050,080)	P (12,437,211)	P (6,335,651)
Adjustment for:				
Realized FV loss on AFS				
Interest Income	3,154	15,074	7,522	21,548
Net loss before working capital changes	(9,486,757)	(3,035,006)	(12,429,688)	(6,314,103)
Adjustment to reconcile net loss to net cash provided by operating activities				
Changes in operating assets and liabilities				
Decrease (increase) in :				
Other current assets	(1,640,887)	(277,099)	(1,947,455)	(580,514)
Increase (decrease) in :				
Accounts payable and accrued expenses	1,597	(915,857)	(512,765)	(948,418)
Net cash provided by operating activities	(11,126,047)	(4,227,962)	(14,889,908)	(7,843,035)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net proceeds from sale and purchase of available-for-sale financial assets	-		(7,733,495)	
Additional deposit for acquisition of 100% shares of Abacoal	-		(10,000,000)	
Disposals (acquisitions) of property and equipment			(60,179)	
Net cash used in investing activities	-	-	(17,793,674)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from other parties	(98,190)	(6,500,000)	(196,380)	(6,500,000)
Advances from stockholders	-	(2,842,112)	(1,050,000)	(3,626,095)
Receipts of payment of subscription to capital stocks			37,875,000	12,600,000
Net cash provided by (used in) financing activities	(98,190)	(9,342,112)	36,628,620	2,473,905
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,224,237)	(13,570,074)	3,945,038	(5,369,130)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	15,443,531	18,307,308	274,256	10,106,364
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 4,219,294	P 4,737,234	P 4,219,294	P 4,737,234

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. AVAILABLE FOR SALE FINANCIAL ASSETS

The reconciliation of the carrying amount of available-for-sale financial assets as of June 30, 2011 is as follows:

Balance as of Dec. 31, 2010	₱ 37,095,500
Acquisitions	7,733,495
Disposals	0
Realized loss	0
Unrealized fair value loss	(21,828,295)

Balance as of June 30, 2011	<u>₱ 23,000,700</u>

Available-for-sale financial assets consist of shares of a publicly-listed company. The fair values of available-for-sale financial assets have been determined directly by reference to the market value of the shares in the stock exchange as of June 30, 2011.

3. ACCOUNTS RECEIVABLE

In relation to the Abacoal Project, the Company has started evaluating its resources for a possible mini-pit operations to speed up the production process in preparation for the implementation of full-scale mining operations. A professional was hired on a consultancy basis to undergo evaluation and studies of the property. To fund the operations, the Company has extended cash advances. As of June 30, 2011, total outstanding cash advance amounts to ₱ 361,425.

Aging of receivable:	
Current	₱ 361,425

4. 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.

5. 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 ₱ 12,557,535.

6. ADVANCES FROM STOCKHOLDERS

The Company obtained short-term and non-interest bearing advances from a stockholder for working capital requirements. Full payment was made during the first quarter of 2011.

7. 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 stock transfer agent fees and government statutory obligations like withholding taxes, SSS, Phil health and HDMF.

8. 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 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 (P 1.00) per share to Ten Centavos (₱ .10) per share, the Philippine Stock Exchange implemented the reduction in the par value and stock split of Lodestar shares. Copies of the PSE Circular dated 17 September 2010 and Lodestar’s relevant disclosure to the PSE dated 23 September 2010 are hereto attached. After the reduction in the par value of the shares from One Peso (P 1.00) to Ten Centavos (P .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.

9. 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 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.

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 (i.e. cash and receivables)

Generally, the maximum credit risk exposure of financial asset is the carrying amount of cash and receivables as shown on the face of the balance sheets.

	<u>June 30, 2011</u>	<u>Dec. 31, 2010</u>
Cash	₱ 4,214,294	₱ 269,256
Receivables	<u>361,425</u>	<u>-</u>
	<u>₱ 4,575,719</u>	<u>₱ 269,256</u>

The Company’s cash is actively monitored to avoid significant and unwarranted exposure to credit risk. Cash in bank is secured by an insurance from the PDIC up to ₱500,000 per banking institution. Moreover, the credit risk for the Company’s cash in bank is considered negligible since the counterparty is a reputable bank with high liquid credit ratings.

Liquidity Risk

The Company manages its liquidity needs by obtaining additional advances from a stockholder and private placement transactions.

As at June 30, 2011 and December 31, 2010, the Company's financial assets and liabilities are presented below:

	<u>June 30, 2011</u>	<u>Dec. 31, 2010</u>
<i>Financial Asset</i>		
Receivables	<u>₱ 361,425</u>	<u>₱ -</u>
<i>Financial Liabilities</i>		
Advances from stockholder	-	1,050,000
Advances from third parties	12,557,535	12,753,915
Accounts Payable and accrued expenses	<u>1,795,408</u>	<u>2,308,173</u>
	<u>₱ 14,352,943</u>	<u>₱ 16,112,088</u>

Other Price Risk Sensitivity

The Company's market price risk arises from its investments classified- as available-for-sale financial assets. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

10. 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.

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 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 (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 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. 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.

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, which per the appraisal conducted by Cuervo Appraisers, Inc., is valued at approximately ₱2.7 billion.

On May 21, 2008, the Board approved resolutions authorizing the Company to amend the Agreement for Joint Investment dated September 24, 2008 between the Company and MUSX Corporation (the new name of MSC). 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 in the Abacoal Investment, payable on or before December 31, 2009 or on such later date as may be agreed upon by the parties, with 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; and (3) 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 in the Abacoal Investment 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 receivables of MSC from the Company has been settled on 21 February 2011, with the execution between the Company and MSC of a document entitled Execution of Payment and Waiver. Simultaneously, the Company paid MSC the amount of ₱ 10 million by way of full and final payment of any and all its obligations under the Amended Agreement. MSC 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 MSC 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 Abacus Coal Exploration Development Corporation over which the Company has controlling stake. 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 September 14, 2009, the Board of Directors of the Company approved the issuance of shares by way of private placements in favor of Renato L. Reyes and Ramon I. Abad, Jr. The issuer will issue one hundred million (100,000,000)¹ LIHC shares out of the unissued and unsubscribed portion of its authorized capital stock at the price of Fifty and .05 Centavos (₱.505) per share 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

¹ This figure reflects the adjustments brought about by the reduction in the par value and stock split of Lodestar shares.

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

And on November 6, 2009, the Company and Messrs. Renato L. Reyes and Ramon L. Abad, Jr. executed the Investment and Subscription Agreements to effect the private placement transaction.

Further, at the same meeting, the BOD discussed the implementation of the Stock Rights Offering in the next capital increase. The decision was reached considering the need of the Company to raise at least Fifty Million Pesos (₱50, 000,000.00) in cash in the soonest possible time. The contemplated SRO in the new capital increase will enable qualified shareholders to purchase shares at better prices or even at the par value of P.10 while giving the company an opportunity to offer and distribute more shares from said capital increase.

On Nov 6, 2009, the BOD during its special meeting approved the following:

1. Proposed reduction in the par value of the shares of stock of the Company from P1.00 to ₱0.10 per share, resulting in a stock split of ten shares for every one shares 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 latest shareholders meeting of the Corporation held on December 2010.

On November 3, 2010, the Company executed a Revised Heads of Agreement with ABACON for the Merger of ABACOAL into the Company with the Company as the surviving corporation and ABACOAL as the absorbed corporation. The Company shall acquire the Coal

Project and all the other assets and liabilities of ABACOAL by and through a merger of the Company and ABACOAL. By virtue of said merger, the Company shall issue two hundred fifty million (250,000,000) new common shares at a par value of Ten Centavos (₱ 0.10) and an agreed issue value of Ninety Centavos (₱ 0.90) to ABACON.

Management's Discussion and Analysis for the Interim Period Ended June 30, 2010

Revenues

The Company did not earn any revenue during the six month period ended June 30, 2011 and 2010 since it has not undertaken commercial operations

Operating Expenses

Operating expenses decreased by ₱3.66 million or 57.69% from ₱ 6.34 million in June 2010 to ₱2.68 million in June 2011 due to lower management and professional fees paid during the period.

Exploration Expenses

In compliance with all the requirements for the release of permits, the Company has contracted professionals for further exploration and evaluation of its coal tenement. Additional exploration expenses incurred relative to a possible mini-pit operations to start in the last quarter of 2011.

Net Loss

As a result, after deducting minimal interest income from regular savings account, the Company posted a net loss of ₱12.44 million for the period ended June 30, 2011 versus net loss of ₱6.31 million for the same period in 2010.

Material Changes to the Company's Income Statement as of June 30, 2011 compared to the Company's Income Statement as of June 30, 2010:

72.57% or ₱3.18 million decrease in Management fees from ₱ 4.38 million in June 2010 to ₱1.20 million in June 2011 and 63.4% or ₱ 0.68 million increase in Legal and Professional fees from ₱1.07 million in June 2010 to ₱0.39 million in June 2011 .

The Company has decided to trim down hiring of professionals in various fields beginning calendar year 2011.

100% or ₱ 9.77 million increase in Exploration Costs

The Company has contracted professionals for further exploration and evaluation of its coal tenement in compliance with requirements for the release of required permits. Moreover, it also started its evaluation program for its projected mini pit operations to start by end of the current year.

22.32% or ₱ 0.08 million decrease in salaries and related expenses from ₱ 0.38 million in June 2010 to ₱0.30 million in June 2011.

To date, the Company has only one (1) employee who handles the operations. The office / backroom and financial affairs of the Company are being handled by Consultants.

Financial Condition

The Company's Total Assets comprised of 99.92% of Current Assets and .08% Non Current Assets. The Total Assets as of June 30, 2011 amounting to ₱67.39 million was 2.82% or ₱ 1.85 million lower than that of June 2010, which amounted to ₱65.54 million. Total Assets in 2011 is comprised of ₱4.22 million Cash, Available-for-Sale Financial Assets amounting to ₱23.0 million, ₱ 0.36 million receivable, ₱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 ₱ 2.42 million, other current assets of ₱0.34 million and office equipment of ₱ 0.05. During the first six months of 2011, the Company received cash from certain investors amounting to ₱37.88 million representing full payment of private placement of ten million shares of the Company at the offer price of ₱5.05 per share and a total of ₱10 million was disbursed to partially settle its outstanding obligation with MSC with regard to its investment with ABACOAL. The company likewise fully paid its loan from stockholders.

The Company's Total Liabilities were comprised of accounts payable and advances from other parties. The Total Liabilities decreased by ₱ 1.76 million or 10.92% from ₱16.11 million in June 2010 to ₱14.35 million in June 2011. This is due to full payment of advances from stockholders and payment made by Oriental Vision to the Company 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.

The Company issued a total of Two hundred forty million (240,000,000)² shares in 2009 to certain investors. The shares were fully paid as of June 2011 which led to the increase in its paid-up capital stock from ₱ 66.5 million in June 2010 to ₱ 74 million Pesos in June 2011.

To date, total premium on capital stock amounts to ₱66.71 million.

As a result of the foregoing, the Company posted Total Stockholders' Equity amounting to ₱53.04 million in June 2011, a 7.30% increase from ₱49.43 million reported in June 2010.

Material Changes to the Company's pro-forma Balance Sheet as of June 30, 2010 compared to pro-forma Balance Sheet as of June 30, 2009 (increase/decrease of 5.00% or more)

36.11% or ₱ 13 million decrease in Available-for-Sale Financial Assets from ₱ 36 million in June 2010 to ₱ 23 million in June 2011.

The Company invested the proceeds from the private placement in November 2008 in passive investments such as shares of stocks.

100% or ₱ 361 thousand increase in receivables from nil in June 2010 to ₱ 361 thousand in June 2011.

Various advances were granted to consultants relative to the Company's thrust to evaluate the tenement for a possible mini pit operations.

37% or ₱ 10 million increase in Deposit for future stock investment from ₱ 27 million in June 2010 to ₱ 37 million in June 2011.

² Original issuance was 24 million shares but the figures are adjusted or multiplied by 10 after splitting the shares as a result of the decrease in par value of the shares from P 1.00 to P .10.

The Company has settled its payable to MSC amounting to ₱10 million for the acquisition of 100% stake of Abacus Coal Exploration Development Corporation (Abacoal)

158.17% or ₱ 1.69 million increase in other current assets from ₱ 1.07 million in June 2010 to ₱ 2.76 million in June 2011.

These are input taxes generated from professional fees incurred during the period and deposits made to contractor for evaluation of projected mini-pit operations.

100% or ₱ 0.06 million decrease in advances from stockholders.

Full payment was made during the first half of 2011.

21.7% or ₱ 0.50 million decrease in Accounts payable and accrued expenses from ₱ 2.29 million in June 2010 to ₱ 1.80 million in June 2011.

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.

Key Performance Indicators

Since the Company was not in commercial operations, the key performance indicators of the Company are as follows:

	June 30, 2011	June 30, 2010
Current Ratio ¹	4.69x	4.32x
Quick Ratio ²	0.29x	0.30x
Debt-equity ratio ³	0.27x	0.30x
Book value per share ⁴	0.72x	0.71x
Net Profit Margin ⁵	NA	NA

(1) *Current Assets / Current Liabilities*

June 2011 (₱ 67,342,860/ ₱14,352,943)

June 2010 (₱ 68,804,607/ ₱ 15,933,037)

(2) *Cash / Current Liabilities*

June 2011 (₱4,219,294/ ₱ 14,352,943)

June 2010 (₱ 4,737,234/ ₱ 15,933,037)

(3) *Debt / Equity*

June 2011 (₱14,352,943/ ₱53,041,918)

June 2010 (₱ 15,933,038/ ₱52,871,570)

(4) *Equity /Outstanding shares*

June 2011 (₱53,041,918/74,000,000)

June 2010 (₱52,871,570/ 50,000,000)

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.

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 related 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.