



110292018000777



SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No. 0000054106
Company Name LODESTAR INVESTMENT HOLDINGS CORPORATION
Industry Classification
Company Type Stock Corporation

Document Information

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SEC Registration Number

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Company Name

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C	O	R	P	O	R	A	T	I	O	N																			

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

7	F		P	e	a	k	s		B	u	i	l	d	i	n	g		1	5	0	5		P	r	i	n	c	
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Form Type

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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

www.lodestarholdings.com
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Company's Telephone Number/s

(632) 928-9246

Mobile Number

N/A

No. of Stockholders

60

Annual Meeting

2nd Wednesday of May

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Venus L. Gregorio

Email Address

Nitsbeng.gregoriolaw@mydestiny.net

Telephone Number/s

(632) 920-9306

Mobile Number

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Contact Person's Address

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2018**
2. SEC Identification Number: **54106** 3. BIR Tax Identification No.: **200-751-430-000**
4. Exact name of issuer as specified in its charter:

LODESTAR INVESTMENT HOLDINGS CORPORATION

5. **Philippines** Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **7th Floor Peaksun Bldg., 1505 Princeton St.,
Shaw Blvd., Mandaluyong City** Address of principal office
- 1555** Postal Code
8. **(632) 920-9306** Issuer's telephone number, including area code
9. **N/A** Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class (Par value: ₱0.10)	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares (issued)	3,000,000,000¹
Common Shares (authorized)	3,000,000,000

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 : **640,000,000**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

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

Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [/]

No []

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

Yes [/]

No []

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

See attached “Annex A”

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

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

In this interim period:

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

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

Plan of Operation

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

Business

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

In 1988, the Company filed an application for listing of its 30,000,000 common shares with the Philippine Stock Exchange ("PSE") formerly known as the Manila and Makati Stock Exchanges. On October 11, 1988, the SEC issued to the Company a Certificate of Permit to Offer Securities for Sale and rendered the Registration Statement to be effective. The Company was able to complete its initial public offering and the listing of the Company's shares was made effective on May 26, 1989.

In October 2003, the name and primary purpose of the Company were changed to reflect a change from a mining company to an investment holding company.

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

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

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

On 11 December 2015, during the Annual Stockholders' Meeting of the Company, the shareholders confirmed, ratified and re-adopted the 2009 Stockholders' approval of the increase in the authorized capital stock of LIHC. Said resolution was passed during the 17 December 2009 Annual Meeting wherein shareholders, holding at least 2/3 majority of the outstanding capital stock, voted in favor of the capital increase from one hundred million pesos (₱100,000,000.00) divided into one hundred million (100,000,000) shares at a par value of one Peso (₱1.00) per share to three hundred million Pesos (₱300,000,000.00) divided into three billion (3,000,000,000) shares at the reduced par value of Ten centavos (₱0.10) per share without stockholders' pre-emptive right.

On September 26, 2008, the Board of Directors authorized the Company to enter into a Heads of Agreement with Abacus Consolidated Resources and Holdings, Inc. ("ABACON") and Musx Corporation ("Musx") for the joint acquisition by the Company and Musx of all the outstanding and issued shares of Abacus Coal Exploration and Development Corporation ("ABACOAL") with a sharing arrangement of fifty five percent (55%) for Musix and forty five (45%) for the Company The Company

and Musx have likewise entered into an Agreement for Joint Investment whereby the investment parameters for such investment into ABACOAL were set forth.

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

On May 31, 2009, the Company executed a Memorandum of Agreement with Oriental Vision Mining Corporation ("Oriental") to undertake exploration and development activities of the coal properties of ABACOAL. Under the agreement, Oriental shall develop and operate the Coal Property and pay the Company a royalty fee of Eight Percent (8%) of gross coal price per ton based on FOB loaded to vessel.

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

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

On October 25, 2016, the Board of Directors authorized the execution, delivery and implementation of the Subscription Agreement with Mr. Nathaniel C. Go for the subscription, via private placement, to two hundred sixty million (260,000,000) shares at the subscription price of ten centavos (₱0.10) per share. The subscribed shares shall be issued out of the Company's current authorized capital stock of one hundred million pesos (₱100,000,000.00) consisting of one billion (1,000,000,000) common shares with a par value of ten centavos (₱0.10) per share. Likewise, on the same date, the Board of Directors authorized the execution, delivery and implementation of the Subscription Agreement with Ms. Socorro P. Lim, for the subscription, via private placement, to two billion (2,000,000,000) shares at the subscription price of ten centavos (₱ 0.10) per share. The subscribed shares shall be issued out of the increase in the Company's authorized capital stock from one hundred million pesos (₱100,000,000.00) consisting of one billion (1,000,000,000) common shares with a par value of ten centavos (₱0.10) per share to three hundred million pesos (₱300,000,000.00) consisting of three billion (3,000,000,000) common shares, with a par value of ten centavos (₱0.10) per share.

On December 8, 2016, the stockholders representing approximately 67.23 % of the outstanding capital stock of the Company affirmed, ratified and re-adopted the increase in the authorized capital stock of the Company which was approved by the Board of Directors on November 6, 2009 and by shareholders owning and representing more than 2/3 of the authorized capital stock on December 17, 2009. The stockholders in the same manner, approved the sales and issuance of a total of two billion two hundred sixty million (2,260,000,000) common shares, listing of said shares in the Philippine Stock Exchange ("PSE") and waiver of the requirement to conduct a rights or public offering of the shares approved by a majority vote representing the outstanding shares held by the minority present or represented in said meeting.

On June 14, 2017, the Securities and Exchange Commission approved the increase of the Company's authorized capital stock.

Business Plan:

Still in line with the primary purpose of the Company as a holdings corporation, business outlook for 2018 is geared towards looking for other business ventures. Thus, the Company may

again tap into various sources to look for opportunities in the various business sectors that are viable, growing and profitable. The Company's strategy will be to invest, buy-in or acquire businesses where the Company will at least own a significant stake or interest in the investee Company's outstanding capital. The said investment amount will allow the Company to recognize its proportionate share of the equitized earnings from its investee companies.

The Company with the approval of the SEC, implemented an increase in its Authorized Capital. This capital raising plan is intended to provide the Company investable funds and working capital for prospective projects. Specifics of such deals, if any, will be properly disclosed in accordance with the continuing disclosure requirements of the SEC and the PSE.

Likewise, the Company's cash requirements were satisfied from the proceeds/collection of Advances from stockholders and the proceeds of private placements with investors.

Management's Discussion and Analysis for the Interim Period Ended September 30, 2018 as compared with September 30, 2017:

Revenues

The Company did not earn any revenue during the nine-month period ended September 30, 2018 as it has not undertaken commercial operations.

Expenses

Expenses went down by ₱ 1.97 million or 78% from ₱ 2.52 million in September 2017 to ₱ 0.55 million in September 2018. The decrease was attributed mainly to lower expenses incurred during the period.

Net Loss

After deducting interest income from regular savings account, the Company posted a net loss of ₱ 0.51 million for the interim period ended September 2018 which is 80% or ₱1.96 million lower as compared to net loss of ₱ 2.46 million incurred for the same period in 2017.

Financial Condition

The Company's Total Assets comprising of Current Assets amount to ₱ 241.46 million which is 0.29% or ₱ 0.71 million lower than that of September 30, 2017 balance amounting to ₱242.17 million.

The Company's Total Liabilities decreased by ₱ .033 million or 3.34% from ₱1.01 million in September 2017 to ₱ 1.05 million in September 2018.

Stockholders' equity posted a 0.31% or ₱ 0.74 million decrease from ₱241.16 million in September 2017 to ₱240.42 million in September 2018, attributable mainly to expenses incurred during the period.

Material Changes to the Company's pro-forma Balance Sheet as of September 30, 2018 as compared with pro-forma Balance Sheet as of September 30, 2017 (increase/decrease of 5 % or more)

100 % or ₱ 2.04 million increase in advances to a stockholder from ₱ nil in September 2017 to ₱2.04 million in September 2018. This is due to additional advances made in 2017.

51.47% or ₱ 3.43 million decrease in other current assets from ₱ 6.67 million in September 2017 to ₱3.24 million in September 2018 due to collection of other receivables.

3.34% or ₱ 0.034 million decrease in liabilities from ₱ 1.01 million in September 2017 to ₱1.05 million in September 2018 due to partial settlement of payables.

Key Performance Indicators

	September 30, 2018	September 30, 2017
Considering the Company's non-operational status, the key performance indicators of the Company are as follows:		
Current Ratio (1)	230.22x	198.88x
Quick Ratio (2)	225.20x	232.05x
Debt-equity ratio (3)	0.004x	0.004x
Book value per share (4)	0.08x	0.08x
Net Profit Margin (5)	NA	NA

(1) *Current Assets / Current Liabilities*

September 2018 (₱ 241,464,818/ ₱ 1,048,806)

September 2017 (₱ 242,172,436/ ₱ 1,014,876)

(2) *Cash / Current Liabilities*

September 2018 (₱ 236,187,215/ ₱ 1,048,806)

September 2017 (₱ 235,505,284/ ₱ 1,014,876)

(3) *Debt / Equity*

September 2018 (₱1,048,806/ ₱240,416,012)

September 2017 (₱1,014,876/ ₱241,157,560)

(4) *Equity /Subscribed Shares*

September 2018 (₱240,416,012/3,000,000,000)

September 2017 (₱241,157,560/3,000,000,000)

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. Quick ratio for the current period is higher as compared to the same period of last year.

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

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

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

Additional Financial Soundness Indicators

	September 30, 2018	September 30, 2017
Asset to equity ratio (1)	1.00x	1.00x
Interest Rate coverage ratio (2)	NA	NA
Gross Profit Margin (3)	NA	NA

<i>(1) Total Assets / Total Equity</i>	
<i>September 2018</i>	<i>(₱ 241,464,818/ ₱240,416,012)</i>
<i>September 2017</i>	<i>(₱ 242,172,436/0 ₱241,157,560)</i>
<i>(2) Income before Interest and Taxes / Interest Expense</i>	
<i>September 2018</i>	<i>N/A</i>
<i>September 2017</i>	<i>N/A</i>
<i>(3) Gross Profit / Sales</i>	
<i>September 2018</i>	<i>N/A</i>
<i>September 2017</i>	<i>N/A</i>

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

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

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

PART II – OTHER INFORMATION


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

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Mandaluyong City on October 25, 2018.

By:


CHHO GO
President


DELFIN S. CASTRO, JR.
Treasurer
Signed: October 29, 2018

LODESTAR INVESTMENT HOLDINGS CORPORATION
 STATEMENTS OF FINANCIAL POSITION

" ANNEX A"

	Notes	Unaudited September 30, 2018	Audited December 31, 2017
ASSETS			
Current Assets			
Cash and cash equivalents	₱	236,187,215	₱ 236,181,874
Due from related parties		2,042,076	2,584,892
Other current assets		3,235,527	3,204,060
	₱	241,464,818	₱ 241,970,826
LIABILITIES & STOCKHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued expenses	3	₱ 1,048,806	₱ 1,048,218
Total Liabilities		1,048,806	1,048,218
Stocholder's Equity			
Capital Stock - P0.10 par value	4	300,000,000	300,000,000
Additional Paid-In Capital		66,714,858	66,714,858
Deficit		(126,298,847)	(125,792,250)
Total Stockholders' Equity		240,416,011	240,922,608
		₱ 241,464,817	₱ 241,970,826

LODESTAR INVESTMENT HOLDINGS CORPORATION
 STATEMENTS OF INCOME
 (Unaudited)

	July 1 to September 30, 2018 (Three Months)	January 1 to September 30, 2018 (Nine Months)	July 1 to September 30, 2017 (Three Months)	January 1 to September 30, 2017 (Nine Months)
REVENUES	P	P	P	P
EXPENSES	66,034	547,549	277,199	2,515,010
INCOME (LOSS) BEFORE OTHER LOSSES	(66,034)	(547,549)	(277,199)	(2,515,010)
INTEREST INCOME	104	40,952	19,204	53,079
NET INCOME (LOSS)	P <u><u>(65,930)</u></u>	P <u><u>(506,597)</u></u>	P <u><u>(257,995)</u></u>	P <u><u>(2,461,931)</u></u>
NUMBER OF COMMON SHARES	<u>3,000,000,000.00</u>	<u>3,000,000,000.00</u>	<u>3,000,000,000</u>	<u>3,000,000,000</u>
Loss Per Share	<u>(0.000)</u>	<u>(0.000)</u>	<u>(0.000)</u>	<u>(0.001)</u>

Note: No dividends declared during the period

LODESTAR INVESTMENT HOLDINGS CORPORATION
 STATEMENTS OF CHANGES IN EQUITY

	Unaudited		Audited		Unaudited		Audited	
	September 30, 2018		Dec. 31, 2017		September 30, 2017		Dec. 31, 2016	
CAPITAL STOCK - P 0.10 par value								
Beginning Balance	P	300,000,000	P	100,000,000	P	100,000,000	P	74,000,000
Additional Subscription				200,000,000		200,000,000		26,000,000
Balance at end of period	P	300,000,000	P	300,000,000	P	300,000,000	P	100,000,000
ADDITIONAL PAID-IN CAPITAL								
Beginning Balance	P	66,714,858	P	66,714,858	P	66,714,858	P	66,714,858
Subscribed				-				
Balance at end of period	P	66,714,858	P	66,714,858	P	66,714,858	P	66,714,858
DEPOSIT FOR FUTURE SUBSCRIPTION								
		-		-		-		50,000,000
DEFICIT								
Beginning Balance	P	(125,792,250)	P	(123,095,367)	P	(123,095,367)	P	(119,705,236)
Net Income (loss)		(506,597)		(2,696,883)		(2,461,931)		(3,390,131)
Balance at end of period	P	(126,298,847)	P	(125,792,250)	P	(125,557,298)	P	(123,095,367)
STOCKHOLDERS' EQUITY, END								
	P	240,416,011	P	240,922,608	P	241,157,560	P	93,619,491

LODESTAR INVESTMENT HOLDINGS CORPORATION
 STATEMENTS OF CASH FLOWS
 (Unaudited)

	July 1 to September 30, 2018 (Three Months)	January 1 to September 30, 2018 (Nine Months)	July 1 to September 30, 2017 (Three Months)	January 1 to September 30, 2017 (Nine Months)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	P (65,930)	P (506,597)	P (257,995)	P (2,461,931)
Adjustment for:				
Interest Income	(104)	(40,952)	(19,204)	(53,079)
Net loss before working capital changes	(66,034)	(547,549)	(277,199)	(2,515,010)
Adjustment to reconcile net loss to net cash provided by operating activities				
Changes in operating assets and liabilities				
Decrease (increase) in :				
Other current assets	(570)	(31,467)	420,540	1,784,960
Increase (decrease) in :				
Accounts payable and accrued expenses	(1,440)	588	(1,052,000)	(1,417,281)
Net cash provided by operating activities	(68,044)	(578,428)	(908,659)	(2,147,331)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	104	40,952	19,204	53,079
Disposals (acquisitions) of property and equipment	-	-	-	-
Net cash used in investing activities	104	40,952	19,204	53,079
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment (Collection) from a stockholder	86,000	542,817	846,924	846,924
Receipts of payment of subscription to capital stocks	-	-	-	150,000,000
Net cash provided by (used in) financing activities	86,000	542,817	846,924	150,846,924
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,060	5,341	(42,531)	148,752,672
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	236,169,155	236,181,874	235,547,815	86,752,612
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 236,187,215	P 236,187,215	P 235,505,284	P 235,505,284

LODESTAR INVESTMENT HOLDINGS CORPORATION
NOTES TO FINANCIAL STATEMENT

1. SIGNIFICANT ACCOUNTING POLICIES

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

2. RELATED PARTY TRANSACTIONS

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

As at September 30, 2018, based on management's assessment, the outstanding balance of the Company's advances to a stockholder amounting to ₱2,042,076 is not impaired, hence, no impairment loss is recognized.

3. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

4. CAPITAL STOCK

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

On November 6, 2009, the Company entered into another set of investment agreements with various investors wherein the investors agreed to subscribe by way of private placement to 10 million common shares of stock to be issued out of the unissued and unsubscribed portion of the authorized capital stock of the Company. The shares were subscribed at a price of ₱5.05 per share or for a total of ₱50.5 million, of which 25% or ₱12.6 million was paid at that time. The transaction was approved by the BOD on September 14, 2009. The balance of 75% of the gross investment amount was paid in March 2011. Listing application for such shares is currently pending with the PSE.

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

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

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

On October 25, 2016, the Board of Directors authorized the execution, delivery and implementation of the Subscription Agreement with Mr. Nathaniel C. Go for the subscription, via private placement, to two hundred sixty million (260,000,000) shares at the subscription price of ten centavos (₱ 0.10) per share. The subscribed shares shall be issued out of the Company's current authorized capital stock of one hundred million pesos (₱100,000,000.00) consisting of one billion (1,000,000,000) common shares with a par value of ten centavos (₱0.10) per share. Likewise, on the same date, the Board of Directors authorized the execution, delivery and implementation of the Subscription Agreement with Ms. Socorro P. Lim, for the subscription, via private placement, to two billion (2,000,000,000) shares at the subscription price of ten centavos (₱ 0.10) per share. The subscribed shares shall be issued out of the increase in the Company's authorized capital stock from one hundred million pesos (₱100,000,000.00) consisting of one billion (1,000,000,000) common shares with a par value of ten centavos (₱0.10) per share to three hundred million pesos (₱300,000,000.00) consisting of three billion (3,000,000,000) common shares, with a par value of ten centavos (₱0.10) per share. On December 8, 2016, the stockholders representing approximately 67.23 % of the outstanding capital stock of the Company affirmed, ratified and re-adopted the increase in the authorized capital stock of the Company which was approved by the Board of Directors on November 6, 2009 and by shareholders owning and representing more than 2/3 of the authorized capital stock on December 17, 2009. The stockholders in the same manner, approved the sales and issuance of a total of two billion two hundred sixty million (2,260,000,000) common shares, listing of said shares in the Philippine Stock Exchange ("PSE") and waiver of the requirement to conduct a rights or public offering of the shares approved by a majority vote representing the outstanding shares held by the minority present or represented in said meeting.

On June 14, 2017, the Securities and Exchange Commission approved the increase in the Company's authorized capital stock.

5. RISK MANAGEMENT

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

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The Company has no significant exposure to foreign currency risk since it has no financial assets and financial liabilities that are denominated in foreign currency. The most significant financial risk to which the Company is exposed to are described below and in the succeeding page.

5.1 Credit Risk

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

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

	<u>Sept. 30, 2018</u>	<u>Dec. 31, 2017</u>
Cash	₱ 236,187,215	₱ 236,181,874
Advances to a stockholder	<u>2,042,076</u>	<u>2,584,892</u>
	<u>₱ 238,229,291</u>	<u>₱ 238,766,766</u>

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash.

(a) Cash

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

(b) Advances to a Stockholder

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

5.2 Liquidity Risk

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

As at September 30, 2018 and December 31, 2017, the Company's financial liabilities amounting to ₱1,048,806 and ₱1,048,218, respectively.

6. FINANCIAL INSTRUMENTS

Carrying Amounts and Fair Values By Category

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

	September 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱236,187,215	₱236,187,215	₱236,181,874	₱236,181,874
Advances to a stockholder	2,042,076	2,042,076	2,584,892	2,584,892
	₱238,229,291	₱238,297,231	₱238,766,766	₱238,766,766

Financial Liabilities

Other financial liabilities:

Accounts payable and accrued expenses (*)	₱1,048,806	₱1,048,806	₱ 984,550	₱ 984,550
	₱1,048,806	₱1,048,806	₱ 984,550	₱ 984,550

(*) *Net of taxes*

There were no outstanding financial assets and liabilities measured at fair value as of September 30, 2018 and December 31, 2017.

7. OTHERS

- a. These financial reports are prepared in compliance with the quarterly reportorial requirements of the SEC.
- b. There were no material transactions affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidents.
- c. There were 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.