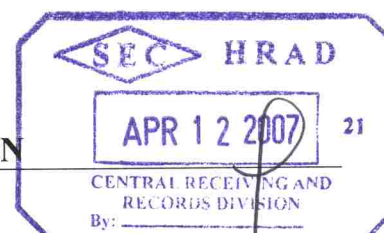


LODESTAR INVESTMENT HOLDINGS CORPORATION
BALANCE SHEETS



	December 31	
	2006	2005
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 2 and 6)	₱69,000	₱68,760
LIABILITIES AND STOCKHOLDER'S EQUITY		
(CAPITAL DEFICIENCY)		
Current Liabilities		
Accounts payable and accrued expenses (Note 6)	₱346,680	₱23,936
Due to related parties (Notes 6 and 13)	321,173	—
Total Current Liabilities	667,853	23,936
Stockholders' Equity (Capital Deficiency)		
Capital stock - ₱1 par value (Notes 7 and 9)		
Authorized – 50,000,000 shares		
Issued – 35,306,000 shares	35,306,000	35,306,000
Additional paid-in capital	4,373,858	4,373,858
Deficit (Notes 2, 4 and 8)	(40,278,711)	(39,635,034)
Stockholders' Equity (Capital Deficiency)	(598,853)	44,824
	₱69,000	₱68,760

See accompanying Notes to Financial Statements.

LODESTAR INVESTMENT HOLDINGS CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(CAPITAL DEFICIENCY)

	Years Ended December 31		
	2006	2005	2004
Capital Stock - ₱1 par value (Notes 1 and 9)			
Issued shares			
Balance at beginning of periods	₱35,306,000	₱23,866,000	₱23,866,000
Issued shares during the periods	—	11,440,000	—
Balance at end of periods	35,306,000	35,306,000	23,866,000
Subscribed shares			
Balance at beginning of periods	—	3,756,559	3,756,559
Receipts of subscriptions receivable	—	6,249,441	—
Issuance of shares during the year	—	(10,006,000)	—
Balance at end of periods	—	—	3,756,559
Shares subscribed by conversion of debt to equity			
Balance at beginning of periods	—	200,000	200,000
Receipts of payment of subscriptions receivable	—	600,000	—
Issuance of shares during the year	—	(800,000)	—
Balance at end of periods	—	—	200,000
Total Shares Issued and Subscribed	35,306,000	35,306,000	27,822,559
Additional Paid-in Capital (Note 11)	4,373,858	4,373,858	—
Total Paid-in Capital	39,679,858	39,679,858	27,822,559
Deficit			
Balance at beginning of year	(39,635,034)	(37,091,690)	(36,413,403)
Net expenses during the periods (Note 6)	(547,311)	(2,543,344)	(678,287)
Deficit at end of periods	(40,182,345)	(39,635,034)	(37,091,690)
	(₱502,487)	₱44,824	(₱9,269,131)

See accompanying Notes to Financial Statements.

LODESTAR INVESTMENT HOLDINGS CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2006	2005	2004
CASH FLOWS FROM PREOPERATING ACTIVITIES			
Net disbursements for preoperating expenses	(P643,677)	(P2,543,344)	(P678,287)
Adjustment to reconcile net disbursements for preoperating expenses to net cash used in preoperating activities:			
Write-off of liabilities	–	(24,008,153)	–
Write-off of mining properties	–	20,200,000	–
Interest income	(251)	(9,028)	(293)
Disbursements for preoperating expenses before working capital changes	(643,928)	(6,360,525)	(678,580)
Increase (decrease) in accounts payable	322,744	(5,473,773)	678,580
Cash used in preoperation	(321,184)	(11,834,298)	–
Interest received	251	9,028	293
Net cash provided by (used in) preoperating activities	(320,933)	(11,825,270)	293
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from related parties	321,173	–	–
Receipts of payment of subscriptions to capital stocks	–	7,483,441	–
Receipts of additional paid-in capital	–	4,373,858	–
Net cash provided by financing activities	321,173	11,857,299	–
NET INCREASE IN CASH	240	32,029	293
CASH AT BEGINNING OF YEAR	68,760	36,731	36,438
	P69,000	P68,760	P36,731

See accompanying Notes to Financial Statements.

LODESTAR INVESTMENT HOLDINGS CORPORATION
STATEMENTS OF PREOPERATING FINANCIAL ACTIVITIES

	December 31		
	2006	2005	2004
SOURCES OF FINANCIAL RESOURCES			
Proceeds from issuance/subscriptions of shares for:			
Cash	₱15,106,000	₱15,106,000	₱7,622,559
Additional paid-in capital	4,373,858	4,373,858	—
Mining properties	20,000,000	20,000,000	20,000,000
Conversion of debt to equity	200,000	200,000	200,000
Due to stockholder	321,173	524,315	—
Due to an affiliated company	—	19,675,685	19,675,685
Depreciation, an item not affecting financial resources	—	91,090	91,090
	40,001,031	59,970,948	47,589,334
USES OF FINANCIAL RESOURCES			
Mining properties	—	20,200,000	20,200,000
Property and equipment	—	91,090	91,090
Deficit	40,267,353	39,635,034	37,091,690
	40,267,353	59,926,124	57,382,780
EXCESS (DEFICIT) OF SOURCES OF FINANCIAL RESOURCES OVER USES			
	(₱277,680)	₱44,824	(₱9,793,446)
REPRESENTED BY			
Cash	₱69,000	₱68,760	₱36,731
Accounts payable and accrued expenses	(346,680)	(23,936)	(9,830,177)
	(₱277,680)	₱44,824	(₱9,793,446)

See accompanying Notes to Financial Statements.