Management's Discussion and Analysis
Three month period ended March 31, 2011
August 15, 2011

The following discussion and analysis should be read in conjunction with the consolidated financial statements of St. Augustine Gold and Copper Limited (the "Company") for the three month period ended March 31, 2011, as well as the Company's Information Circular dated November 19, 2010, Technical Report dated October 12, 2010 entitled "King-king Copper-Gold Project, Mindanao, Philippines" (the "Technical Report"), Annual Information Form dated September 28, 2010, the audited consolidated financial statements and Management's Discussion and Analysis of St. Augustine Mining Inc., our predecessor Company, for the period from inception (March 31, 2010) to December 31, 2010, and all of the notes, risk factors and information contained therein. These are all available on www.sedar.com.

Introduction

This management discussion and analysis is dated August 15, 2011 and is in respect of the three month period ended March 31, 2011. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars. References to "CDN$" mean Canadian dollars.

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with its consolidated financial statements and related notes for the three month period ended March 31, 2011. This section contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including those described under "Forward-Looking Information".

Forward Looking Information

Certain statements contained in this MD&A constitute forward looking statements within the meaning of applicable securities laws including, among others, statements made or implied relating to the Company's objectives, strategies to achieve those objectives, the Company's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward looking statements generally can be identified by words such as "objective", "may", "will", "expect", "likely", "intend", "estimate", "anticipate", "believe", "should", "plans" or similar expressions suggesting future outcomes or events. Such forward looking statements are not guarantees of future performance and reflect the Company's current beliefs based on information currently available to management. Such statements involve estimates and assumptions that are subject to a number of known and unknown risks, uncertainties and other factors inherent in the business of the Company and the risk factors discussed in the Company's Information Circular dated November 19, 2010 and other materials filed with the securities regulatory authorities from time to time which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Those risks and uncertainties include, but are not limited to: the mining industry (including operational risks; risks in exploration, and development; the uncertainties involved in the discovery and delineation of mineral deposits, resources or reserves; and the uncertainty of mineral resource and mineral reserve estimates); the risk of gold, copper and other commodity price and foreign exchange rate fluctuations; the ability of the Company to fund the capital and operating expenses necessary to achieve the business objective of the Company; the uncertainty associated with commercial negotiations and negotiating with foreign governments; the risks associated with international business activities; risks related to the Company's operations in the Philippines; environmental risk; the dependence on key personnel; and the ability to access capital markets.

Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statements were made and readers are advised to consider such forward looking statements in light of the risks set forth above. Except as required by applicable securities laws, the Company assumes no obligation to update or revise any forward looking statements to reflect new information or the occurrence of future events or circumstances.

Overall Performance

The Company is a mineral exploration company incorporated under the laws of the British Virgin Islands and, together with its subsidiaries, is engaged in the exploration and development of the King-king copper-gold property ("King-king" or "the King-king project") in the Philippines.

St. Augustine Gold and Copper Limited ("SAGCL" or "the Company") acquired St. Augustine Mining, Inc. ("SAMI") which was incorporated on March 31, 2010 under the laws of British Columbia, Canada. The Company has a wholly owned subsidiary, St. Augustine Mining Ltd. ("SAML") which is incorporated under the laws of the Cayman Islands.

SAGCL was incorporated as Ratel Gold Limited ("Ratel") in the British Virgin Islands. Ratel was incorporated on January 27, 2010 as a wholly owned subsidiary of CGA Mining Limited ("CGA"), an Australian incorporated entity listed on the Australian Stock Exchange ("ASX") and the Toronto Stock Exchange ("TSX").

Upon completion of the acquisition of SAMI by Ratel in January 2011, the continuing company changed its name to St. Augustine Gold & Copper Limited. (SAGC). Ratel had disposed of all of its operating subsidiaries in anticipation of the completion of the merger with SAMI. SAMI's subsidiary SAML is the main operating entity of the combined companies and SAMI was deemed the surviving operating company for accounting purposes as part of a reverse acquisition. Ratel provided substantial financial assets, but no continuing operating activities to the combined companies.

The Company's operating subsidiaries were formed for the sole purpose of developing the King-king project, one of the largest undeveloped copper-gold projects in the world. The Company's objective is to bring the King-king project into commercial production in a timely and cost effective fashion. Management believes that due to past and expected strength in the markets for gold and copper that the King-king project represents an opportunity to generate a superior return on investment for the Company's shareholders.

Current Highlights

On October 18, 2010 the Company announced it had entered into a strategic alliance with CGA and an agreement to acquire the interests held by Russell Mining & Minerals, Inc. ("RMMI") and its subsidiaries, in King-king (the "King-king transaction"), which was part of a series of transactions which were approved at the shareholders meeting held on December 23, 2010. In consideration for the acquisition of King-king, the Company issued 80,000,000 new shares to RMMI upon closing of the acquisition (which occurred on January 7, 2011), and will issue a further 75,000,000 new shares to RMMI when a feasibility study is completed on the King-king project or immediately upon a future change of control.

In conjunction with the shareholder approval of the King-king transaction the Company's shareholders also approved a reorganization pursuant to which all of the Company's African assets were spun out to Ratel Group Limited ("Ratel Group"). On December 30, 2010, the Company announced that it had completed the spin-off of Ratel Group and its subsidiaries by way of an entitlement issue back to Ratel shareholders of shares in Ratel Group.

The Company raised gross proceeds of CDN$25 million through a private placement transaction in conjunction with the King-king acquisition. This private placement consisted of 83,333,334 subscription receipts in the capital of the Company at a price of CDN$0.30 per subscription receipt. On January 7, 2011 the Company announced that the release conditions relating to the subscription receipt private placement had been satisfied and therefore the Company issued an additional 83,333,334 common shares to satisfy all of the subscription receipts. CGA, an insider of Ratel, participated in this financing for CDN$14.9 million, being the equivalent amount of the funding facility it provided to RMMI pursuant to the King-king transaction, which was then repaid in full by Ratel on closing of the acquisition of King-king. The Company also issued a further 3 million shares at CDN$0.30 to parties including an insider, funded by loans from the Company.

On December 22, 2010 the Company closed an offering of 32,800,000 subscription receipts at a price of C$1.22 per subscription receipt for gross proceeds of CDN$40,016,000. This offering was sold by a syndicate of agents led by BMO Capital Markets, and including CIBC World Markets Inc. and Dundee Securities Corporation. The net proceeds of this financing are being used for the preparation of a feasibility study on the King-king project and general working capital and administrative purposes. On January 18, 2011 the Company announced that the escrow release conditions had been satisfied with respect to this offering, and 32,800,000 common shares of the Company were issued to satisfy all of the subscription receipts.

In connection with the King-king acquisition, Andrew Russell, Robert Russell, Max Anhoury and Tom McKiernan have joined the Company's Board of Directors. Mark Savage, Ian Fisher and Ron Clarke have resigned. Andy Russell has been appointed President and Chief Executive Officer, and Llee Chapman was appointed as interim Chief Financial Officer.

The Company completed its change of name change to "St. Augustine Gold and Copper Limited" on January 18, 2011 and commenced trading under the TSX symbol "SAU" on January 21, 2011.

On January 27, 2011 the Company announced the start of a 12,000 metre drilling program on the King-king project to support its efforts to generate a bankable feasibility study ("BFS").

On February 8, 2011 the Company announced the appointment of Mr. Tom Henderson to the position of Chief Operating Officer.

On February 11, 2011 the Company announced the appointment of Mr. Don Mills to the position of Chief Financial Officer.

On April 19, 2011 the Company announced project milestones for the King-king project. These milestones included the completion of a preliminary economic assessment ("PEA") for the third quarter of 2011, the application for declaration of mine project feasibility in the first quarter of 2012, the application for an environmental compliance certificate in the first quarter of 2012 and the completion of a feasibility study in the second quarter of 2012. In August 2011, the Company announced that the PEA was now projected to be completed in the fourth quarter of 2011, with the slippage attributed to the decision to increase mine and mill throughputs.

The Company further identified the key members of the feasibility study team as:

- M3 Engineering and Technology (Tucson, Arizona)
- AMEC Engineering (Brisbane, Australia)
- Independent Mining Consultants (Tucson, Arizona)
- AATA International Inc. (Denver, Colorado)

On April 25, 2011 the Company announced that a village of unauthorized and unregulated miners located near the King-king project site was impacted by a large-scale landslide. The landslide was caused by heavy rains. Several fatalities were reported. Employees of the Company assisted in the rescue and recovery efforts at the landslide site.

On July 5, 2011 the Company announced that NADECOR confirmed the Company's investment of the $30 million in project expenditures required under the Preferred Share Investment Phase of the earn-in agreement. Accordingly, Company has accrued rights to preferred shares of NADECOR which is intended to be put into escrow pending fulfillment of certain administrative steps and released upon the Company's discretion. These preferred shares will translate into an interest in the King-king Project upon the creation of the King-king Joint Venture ("JV"), which will hold the Mineral Production Sharing Agreement for the King-king project.

Additionally, on July 5, 2011, the Company announced that they had executed several key agreements for the King-king Project with NADECOR. The Company will continue to provide technical services to the King-king Project. The agreements also cover finalization of the JV incorporation documentation, and agreement on the parameters of an interim funding arrangement through the completion of the earn-in.

On August 8, 2011, the Company announced that Mr. Don Mills had resigned from the Company, and Mr. Llee Chapman was appointed interim Chief Financial Officer.

On August 10, 2011 the Company announced that it has agreed and executed an Interim Funding Agreement (IFA) with NADECOR for the Company's additional investment in the King-king project. The IFA confirms that the investment in the project in excess of the $30 million covered by the Preferred Share Investment Agreement will be treated as earn in and eventually translate into equity in the JV.

On August 12, 2011, the Company announced drilling results with resulting assays that compare favorably with the gold and copper grades predicted by the block model from the Mineral Resource estimate disclosed in the NI 43-101 October 2010 Technical Report. These results are supported by a positive third party site visit audit report on the overall King-king Project drilling and geology programs.

On August 15, 2011 the Company announced an updated block model for the King-king project based on updated information from on-going engineering and mineral resource studies executed during 2011, which increased tonnage by 21.6%, equating to 11.3 billion equivalent pounds of contained copper.

King-king Project

<u>The King-king property</u>

The King-king property is centered at approximate geographical coordinates 7°11'31"N Latitude and 125°58'40"E Longitude on the Philippine Island of Mindanao. The project site is located at Sitio Gumayan, Barangay King-king, Municipality of Pantukan, Province of Compostela Valley, in Mindanao.

LOCATION MAP OF KING-KING GOLD-COPPER PROJECT

The King-king property is one of the largest undeveloped copper-gold deposits in the world, with a measured and indicated equivalent copper-gold resource of 962.3 million tonnes at 0.66 grams per tonne equivalent gold for 22.4 million equivalent gold ounces (0.254% copper for 5.4 billion pounds of copper and 0.334 grams per tonne gold for 10.3 million ounces of contained gold) and a further 3.61 million equivalent gold ounces in inferred resources (188.8 million tonnes at 0.215% copper pounds and 0.265 grams per tonne gold)[1].

<u>History and Current Developments of the King-king property</u>

The King-king tenement comprises 184 mining claims that are owned by Nationwide Development Corporation ("NADECOR") under Mineral Production Sharing Agreement #009-92-XI (the "MPSA"), approved by the Government of the Philippines on May 27, 1992 and amended December 11, 2002. The MPSA grants NADECOR the exclusive right to explore, develop and exploit minerals within the area comprising the King-king deposit. The King-king mineral anomaly was originally discovered in 1966.

NADECOR entered into an operating agreement (the "Operating Agreement") with Benguet Corporation ("Benguet") in 1981 relating to the development of the King-king project. Pursuant to that agreement, Benguet would have received a 50% portion of cash flow from the project's operations through placing it into operation and funding 100% of the development costs once it was placed into commercial production. Benguet did not succeed in bringing the project into a commercial state.

[1] Gold equivalents are calculated as follows: Gold equivalent (Oxide) = Gold + 0.714 x Total Copper, Cutoff = 0.22 g/t equivalent gold; Gold equivalent (Sulfide) = Gold + 1.458 x Total Copper, Cutoff = 0.22 g/t gold equivalent

Pursuant to a heads of terms agreement dated July 22, 2010, Benguet agreed to perform certain actions to transfer or assign its interest in the project to either NADECOR or a joint venture consisting of NADECOR and SAML. Benguet has now signed, and lodged into escrow, all necessary releases to previous actions and any interests in the MPSA and Operating Agreement to be released on the earlier of payment on the future deferred settlement consideration or the lodgment of a letter of credit supporting such payments.

In April of 2010 NADECOR, RMMI, SAML, Conrado T. Calalang, and Jose G. Ricafort entered into a Memorandum of Understanding ("MOU"), which was subsequently amended, to develop the King-king property. The MOU addresses the formation of a joint venture to develop the King-king property.

The MOU gives SAML the exclusive option to earn-in up to a 60% equity interest in the project through either direct or indirect equity interests in the joint venture corporation and/or the companies in the joint venture structure. The earn-in by SAML is based on funding and preparing a feasibility study with respect to the development of the King-king property, a disproportional contribution to funding any development capital expenditure and direct payments to NADECOR.

SAML has committed to spend $43.5 million to complete a definitive feasibility study for the King-king property, which provides SAML with an entitlement to earn a 45% interest in the joint venture corporation. In the event the feasibility study expenditures are less than $43.5 million, $4 million will be attributable to the interim payments to NADECOR, and the balance shall be attributable to the respective SAML and NADECOR capital accounts on a 60% / 40% basis. SAML will earn an additional 6% through interim payments of $7.5 million to NADECOR (of which an exclusivity payment of $400,000 was made in November 2009) and 9% by funding a total of approximately $32 million in disproportionate capital development expenditures following the completion of a bankable feasibility study. To earn the full 60% interest in the project, SAML will spend, including interim payments to NADECOR, a total of approximately $83 million. The Company intends to finance this amount through a combination of common equity issuances and borrowings in a combination that will be determined by management to result in the best return on investment for the common shareholders given an acceptable level of risk.

Until such time as NADECOR and SAML form a joint venture to operate the King-king Property and up to a maximum of $30 million investment, SAML earns preferred shares in NADECOR by funding expenses of the project and including costs of the feasibility study. The NADECOR preferred shares are non-voting, have a preference in the event of a dividend or liquidation and are convertible to common shares equivalent to 30% of the total outstanding shares of NADECOR or of a new entity, whichever becomes the joint venture corporation, on a total equal exchange basis at the election of SAML. Investments past the $30 million level are then covered by the IFA which states that such further investment constitutes earn in and provide assurance in respect thereof.

Summary of Quarterly Results

A summary of selected financial information for the three month period ended March 31, 2011 is as follows:

		Three months ended March 31, 2011
Total revenue from operations	$	-
Interest income		187,779
Net loss for the period		3,262,107
Net loss for the period per share – basic and diluted		$0.01
Total assets		105,923,978
Total long term liabilities		8,723,960
Cash dividends	$	-

Due to the timing of the Company's formation in 2010 and the recent King-king transaction there is limited comparative information prior to the March 2011 quarter. Since the King-king transaction was considered a reverse acquisition within the meaning ascribed by International Financial Reporting Standards, the comparative financial statements for prior periods reflect the operations and financial position of SAML and other subsidiaries prior to the King-king transaction. Due to the timing of SAML's formation and commencement of business activities, the Company's statement of operations for the quarter ended March 31, 2010 reflects an absence of activity and is therefore not included for comparison.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in United States dollars. The Company capitalizes all exploration expenses, which include all exploration activity and expenses related to the King-king project.

Results of Operations

Three month period ended March 31, 2011

Total Net Loss and Comprehensive Loss and Operating Expenses

For the three months ended March 31, 2011 the Company generated a net loss of $3,262,107, or $0.01 per share. The primary components of operating expenses for the period were stock compensation expense and stock listing and transfer fees.

The Company capitalizes all exploration, development and overhead costs associated with the King-king project pursuant to the terms of the MOU. The Company's investment in the King-king mining property increased by $13,937,378 during the three month period ended March 31, 2011. The primary components of capitalized costs during the three months ended March 31, 2011 were project acquisitions costs ($3,309,038), corporate management expenses ($1,226,122), site maintenance expenses ($877,452), legal expenses ($694,396) and permitting expense ($651,163).

Capital Resources and Liquidity

As at March 31, 2011, the Company had cash and cash equivalents of $48,641,346 compared to $583,602 on December 31, 2010. Working capital as at March 31, 2011 was $46,555,291 as compared to a working capital deficit of $15,412,414 as at December 31, 2010.

During the three months ended March 31, 2011 the Company also successfully completed two private placements of 116,113,334 common shares for net proceeds of approximately $64 million. The proceeds of these financings are currently being used to fund feasibility and explorations activities for the King-king project and for working capital and general corporate purposes.

The Company manages liquidity risk through maintaining sufficient cash or credit terms with its suppliers to meet the operating requirements of the business and investing excess funds in highly liquid short term cash deposits. Maintaining surplus working capital in highly liquid short term deposits allows the Company to meet its primary objectives by being able to fund new development and acquisition opportunities at short notice.

Contractual Obligations

<u>Long Term Debt – Benguet</u>

As stated elsewhere, the Company and NADECOR have negotiated with Benguet to relinquish Benguet's rights to the King-king project. In exchange for surrendering its rights to the King-king project, the Company and NADECOR negotiated the following payment regime, in which the Company and NADECOR share equally:

- $8,000,000 on the date Benguet has completed all of the required actions to transfer all of its interest in the King-king project (the "Completion Date");
- $5,000,000 on the date that is 24 months from the Completion Date;
- $4,000,000 on the date that is 60 months from the Completion Date;
- $4,000,000 on the date that is 72 months from the Completion Date; and,
- $4,000,000 on the date that is 84 months from the Completion Date.

The initial $8,000,000 payment to Benguet was settled through the issuance of a $2,000,000 credit note and a cash payment of $6,000,000 in October of 2010. The second credit note of $1,950,000 has been applied against the next scheduled payment of $5,000,000 due in October 2012. As part of an amendment to the MOU, the Company funded NADECOR's 50% portion of the $6,000,000 cash payment. The advance to NADECOR has been included in investment in mineral properties on the Company's statement of financial position.

The remaining balance of the payments due to Benguet over the next seven years totals $15,050,000. As at March 31, 2011, the present value of the remaining balance due to Benguet was determined to be $8,723,958, of which 50% or $4,361,979 is owed by NADECOR and has been included in advances receivable on the Company's balance sheet. The present value was derived from the discounted future cash payments at the Company's marginal borrowing rate of 12%.

Strato International Holdings Limited ("Strato"), an entity that is owned 50% by the Company and 50% by NADECOR, acquired Benguet's outstanding debts from Credit Agricole Corporate & Investment Bank Manila Offshore Bank ("Calyon") and Marathon Master Fund Limited ("Marathon"). The debts acquired by Strato from Calyon and Marathon were re-purchased by Benguet at a discounted value of $3,950,000.

NADECOR MOU

Under the terms of the MOU between SAML and NADECOR for the development of the Project, SAML can earn up to a 60% interest in the Project by making the following payments totaling $83,000,000:

Amount	Description & estimated date of payment	Earn-in %	Cumulative Earn-in %
$400,000	Exclusivity payment (paid 2009)	0.57%	0.57%
$3,100,000	Initial condition precedent payment	4.43%	5.00%
$30,000,000	Initial BFS funding	30.00%	35.00%
$5,000,000	BFS funding payment	5.00%	40.00%
$8,500,000	BFS funding payment	10.00%	50.00%
$4,000,000	NADECOR BFS completion payment	1.00%	51.00%
$32,000,000	CAPEX funding**	9.00%	60.00%
$83,000,000		60.00%	

** Completion of the BFS will earn SAML 45% earn-in of the total project. SAML has made an additional commitment to spend a minimum of $32 Million or a calculated amount based on planned tonnage throughput, as determined in the planned feasibility study, in development capital. The calculated premium expenditure will be 0.457 X Planned Tonnage (Estimated at 100,000 tonnes per day) X 1,000 or 5% of capital cost, whichever is less. These expenditures earn SAML the additional 9% needed for a 60% total earn-in. Any over allocated variance between the amount spent toward BFS and the amount committed pays NADECOR first and the balance will be credited toward the development capital commitment at 50%.

For the three months ended March 31, 2011, the Company has expended an additional $13.6 million on the BFS and Capex requirements.

Transactions with Related Parties

Finders Agreement

On March 31, 2010 the Company signed an agreement with RMMI to assist it with the acquisition of the King-king project. This agreement was subsequently cancelled in conjunction with the King-king transaction.

At March 31, 2011, the Company had amounts payable to RMMI totaling $5,892 for costs and expenses RMMI had paid on the Company’s behalf. These amounts are due on demand, unsecured and non-interest bearing.

The above transactions were conducted in the normal course of operations and measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties.

Rental Agreements

The Company currently operates under a month to month rental agreement for office space shared with RMMI.

Legal Services

The Company’s engages a law firm which is considered a related party. Services rendered for the three months ended March 31, 2011 totaled $66,425 which was paid in full during the period.

Off Balance Sheet Arrangements

As of March 31, 2011 the Company had no material off balance sheet arrangements.

Financial Instruments and Other Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate, commodity price and industry credit risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. At March 31, 2011 there is no difference in the carrying values and fair values of the Company’s financial instruments.

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are measured using level 1 inputs.

The financial risk arising from the Company's operations are currency risk, credit risk, and liquidity risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Company generally does not engage in any other transactions in financials instruments, including derivative financial instruments for any other trade or speculative purposes.

Outstanding Share Data

As at August 15, 2011, the Company's outstanding equity securities are described as follows:

	Outstanding
Voting equity securities issued and outstanding	295,783,334 common shares
Securities convertible or exercisable into voting equity securities – stock options	Stock options to acquire up to 16,400,000 common shares

Disclosure Controls and Procedures

Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, requires an evaluation of the effectiveness of the Company's disclosure controls and procedures ("DC&P") and its internal control over financial reporting ("ICFR"). The Chief Executive Officer and the Chief Financial Officer have begun the process of designing and implementing DC&P and ICFR; however, as of the date of this MD&A and as a result of the timing of the King-king transaction, these procedures have not been established. As a result, for the three-month period ended March 31, 2011, management cannot provide reasonable assurance that material information relating to the Company, particularly during the period in which the interim filings were prepared, and that the information that the Company must present in its interim documents or in other documents it files or submits under securities regulations have been recorded, processed, condensed and presented within the time frames prescribed by this legislation. Furthermore, an effective ICFR design provides reasonable assurance that the Company's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing financial information, in accordance with International Financial Reporting Standards. Until management has implemented such controls and procedures, no such reasonable assurance can be given and investors should be aware that this may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risks and Uncertainties

No History of Earnings

The Company has no history of earnings. Additional external financing will be required to develop the King-king property further. There can be no assurances that any of the Company's properties will ever contain an economic ore body.

Title Risks

Although the Company has exercised due diligence with respect to determining title to the properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Until competing interests, if any, in the mineral lands have been determined, the Company can give no assurance as to the validity of title to those lands or the size of such mineral lands.

Exploration and Development

Resource exploration and development is a highly speculative business activity, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals the Company may acquire or discover may be affected by numerous factors that are beyond its control and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, the import and export of minerals and environmental protection, the combination of such factors may result in the Company not receiving an adequate return of investment capital.

The King-king property in the development stage and is without a known commercially-mineable ore body.

There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of its operations will in part be directly related to the costs and success of its development programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

The Company is required to obtain required permits from various government departments to carry out its work programs. There is no guarantee all required permits will be granted on terms satisfactory to the Company, or at all. If such permits are not received, the Company may not be able to carry out or complete its business objectives.

Uninsured or Uninsurable Risks

Exploration, development and production of mineral properties is subject to certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to insure fully against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they could have a material adverse impact on the Company's operations and could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Operating Hazards and Risks

Mineral exploration and development involves risks which even a combination of experience, knowledge and careful examination may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to hazards and risks normally incidental to exploration, developments and production of minerals, any of which could result in work stoppages, damage to or destruction of property, loss of life and environmental damage. The nature of these risks is such that liabilities might exceed insurance policy limits, the liabilities and hazards might not be insurable or the Company may elect not to insure itself against such liabilities due to high premium costs or other factors. Such liabilities may have a materially adverse effect upon the Company's financial condition.

Environmental Risks, Regulations, Permits and Licenses and Other Regulatory Requirements

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas that would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The Company's operations, including development activities and commencement of production on its properties, require permits from various federal, provincial or territorial and local governmental authorities, and such operations are and will be governed by laws, and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that may require that the Company obtains permits from various governmental agencies. There can be no assurance, however, that all permits that the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which it might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fine or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Competition

The mining industry is intensely and increasingly competitive in all its phases, and the Company will compete with other companies that have greater financial and technical resources. Competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and produced economically and businesses compete for the technical expertise to find, develop, and produce such properties, the skilled labor to operate the properties and the capital for the purpose of financing development of such properties. Such competition could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties.

Dependence on Management

The Company is largely dependent on the performance of its directors and officers. There is no assurance the Company will be able to maintain the services of its directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse affect on the Company and its prospects.

Fluctuating Mineral Prices

The mining industry is heavily dependent upon the market price of metals or minerals being mined. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist at the time of sale. Factors beyond the Company's control may affect the marketability of metals or minerals discovered, if any. Metal prices have fluctuated widely, particularly in recent years, and the Company will be affected by numerous factors beyond the control of the Company. The effect of these factors on the Company's operations cannot be predicted. If mineral prices decline significantly, it could affect the Company's decision to proceed with further exploration of its properties.

Future Financing

The Company's continued operation will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained on acceptable terms to the Company, if at all. Failure to obtain additional financing on a timely basis may result in delay or indefinite postponement of further exploration and development or forfeiture of some rights in some or all of the Company's properties. If additional financing is raised by the issuance of shares from treasury, control of the Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to further explore and develop its properties, take advantage of other opportunities, or otherwise remain in business. Events in the equity market may impact the Company's ability to raise additional capital in the future.

Future Acquisitions

As part of the Company's business strategy, it may seek to grow by acquiring companies, assets or establishing joint ventures that it believes will complement its current or future business. The Company may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel or acquire assets for its business. The Company cannot guarantee that it can complete any acquisition it pursues on favorable terms, or that any acquisitions competed will ultimately benefit its business.

Volatility of Share Price

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earning.

Conflicts of Interest

Certain directors and officers of the Company will and may continue to be involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers may conflict with the interest of the Company. Directors and officers of the Company with conflicts of interest will be subject to and follow procedures set out in applicable corporate and securities legislation, regulation, rules and policies.

Dividends

The Company has never paid a dividend on its common shares. It is not anticipated that the Company will pay any dividends on its common shares in the foreseeable future.

Adverse fluctuations in currency exchange rates

The Company will be subject to fluctuations in the rates of currency exchange between the Canadian dollar, United States dollar and the Filipino peso, and these fluctuations could materially affect the Company's financial position and results of operations as costs may be higher than anticipated. The costs of goods and services could increase due to changes in the value of the Canadian dollar, the United States dollar, or the Filipino peso. Consequently, operation and development of the Company's properties might be more costly than the Company anticipates.

Current Global Economic Conditions

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, could impede the Company's access to capital or increase its cost of capital. Failure to raise capital when needed or on reasonable terms may have a material adverse effect on the Company's business, financial condition and results of operations.

Critical Accounting Policies and Estimates

Details regarding the Company's accounting policies are presented in Note 3 to the annual and interim consolidated financial statements.