**St. Augustine Gold and Copper Limited**

# Condensed Interim Consolidated Financial Statements

As at and for the three months ended March 31, 2016 and 2015
Unaudited and presented in U.S. dollars

Dated as of May 12, 2016

# ST. AUGUSTINE GOLD AND COPPER LIMITED

**Suite 8, 20/F One International Finance Centre**
**1 Harbour View Street, Central, Hong Kong**

**NOTICE OF NO AUDITOR REVIEW OF**
**INTERIM FINANCIAL STATEMENTS**

The accompanying condensed interim consolidated financial statements for St. Augustine Gold and Copper Limited (the "Company") as at and for the three months ended March 31, 2016, have been prepared by management in accordance with the International Accounting Standards, which include International Financial Reporting Standards ("IFRS"). These financial statements are the responsibility of management and have not been reviewed by the auditors. The most significant accounting principles have been set out in the December 31, 2015 audited consolidated financial statements. There have been no changes in accounting policies from the latest completed financial year end. These financial statements have been prepared on a historical cost basis of accounting. A precise determination of many assets and liabilities is dependent on future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

# Table of contents to the unaudited condensed interim consolidated financial statements



**Notes to the unaudited condensed interim consolidated financial statements**

(Presented in U.S. dollars)

| | Notes | March 31, 2016 | December 31, 2015 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | | $ 2,160,209 | $ 3,213,845 |
| Prepaids and other current assets | | 146,596 | 170,352 |
| Total current assets | | 2,306,805 | 3,384,197 |
| Non-current assets | | | |
| Investment in mineral property | 3 | $ 56,775,458 | $ 56,159,644 |
| Investment in NADECOR | 4.C | 39,033,585 | 38,292,239 |
| Note receivable from NADECOR | 4.B | 5,164,297 | 4,993,813 |
| Investments in joint ventures | 5 | 752,913 | 752,913 |
| Advances to joint ventures | 5.B | 1,615,765 | 1,482,177 |
| Note receivable from joint venture | 5.B | 7,682,996 | 7,643,536 |
| Property and equipment | 6 | 198,729 | 219,182 |
| Other non-current assets | | 946,280 | 946,280 |
| Total non-current assets | | $ 112,170,023 | $ 110,489,784 |
| **Total assets** | | **$ 114,476,828** | **$ 113,873,981** |
| **Liabilities and shareholders' equity** | | | |
| Current liabilities | | | |
| Accounts payable and accrued wages | | $ 941,627 | $ 833,763 |
| Due to related parties | 7.B | 147,609 | 82,751 |
| Total current liabilities | | $ 1,089,236 | $ 916,514 |
| **Shareholders' equity** | | | |
| Share capital | 8.A | $ 129,272,617 | $ 129,272,617 |
| Share option reserves | 8.B | 12,030,825 | 12,020,131 |
| Warrant reserves | 8.C | 1,215,488 | 1,215,488 |
| Accumulated deficit | | (22,722,633) | (22,498,824) |
| Accumulated other comprehensive loss | | (6,408,705) | (7,051,945) |
| Total shareholders' equity | | $ 113,387,592 | $ 112,957,467 |
| **Total liabilities and shareholders' equity** | | **$ 114,476,828** | **$ 113,873,981** |
| Commitments and contingencies | 11 | | |

*The accompanying notes are an integral part of these unaudited interim consolidated financial statements.*

Approved on behalf of the Board of Directors:

*"SIGNED"*
**Yolanda L. Coronel-Armenta**
Director

*"SIGNED"*
**Dr. Patrick V. Caoile**
Director

(Presented in U.S. dollars)

| | | Three months ended March 31, | |
|---|---|---|---|
| | **Notes** | **2016** | **2015** |
| **Operating expenses** | | | |
| Wages and share-based payments | 8.B | $ 65,460 | $ 137,835 |
| General and administrative costs | | 209,963 | 404,514 |
| Total operating expenses | | $ 275,423 | $ 542,349 |
| **Other income and expense** | | | |
| Interest income | | $ 64,253 | $ 26,936 |
| Interest expense | | (542) | (891) |
| Foreign exchange loss | | (16,004) | (12,979) |
| Total other income | | $ 47,707 | $ 13,066 |
| **Loss from investment in NADECOR** | 4.C | 11,968 | 10,626 |
| **Loss (income) from investments in joint ventures** | 5.B | (15,875) | 6,513 |
| **Net loss before income tax expense** | | **$ (223,809)** | **$ (546,422)** |
| Income tax expense | | - | 10,000 |
| **Net loss** | | **$ (223,809)** | **$ (556,422)** |
| Foreign exchange translation gain | | 643,240 | 133,208 |
| **Total comprehensive loss (gain)** | | **$ 419,431** | **$ (423,214)** |
| Net loss per common share, basic and diluted | | $ 0.00 | $ 0.00 |
| Weighted average common shares outstanding, basic and diluted | | 726,758,334 | 726,758,334 |

*The accompanying notes are an integral part of these unaudited interim consolidated financial statements.*

(Presented in U.S. dollars)

| | Notes | Three months ended March 31, 2016 | 2015 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net loss | | $ (223,809) | $ (556,422) |
| Share-based compensation expense, net of capitalized amounts | 8.B | 6,529 | 12,835 |
| Effects of foreign currency changes | | (315,274) | 66,150 |
| Interest income | | (64,253) | (26,936) |
| Loss from investment in NADECOR | 4.C | 11,968 | 10,626 |
| Loss (income) from investments in joint ventures | 5.B | (15,875) | 6,513 |
| Changes in assets and liabilities | | | |
| Decrease (increase) in prepaids, other current assets, other non-current assets and accruals | | 23,774 | (8,699) |
| Net cash used by operating activities | | $ (576,940) | $ (495,933) |
| **Cash flows from investment activities** | | | |
| Increase in investment in mineral property | 3 | $ (418,265) | $ (1,040,117) |
| Advances to joint ventures | 5 | (210,153) | (245,215) |
| Note receivable from NADECOR | 4.B | (57,338) | (32,037) |
| Purchase of property and equipment | 6 | - | (1,799) |
| Changes in non-cash investing working capital | | 153,455 | (322,676) |
| Interest income | | 8,718 | 4,183 |
| Net cash used by investing activities | | $ (523,583) | $ (1,637,661) |
| **Cash flows from financing activities** | | | |
| Proceeds from common stock and warrants, net of issuance costs | 8.A | - | (147,500) |
| Net cash provided by financing activities | | $ - | $ (147,500) |
| Net decrease in cash and cash equivalents | | $ (1,100,523) | $ (2,281,094) |
| Effect of exchange rate changes on cash and cash equivalents | | 46,887 | 44,557 |
| Cash and cash equivalents, beginning of period | | 3,213,845 | 10,385,283 |
| **Cash and cash equivalents, end of year** | | **$ 2,160,209** | **$ 8,148,746** |
| **Comprised of:** | | | |
| Cash | | $ 214,661 | $ 281,240 |
| Cash equivalents | | 1,945,548 | 7,867,506 |
| **Total cash and cash equivalents, end of year** | | **$ 2,160,209** | **$ 8,148,746** |

*The accompanying notes are an integral part of these unaudited interim consolidated financial statements.*

(Presented in U.S. dollars)

| | Notes | Shares | Share capital | Share option reserves | Warrant reserves | Accumulated deficit | Accumulated other comprehensive loss | Total |
|---|---|---|---|---|---|---|---|---|
| Balance, January 1, 2015 | | 726,758,334 | $ 129,922,867 | $ 11,951,374 | $ 1,215,488 | $ (20,507,249) | $ (4,568,578) | $ 118,013,902 |
| Share-based compensation | 8.B | - | - | 31,987 | - | - | - | 31,987 |
| Foreign exchange translation gain | | - | - | - | - | - | 133,208 | 133,208 |
| Net loss | | - | - | - | - | (556,422) | - | (556,422) |
| Balance, March 31, 2015 | | 726,758,334 | $ 129,922,867 | $ 11,983,361 | $ 1,215,488 | $ (21,063,671) | $ (4,435,370) | $ 117,622,675 |
| Balance, January 1, 2016 | | 726,758,334 | $ 129,272,617 | $ 12,020,131 | $ 1,215,488 | $ (22,498,824) | $ (7,051,945) | $ 112,957,467 |
| Share-based compensation | 8.B | - | - | 10,694 | - | - | - | 10,694 |
| Foreign exchange translation gain | | - | - | - | - | - | 643,240 | 643,240 |
| Net loss | | - | - | - | - | (223,809) | - | (223,809) |
| Balance, March 31, 2016 | | 726,758,334 | $ 129,272,617 | $ 12,030,825 | $ 1,215,488 | $ (22,722,633) | $ (6,408,705) | $ 113,387,592 |

*The accompanying notes are an integral part of these unaudited interim consolidated financial statements.*

## 1. Organization & description of business and continuance of operations

St. Augustine Gold and Copper Limited (the "Company" or "SAGC") was incorporated on January 27, 2010, in the British Virgin Islands. The address of the Company's corporate office is Suite 8, 20/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong. The registered address of the Company is Jayla Place, Wickham's Cay 1, Road Town, Tortola VG 1110, British Virgin Islands.

The Company has earned no revenues since its recapitalization in 2011 and is focused on the acquisition, development and exploration of mineral properties. The Company (through a related party company, prior to the Company's incorporation) and Nationwide Development Corporation ("NADECOR"), a Philippine corporation, entered into a Letter of Intent dated November 10, 2009, and executed a Memorandum of Understanding ("MOU") on April 27, 2010. Under these agreements, subsequent amendments and related agreements, the Company became responsible for providing technical assistance for operations and acquired the right to earn-in an aggregate 60% equity position, through direct and indirect investments, in the King-king Joint Venture envisioned in the MOU. The earn-in is based on expenditures made to benefit the King-king copper gold project (the "Project") as well as direct payments to NADECOR. The MOU will be superseded following fulfillment of the terms of an amended agreement executed in 2013 and amended in August 2014 (Note 4.A).

The Project is a copper-gold mineral reserve located at Sitio Gumayan, Barangay King-king, Municipality of Pantukan, Province of Compostela Valley, on Mindanao Island, Philippines. Several years of exploration, including drilling and baseline studies have been completed by various parties. A National Instrument 43-101-compliant Preliminary Feasibility Technical Report has been completed and published on SEDAR on November 1, 2013.

The Philippine Environmental Management Bureau approved the Project Environmental Impact Study and issued the Environmental Compliance Certificate ("ECC") to NADECOR for the King-king Project on February 26, 2015.

On January 4, 2016, Mines and Geosciences Bureau (MGB) approved the Declaration of Mine Project Feasibility ("DMPF") therefore authorizing NADECOR and the Company to proceed in the development, construction and operation of the King-king Project per approved plans and strategies.

The Company is dependent upon its ability to obtain additional financing to complete a Bankable Feasibility Study ("BFS"), develop the mine site, and fund operations.

These unaudited interim consolidated financial statements, prepared as at and for the three months ended March 31, 2016 and 2015, (the "Financial Statements") have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business. The Company earns no operating revenues and has incurred an accumulated deficit of approximately $22.7 million through March 31, 2016 (December 31, 2015 - $22.5 million). The Company had working capital of approximately $1.2 million at March 31, 2016 (December 31, 2015 – $2.5 million); however the Company has $3.5 million commitments remaining to a joint venture investee (Note 11.B). Further, additional funds must be raised in order to further develop and construct the Project and ultimately realize a positive economic return. This represents a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon obtaining necessary financing to complete permitting activities, engineering design, construction and placement of the mineral property into commercial production. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future. The Financial Statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

These Financial Statements were authorized for issue by the Board of Directors on May 12, 2016.

## 2. Significant accounting policies

A. Statement of compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting period ending December 31, 2016. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2015. Accounting policies applied are the same as those applied in the Company's annual financial statements which are filed under the Company's profile on SEDAR at www.sedar.com, with the exception of new and revised accounting standards outlined in Note 2.F. The Financial Statements are prepared as at and for the three months ended March 31, 2016, which is part of the period to be covered by the Company's annual financial statements for the year ending December 31, 2016.

Financial disclosures are presented in U.S. dollars unless otherwise noted

B. Basis of presentation

The Financial Statements have been prepared using historical costs and fair values of certain items. Items initially measured at fair value include cash held in foreign currencies, warrant valuations, share-based payments and investments. The use of "₱" refers to Philippine pesos and "CDN$" refers to Canadian dollars.

C. Basis of consolidation

The Financial Statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions are eliminated on consolidation.

D. Segment reporting

The Company operates in a single reportable operating segment, which is the development of mineral properties. The Company's sole mineral property interest, the King-king project, is located in the Philippines.

E. Significant accounting estimates, judgments and assumptions

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of income and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses.

Management uses historical experience and other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

There were no changes in key estimates, judgments or assumptions since the year ended December 31, 2015.

F. New or revised pronouncements and amendments

| **Pronouncement** | **Effective date** | **Adoption date** | **Summary of impact** |
|---|---|---|---|
| **IFRS 9 Financial Instruments** | | | |
| This guidance was issued as the first step in its project to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and new rules for hedge accounting. An entity may elect to apply earlier versions of IFRS 9 if, and only if, the entity's relevant date of initial application is before February 1, 2015. Otherwise, early application is only permitted if the complete version of IFRS 9 is adopted in its entirety for reporting periods beginning after July 24, 2014. | Annual periods beginning on or after January 1, 2018 | | To be determined |

Financial disclosures are presented in U.S. dollars unless otherwise noted

| Pronouncement | Effective date | Adoption date | Summary of impact |
|---|---|---|---|
| **IFRS 15 Revenue from Contracts with Customers** | | | |
| The standard replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of sales of some non-financial assets including disposals of property, equipment and intangible assets. | Annual periods beginning on or after January 1, 2018 | | No material impact |

G. Application of new and revised accounting standards

There were no new or revised standards effective January 1, 2016, that had a material effect on the Financial Statements.

## 3. Investment in mineral property

The following table summarizes changes to the investment in mineral property for the three months ended March 31, 2016 and the year ended December 31, 2015:

| | March 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| Begnning balance | $ | 56,159,644 | $ | 53,269,409 |
| Additions | | 615,814 | | 2,890,235 |
| **Total** | **$** | **56,775,458** | **$** | **56,159,644** |

Additions in the above table reflect capitalized depreciation of $20,453 and book value equipment losses of nil (2015 –$31,055 and $49,459), respectively (Note 6) and capitalized share-based payments of $4,165 (2015 – $19,152) (Note 8.B).

The Company's investment in mineral property is secured under its rights under the MOU. Additionally, the Company owns 25% of NADECOR directly (Note 4.C). Management expects to fulfill the terms of the Project Framework Agreement ("PFA") (Note 4.A), which will supersede the terms of the MOU. However, until the PFA is substantially completed, the MOU is the current contract in force underlying this asset at March 31, 2016.

The Company has committed to spend $43,500,000 to complete a BFS for the Project, for which the Company earns a 45% interest in the Project. The underlying earn-in accumulates as expenditures are made, along with other milestones and earn-in commitments. An additional 6% can be earned through interim payments to NADECOR and an additional 9% can be earned by funding a minimum of $32,000,000 in capital development expenditures ("CapEx"), subject to adjustment according to outcomes contemplated in the MOU. To earn the full 60% potential interest in the Project, the Company will spend, or pay to NADECOR, a minimum of $83,000,000, as outlined by the agreement summarized below and subject to adjustments for outcomes contemplated in the MOU. A significant variable which can change this minimum commitment is the planned tonnage throughput of mine operations. In the event that the Company's minimum commitment increases, the Company and NADECOR share in the economic benefit of cost savings against CapEx at the ratio of the earn-in. The Company also incurs costs related to the project which do not qualify for progress towards the earn-in. The expenditure requirements and progress towards the payments are summarized as follows:

Financial disclosures are presented in U.S. dollars unless otherwise noted

| Item | Earn-in amount | March 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Exclusivity payment to NADECOR (i) | $ 400,000 | $ 400,000 | $ 400,000 |
| Initial payment to NADECOR (ii) | 3,100,000 | 3,100,000 | 3,100,000 |
| Initial BFS funding (iii) | 30,000,000 | 30,000,000 | 30,000,000 |
| Incremental BFS funding (iv) | 5,000,000 | 5,000,000 | 5,000,000 |
| Incremental BFS funding (iv) | 8,500,000 | 8,500,000 | 8,500,000 |
| CapEx funding (vi) | 32,000,000 | 14,870,625 | 14,179,156 |
| Totals | $ 83,000,000 | $ 63,101,625 | $ 62,410,156 |

(i) Direct payment to NADECOR made in 2009;

(ii) $3,000,000 was paid in 2010. The remaining $100,000 was paid in 2012;

(iii) Direct project expenditures made by the Company pursuant to the Preferred Shares Investment Agreement (“PSIA”). The full amount has been expended;

(iv) Direct project expenditures after the fulfillment of $30 million required to be expended following the PSIA;

(v) The timing of direct payments to NADECOR is contingent on events contemplated in the MOU. During 2011, $981,000 was paid, $250,000 was paid during 2013, and the balance is expected to be paid if the terms of the PFA are not fulfilled; and

(vi) Total capital expenditures based on planned mine throughput. The minimum commitment is $32,000,000, and is subject to adjustment depending on the planned throughput of the mine. PFS results indicate throughput would increase the Company’s capital expenditure (“CapEx”) commitment should the terms of the PFA not be completed.

A reconciliation of the progress made towards the earn-in to the amounts invested in mineral properties included on the accompanying statements of financial position is as follows:

| Reconciliation of Investment in mineral property to earn-in | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Investment in mining property | $ 56,775,458 | $ 56,159,644 |
| Depreciable property (earn-in in full on purchase) | 176,403 | 196,856 |
| Qualifying fundraising costs | 1,788,362 | 1,788,362 |
| Other (i) | 4,361,402 | 4,265,294 |
| Estimated earn-in balance | $ 63,101,625 | $ 62,410,156 |

(i) Other items include disallowed earn-in expenditures, non-cash items and other differences due to accounting guidance and differences between the Company’s accounting policies and earn-in calculations.

## 4. Transactions with Nationwide Development Corporation

A. Project Framework Agreement (“PFA”)

On October 3, 2013, the Company, NADECOR and Queensberry Mining & Development Corp. (“Queensberry, Note 7.C) executed the PFA, which was amended in August 2014. In November 2013, NADECOR’s shareholders ratified the execution and implementation of the PFA. The Company received shareholder approval and conditional Toronto Stock Exchange (“TSX”) approval in December 2013. The Company received shareholder approval and conditional TSX approval in July 2014 for the PFA amendment. NADECOR shareholders approved the PFA amendment in June 2014. The PFA amendment was executed on August 8, 2014. The amended PFA’s purpose is to restructure and align NADECOR and the Company’s financial interests in the Project. Upon completion of the amended PFA’s terms, it will supersede the MOU and related agreements. The primary terms of this agreement, as amended, include the following completed items:

- In 2013, NADECOR established a mining company (King-king Mining Corporation; "KMC") which is 60% owned by NADECOR and 40% by the Company (in accordance with Philippine nationality requirements). NADECOR is required to transfer the Mineral Production Sharing Agreement ("MPSA") to KMC (Note 5.B);
- The Company extends a credit facility to NADECOR of up to ₱860 million (approximately $20 million), subject to available funds (Note 4.B);
    - During 2014 the Company settled NADECOR debts of ₱110 million (approximately $2.5 million) and $2,218,810 in exchange for additions to the receivable under the credit facility (Note 4.B);
- In 2013 NADECOR reimbursed $2,800,000 million in Project expenditures to the Company; and
- In 2013 NADECOR acknowledged that the Company has earned-in to a 50% economic interest in the Project, and this interest remains in effect whether or not the other terms of the PFA are entirely fulfilled.

The primary terms of the agreement pending completion are:

- The Company's acquisition of 100% of a newly created milling company (King-king Milling Corporation; "MillingCo") from NADECOR by issuing debt payable to NADECOR (MillingCo was incorporated on February 7, 2014), and provision of funds to build the mill facility;
- NADECOR's shareholders will acquire the receivable from the Company as a dividend;
- The Company will settle the debt payable (after being dividended to NADECOR's shareholders) in exchange for cash or Company shares from treasury (cash or share settlement is at NADECOR shareholders' discretion), up to a maximum issuance of 185,000,000 shares;
- The execution of an ore sales agreement between MillingCo and KMC, making MillingCo the exclusive buyer of KMC's ore;
- MillingCo's provision of loaned funds for KMC to build mining operation facilities;
- A secondary public listing of the Company's shares on the Philippine Stock Exchange; and
- MGB approval on the assignment of MPSA to KMC.

KMC (Note 5.B) will be loaned $11 million under a credit facility which has been committed to secure land acquisitions ($10 million) and to compensate Queensberry (Note 7.C) for certain services provided ($1 million). The Queensberry service contract contains milestone payments related to permitting and transfer of the MPSA to KMC, the Project joint venture. KMC paid $500,000 of this amount as payable upon issuance of the ECC in April 2015. The Company had advanced $7.5 million of the facility to KMC at March 31, 2016 (December 31, 2015 - $7.5 million).

Financial disclosures are presented in U.S. dollars unless otherwise noted

B. Note receivable from NADECOR

At March 31, 2016, NADECOR owed the Company $5,164,297 under the terms of the facility established by the amended PFA (Note 4.A) (December 31, 2015 – $4,993,813). The balance includes ₱110 million (approximately $2.5 million) advanced in cash to settle NADECOR's debt to Queensberry and Company shares issued against other NADECOR debts, valued at $2,218,810, as well as other advances and accrued interest. Cash advanced during the three months ended March 31, 2016 totalled $57,338 (December 31, 2015 - $94,035). The note matures October 3, 2023, at which time a single installment for principal and accrued interest is due. The maturity date can be extended an additional fifteen years at NADECOR's option. The note accrues interest at one-year LIBOR per annum until the date of commercial production of the Project, at which time interest will accrue at one-year LIBOR plus 2%. The note may be prepaid at any time without premium or penalty.

C. Investment in NADECOR

On March 15, 2013, the Company executed an agreement with NADECOR (the "NADECOR Subscription") whereby the Company acquired 25% of NADECOR's common shares for ₱1.8 billion ($43,520,407). The terms of this agreement were fully executed in 2013 and the Company holds 25% of NADECOR's issued and outstanding common stock.

The Company accounts for its investment in NADECOR as an investment in an associate using the equity method.

NADECOR's ability to transfer funds to the Company in the form of cash dividends is limited by law while NADECOR has an accumulated deficit. The law does not have significant restrictions on NADECOR`s ability to repay Philippine loans or advances made by the Company.

Below is the summarized financial information of NADECOR prepared under IFRS for the three months ended March 31, 2016 and 2015, acknowledging fair value adjustments made at the date of the acquisition and reconciliation with the carrying amount of the investment in the unaudited condensed interim consolidated financial statements:

| **Item** | | **March 31, 2016** | | **March 31, 2015** |
|---|---|---|---|---|
| Current assets | $ | 277,422 | $ | 267,952 |
| Non-current assets | | 161,705,272 | | 166,312,684 |
| Current liabilities | | (684,058) | | (678,601) |
| Non-current liabilities | | (5,164,297) | | (5,131,014) |
| Net assets | $ | 156,134,339 | $ | 160,771,021 |
| Share of net assets | | 25% | | 25% |
| Carrying amount on statement of financial position | $ | 39,033,585 | $ | 40,192,755 |
| | | | | |
| Net loss | $ | (47,873) | $ | (42,502) |
| Foreign exchange translation loss | | 3,013,252 | | 359,523 |
| Comprehensive loss | $ | 2,965,379 | $ | 317,021 |
| Share of comprehensive loss | | 25% | | 25% |
| Proportionate share of net loss | $ | (11,968) | $ | (10,626) |
| Proportionate share of total comprehensive loss | $ | 741,345 | $ | 79,255 |

## 5. Investments in joint ventures

The Company is invested in two joint ventures.

A. King-king Gold and Copper Mines, Inc. ("KGCMI")

The Company has invested cash totaling $752,913 in KGCMI through March 31, 2016 (December 31, 2015 - $752,913), in exchange for 40% of KGCMI's voting common shares. The Company has also appointed 2 of 6 board seats of KGCMI. At March 31, 2016 and December 31, 2015, the Company was owed nil for advances made to KGCMI.

KGCMI was incorporated to become the joint venture entity to hold the rights to develop and operate the Project in the Philippines. However, NADECOR is arranging for a new entity, KMC (Note 5.B), to hold the rights to develop and operate the Project. It is expected that the assets and liabilities of KGCMI will be distributed to the newly formed entity. The Company accounts for this investment using the equity method; accordingly, the investment will be adjusted for the Company's share of profit and loss at each reporting period. As a Project site operating entity, KGCMI's expenses are capitalized, and the Company did not report loss attributable to KGCMI in the Financial Statements.

At March 31, 2016, KGCMI had approximately $12,000 in cash and approximately $21,000 in liabilities (December 31, 2015 - $12,000 in cash and approximately $21,000 in liabilities).

B. King-king Mining Corporation ("KMC")

KMC was incorporated on October 30, 2013, to take KGCMI's (Note 5.A) role as the entity which will hold the rights to develop and operate the Project in the Philippines. The Company had invested $58,706 in KMC through March 31, 2016 (December 31, 2015 - $58,706).

The Company continues to advance funds to KMC for joint venture operations, such as tenement security. At March 31, 2016, the Company was owed $1,615,765 for advances made to KMC (December 31, 2015 – $1,482,177). The total amount receivable from KGCMI and KMC at March 31, 2016 was $1,615,765 (December 31, 2015 - $1,482,177). During the three months ended March 31, 2016, the amount advanced to KMC was reduced by $76,565 (2015 – nil) due to net and transition losses from the Company's investment in KMC.

At March 31, 2016, KMC owed the Company $7,682,996, comprised of $7,500,000 in principal and $182,996 in accrued interest (December 31, 2015 - $7,643,536; $7,500,000 for principal and $143,536 for accrued interest) under the credit facility established concurrent with amended PFA (Note 4.A). The credit facility to KMC charges interest at the one year LIBOR rate per annum until the date of commercial production, at which time the rate is one year LIBOR plus 2%. The facility is due in one payment in August 2024 and can be paid before maturity without penalty.

Below is the summarized financial information of KMC prepared under IFRS for the three months ended March 31, 2016 and 2015 and reconciliation with the carrying amount of the investment in the unaudited condensed interim consolidated financial statements:

Financial disclosures are presented in U.S. dollars unless otherwise noted

| Item | | March 31, 2016 | | March 31, 2015 |
|---|---|---|---|---|
| Current assets | $ | 278,749 | $ | 81,345 |
| Non-current assets | | 12,412,175 | | 8,969,377 |
| Current liabilities | | (1,413,551) | | (2,002,206) |
| Non-current liabilities | | (11,874,592) | | (7,027,981) |
| Net assets (liabilities) | $ | (597,219) | $ | 20,535 |
| Share of net assets | | 40% | | 40% |
| Proportionate share of net assets (liabilities) | $ | (238,888) | $ | 8,214 |
| Net loss | $ | 39,687 | $ | (16,282) |
| Foreign exchange translation gain (loss) | | (231,100) | | 8,413 |
| Comprehensive loss | $ | (191,413) | $ | (7,869) |
| Share of comprehensive loss | | 40% | | 40% |
| Proportionate share of net gain (loss) | $ | 15,875 | $ | (6,513) |
| Proportionate share of total comprehensive loss | $ | (76,565) | $ | (3,148) |
| Proportionate share of translation gain (loss) | $ | (92,440) | $ | 3,365 |

The carrying amount of the Company’s investments in KMC and KGCMI totaled $752,913 at March 31, 2016 (December 31, 2015 - $752,913). The Company carries its investment in KMC at nil, while its share of net liabilities in KMC equal $238,888, and the Company has reduced its advances to joint ventures for losses in excess of the Company’s carrying value investment in KMC. During the three months ended March 31, 2016, the Company’s share of KMC’s total comprehensive losses were $76,565 (2015 – nil). Of total comprehensive losses, $75,565 reduced the Company’s advances to joint ventures (2015 – nil).

## 6. Property and equipment

| | | Vehicles | | Furniture and fixtures | | Equipment | | Buildings and leasehold improvements | | Totals |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost balance, January 1, 2015 | $ | 584,980 | $ | 108,336 | $ | 291,463 | $ | 85,742 | $ | 1,070,521 |
| Additions | | | | | | 1,720 | | | | 1,720 |
| Disposals | | - | | (59,588) | | (151,688) | | (16,582) | | (227,858) |
| Balance, December 31, 2015 | $ | 584,980 | $ | 48,748.00 | $ | 141,495 | $ | 69,160 | $ | 844,383 |
| Additions | | - | | - | | - | | - | | - |
| Balance, March 31, 2016 | $ | 584,980 | $ | 48,748 | $ | 141,495 | $ | 69,160 | $ | 844,383 |
| | | | | | | | | | | |
| Accumulated depreciation, January 1, 2015 | $ | 298,948 | $ | 79,768 | $ | 269,300 | $ | 60,761 | $ | 708,777 |
| Additions | | 66,850 | | 17,087 | | 18,257 | | 13,255 | | 115,449 |
| Disposals | | - | | (48,107) | | (146,062) | | (4,856) | | (199,025) |
| Balance, December 31, 2015 | $ | 365,798 | $ | 48,748 | $ | 141,495 | $ | 69,160 | $ | 625,201 |
| Additions | | 20,453 | | - | | - | | - | | 20,453 |
| Balance, March 31, 2016 | $ | 386,251 | $ | 48,748 | $ | 141,495 | $ | 69,160 | $ | 645,654 |
| | | | | | | | | | | |
| **Net book value, December 31, 2015** | **$** | **219,182** | **$** | **-** | **$** | **-** | **$** | **-** | **$** | **219,182** |
| **Net book value, March 31, 2016** | **$** | **198,729** | **$** | **-** | **$** | **-** | **$** | **-** | **$** | **198,729** |

Financial disclosures are presented in U.S. dollars unless otherwise noted

There was no impairment loss recognized during the three months ended March 31, 2016 and 2015 with respect to property and equipment. Depreciation capitalized into the mineral asset during the three month ended March 31, 2016 was $20,453 (2015 - $31,055).

## 7. Related party transactions

Certain key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

The following related parties transacted with the Company in the reporting period of these Financial Statements. The terms and conditions of the transactions with key management personnel and their related parties are made at terms equivalent to those that prevail on similar transactions to non-key management personnel related entities at an arm's length basis.

A. Transactions with officers and directors

The aggregate value of transactions with officers and directors is as follows:

| | Three months ended March 31, | |
|---|---|---|
| **Compensation** | **2016** | **2015** |
| Officer salaries and director compensation | $ 326,546 | $ 276,313 |
| Share-based compensation | 6,243 | 18,659 |
| **Total** | **$ 332,789** | **$ 294,972** |

B. Transactions with Other Related Parties

The aggregate value of transactions and outstanding balances with other related parties were as follows:

| | Three months ended March 31, | |
|---|---|---|
| **Transactions** | **2016** | **2015** |
| **Services rendered:** | | |
| Norton Rose Canada LLP (i) | $ 21,005 | $ 89,548 |
| Queensberry (Note 7.C) | 46,211 | - |
| **Reimbursement of third party expenses incurred on the Company's behalf:** | | |
| Russell Mining Corporation (ii), (iii) | - | 13,578 |
| **Total** | **$ 67,216** | **$ 103,126** |

| **Related party receivable** | **March 31, 2016** | **December 31, 2015** |
|---|---|---|
| Russell Mining Corporation (ii), (iii) | - | 21,276 |
| NADECOR (Note 4.C) | 5,164,297 | 4,993,813 |
| KMC note receivable (Note 5.B) | 7,682,996 | 7,643,536 |
| KMC advances receivable (Note 5.B) | 1,615,765 | 1,482,177 |
| **Total** | **$ 14,463,058** | **$ 14,140,802** |

| **Related party balances payable** | **March 31, 2016** | **December 31, 2015** |
|---|---|---|
| Norton Rose Canada LLP (i) | $ 21,005 | $ 1,515 |
| Russell Mining Corporation (ii), (iii) | - | 3,636 |
| Queensberry (Note 7.C) | 126,604 | 77,600 |
| **Total** | **$ 147,609** | **$ 82,751** |

Related party receivables are included in prepaids and other current assets on the accompanying Financial Statements.

(i) Norton Rose Canada LLP acts as the Company's securities counsel and the partner of the account is also the Corporate Secretary.

(ii) Russell Mining Corporation ("RMC") is a large shareholder (owning over 10% of issued and outstanding shares) and is party to several of the Company's agreements and had key managers in common with the Company. The Company was a sub-lessee to RMC's office lease, which ended March 31, 2015 (Note 11.C).

(iii) These companies received accounting and clerical support from the Company's staff until September 30, 2014. Josephine Mining Corp. ("JMC"), RMC and Casa Grande Resources LLC had management in common with the Company, and shared corporate headquarters until March 31, 2015. The aforementioned entities and the Company reimbursed RMC for office rent and other general and administrative expenses and all entities advanced certain shared expense payments to one another for administrative convenience until March 31, 2015.

C. Queensberry

The Company and Queensberry are party to agreements described in Note 4. Queensberry's Chief Executive Officer ("CEO"), Manuel Paolo A. Villar, is also the CEO of the Company and Chairman of the Board of Directors of the Company. Queensberry is the Company's largest shareholder. The Company and KMC have management services agreements, effective May 2015 and November 2014, to compensate Queensberry ₱800,000 and ₱560,000 per month (approximately $17,500 and 12,000), respectively. Queensberry received $500,000 from KMC as payable upon issuance of the ECC in April 2015 in accordance with the service contract (Note 4.A).

## 8. Shareholders' equity

A. Share capital

The Company is authorized to issue an unlimited number of shares of no par value.

No shares were issued during the three months ended March 31, 2016. During the three months ended March 31, 2015, the Company paid $147,500 in fundraising fees which were accrued against share capital in 2014.

B. Share option reserves

The Company has a share option plan approved by the Company's shareholders that allows the Board of Directors to grant options to employees, officers, independent contractors, and directors. Shares reserved and available for grant and issuance equals 10% of the total issued and outstanding common shares as calculated from time to time. Under the plan, the exercise price of each option cannot be less than the market price of the Company's stock on the date of grant. The options are granted for a term determined by the board of directors. Options generally expire 90 days following employment termination and vest over a two-year period, although individual option contract terms may change the standard terms under the plan at the discretion of the Board of Directors.

Share option reserves totalled $12,030,825 at March 31, 2016 (December 31, 2015 - $12,020,131), equalling charges of $10,694 during the three months ended March 31, 2016 (2015 - $31,987); of this amount, $6,529 was expensed and $4,165 was capitalized to the investment in mineral property (2015 - $12,835 and $19,152 respectively). The portion expensed is included in wages and share-based payments on the statements of comprehensive loss.

Financial disclosures are presented in U.S. dollars unless otherwise noted

i. Continuity schedule of stock options at March 31, 2016 (dollars in CDN$)

| | Exercise price range | Number of options outstanding | Weighted average exercise price |
|---|---|---|---|
| Balance, January 1, 2015 | $0.10 - 1.54 | 27,767,668 | $ 0.51 |
| Expired | $0.10 - 1.54 | (735,168) | 1.15 |
| **Balance, December 31, 2015** | **$0.10 - 1.54** | **27,032,500** | **$ 0.51** |
| Expired | $0.10 - 1.54 | (3,700,000) | 1.54 |
| **Balance, March 31, 2016** | **$0.10 - 1.54** | **23,332,500** | **$ 0.33** |

ii. Summary of share options outstanding and exercisable at March 31, 2016 (dollars in CDN$)

| | Outstanding | | | Exercisable | | |
|---|---|---|---|---|---|---|
| Exercise prices | Number outstanding | Weighted average exercise price | Weighted average remaining years | Number outstanding | Weighted average exercise price | Weighted average remaining years |
| $0.10 to $0.50 | 20,182,500 | $ 0.26 | 2.14 | 19,822,172 | $ 0.26 | 2.42 |
| $0.51 to $0.75 | 1,300,000 | 0.55 | 0.49 | 1,300,000 | 0.55 | 0.49 |
| $0.76 to $1.00 | 1,850,000 | 0.98 | 0.01 | 1,850,000 | 0.98 | 0.01 |
| **Totals** | **23,332,500** | **$ 0.33** | **1.88** | **22,972,172** | **$ 0.33** | **2.12** |

C. Warrant reserves

i. At March 31, 2016, 37,500,000 warrants were outstanding and exercisable at $0.15 until December 22, 2016 (December 31, 2015 – 37,500,000).

## 9. Earnings per share ("EPS")

A. Basic EPS

Basic EPS is computed by dividing net loss for a year by the weighted average number of common shares outstanding during that year.

B. Diluted EPS

Diluted EPS is computed by dividing net loss for a year by the diluted number of common shares. Diluted common shares include the effects of instruments, such as share options and warrants, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the three months ended March 31, 2016 and 2015; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of comprehensive loss. Diluted loss per share did not include the effect of share purchase options and warrants as they were anti-dilutive.

## 10. Capital management

The following table summarizes the accounts under the Company's capital management program at March 31, 2016 and December 31, 2015:

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Cash and cash equivalents | $ 2,160,209 | $ 3,213,845 |
| Share capital | 129,272,617 | 129,272,617 |
| Share option reserves | 12,030,825 | 12,020,131 |

At March 31, 2016, approximately $72,000 was held in banks in the Philippines denominated in the Philippine Peso (December 31, 2015 - $54,000) and approximately $2.1 million in cash and cash equivalents was held in banks in the Philippines denominated in U.S. dollars (December 31, 2015 – approximately $3.1 million).

The Company's objectives and continued financing of its commitments under its agreements with NADECOR (Note 4) are dependent on the ability to raise funds until mineral production commences.

## 11. Commitments and contingencies

A. NADECOR

i. Commitments related to NADECOR

The Company's commitments to NADECOR are described in Note 3.

NADECOR has committed to pay a royalty fee of one percent of the Project's gross production to the Mansaka Indigenous Cultural Communities/Indigenous Peoples. This fee was contemplated at one percent in the Technical Report with an effective date of February 25, 2013 and filed on www.sedar.com on November 1, 2013, and therefore does not change the Company's Project economic disclosures made in other publicly available disclosures.

ii. NADECOR shareholder dispute

There is an internal dispute between two distinct shareholder groups of NADECOR which continues to exist as of the date these financial statements were authorised for issue. The dispute pertains to many issues including the validity of the 2011 annual stockholders' meeting of NADECOR where the NADECOR majority shareholder group nominees were appointed as the lawfully elected board of directors.

Several court actions were lodged by each side of the NADECOR shareholder groups during 2011 and 2012. On February 18, 2013, the Philippine Court of Appeals ruled that the board of directors elected during the August 15, 2011 meeting was validly elected. As a consequence, the directors nominated by the NADECOR majority shareholder group constituted majority of the lawful board of NADECOR. The NADECOR minority shareholder group has filed an appeal with the Philippines Supreme Court. The Company's view, based on external legal counsel advice, is the likelihood of the NADECOR minority shareholder group successfully appealing is remote.

However, in the unlikely event that the appeal to the Philippines Supreme Court in the Philippines is ultimately successful and the Court of Appeals ruling is reversed, the minority shareholder group could seek to challenge and rescind any or all contracts between the Company and NADECOR. Accordingly, as the Company would view such rescission to be without legal basis, the Company may be forced to go to arbitration to defend its agreements, which would result in protracted delays. The Company's management believes the agreements protecting the Company's investment in the project would be upheld in arbitration; however, it cannot provide absolute assurance as to the ultimate arbitration results.

B. Investments in joint ventures

i. KGCMI

The Company has subscribed to 40% of KGCMI. At this time, the Company has not yet received the share certificates as a result of the above referred NADECOR internal board dispute, as NADECOR is a 60% owner of KGCMI. The Company has received legal advice that their rights to the shares of KGCMI are protected by the share subscription agreement between the Company and KGCMI. A new entity has been incorporated to take the place of KGCMI's business purpose (Note 5.A).

ii. KMC

King-king Mining Corporation (Note 5.B), the entity to which NADECOR's shareholders have approved the transfer of the MPSA, was incorporated in October 2013.

KMC has a $3 million payable due upon the finalization of a lands purchase agreement and a $500,000 outstanding milestone payment due to Queensberry (Note 4.A) upon a triggering event, both of which will be financed by the Company as per the note receivable set out in note 4 (a).

C. Office lease agreement

The Company's remaining office lease commitment to RMC (Note 7.B), was settled during 2014 in exchange for amounts due from JMC, a related party (Note 7.B). The office lease terminated on March 31, 2015.

D. Other

Due to the nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the opinion of management, there are no matters that could have a material effect on these consolidated financial statements which require additional disclosure.