St. Augustine Gold and Copper Limited

Consolidated Financial Statements

As at and for the years ended December 31, 2016 and 2015
Presented in U.S. dollars

Dated as of March 29, 2017

Management's Responsibility for Financial Statements

In management's opinion, the accompanying consolidated financial statements of St. Augustine Gold and Copper Limited have been prepared within reasonable limits of materiality and in accordance with International Financial Reporting Standards. The determination of many assets and liabilities necessarily involves the use of estimates and approximations. These have been made using careful judgment and with all information available up to March 29, 2017. Management is responsible for all information in the annual report and for the consistency, therewith, of all other financial and operating data presented in this report.

To meet its responsibility for reliable and accurate financial statements, management has established and monitors systems of internal control which are designed to provide reasonable assurance that financial information is relevant, reliable and accurate, and that assets are safeguarded and transactions are executed in accordance with management's authorization.

The consolidated financial statements have been audited by Davidson & Company LLP, Chartered Professional Accountants. Their responsibility is to express a professional opinion on the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards. The Auditor's Report outlines the scope of its audit and sets forth its opinion.

St. Augustine Gold and Copper Limited's Audit Committee, consisting exclusively of independent directors, has reviewed these statements with management and the Auditors and has recommended their approval to the Board of Directors. The Board of Directors has approved the consolidated financial statements herein.

"SIGNED"

Manuel Paolo A. Villar
Chief Executive Officer

"SIGNED"

Maryknoll Zamora
Interim Chief Financial Officer

Makati City, Philippines

March 29, 2017

DAVIDSON & COMPANY LLP Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
St. Augustine Gold and Copper Limited

We have audited the accompanying consolidated financial statements of St. Augustine Gold and Copper Limited, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of St. Augustine Gold and Copper Limited as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about St. Augustine Gold and Copper Limited's ability to continue as a going concern.

Other Matters

The consolidated financial statements of St. Augustine Gold and Copper Limited for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on March 30, 2016.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

March 29, 2017

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St. Augustine Gold and Copper Limited
Consolidated statements of financial position
As at December 31, 2016 and 2015
(Presented in U.S. dollars)

	Notes	December 31, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		$ 236,833	$ 3,213,845
Prepaids and other current assets		135,673	170,352
Total current assets		372,506	3,384,197
Non-current assets			
Investment in mineral property	3	57,619,453	56,159,644
Investment in NADECOR	4.C	36,125,522	38,292,239
Note receivable from NADECOR	4.B	4,937,353	4,993,813
Investments in joint ventures	5	752,913	752,913
Advances to joint ventures	5.B	1,484,257	1,482,177
Note receivable from joint venture	5.B	7,770,086	7,643,536
Property and equipment	6	169,474	219,182
Other non-current assets		946,280	946,280
Total non-current assets		109,805,338	110,489,784
Total assets		**$ 110,177,844**	**$ 113,873,981**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued wages	7.A	$ 1,066,388	$ 833,763
Income tax payable	9	47,261	-
Due to related parties	7.B	254,940	82,751
Total current liabilities		1,368,589	916,514
Shareholders' equity			
Share capital	8.A	129,272,617	129,272,617
Share option reserves	8.B	12,033,926	12,020,131
Warrant reserves	8.C	1,215,488	1,215,488
Accumulated deficit		(24,577,252)	(22,498,824)
Accumulated other comprehensive loss		(9,135,524)	(7,051,945)
Total equity		108,809,255	112,957,467
Total liabilities and shareholders' equity		**$ 110,177,844**	**$ 113,873,981**
Commitments and contingencies	13		
Subsequent events	15		

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

Approved on behalf of the Board of Directors:

"SIGNED"
Yolanda L. Coronel-Armenta
Director

"SIGNED"
Dr. Patrick V. Caoile
Director

St. Augustine Gold and Copper Limited
Consolidated statements of comprehensive loss
For the years ended December 31, 2016 and 2015
(Presented in U.S. dollars)

	Notes	Year ended December 31, 2016	2015
Operating expenses			
Wages and share-based expenses	7.A	$ 394,326	$ 892,910
General and administrative costs		629,265	1,250,392
Total operating expenses		(1,023,591)	(2,143,302)
Interest income		217,359	221,587
Interest expense		(1,680)	(3,060)
Foreign exchange gain (loss)		(88,421)	162,801
Total other income		127,258	381,328
Loss from investment in NADECOR	4.C	(85,989)	(44,117)
Loss from investments in joint ventures	5.B	(1,048,845)	(155,484)
Net loss before income tax expense		**(2,031,167)**	**(1,961,575)**
Income tax expense	9	(47,261)	(30,000)
Net loss		**(2,078,428)**	**(1,991,575)**
Foreign exchange translation loss		(2,083,579)	(2,483,367)
Total comprehensive loss		**$ (4,162,007)**	**$ (4,474,942)**
Net loss per common share, basic and diluted	10	$ (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 consolidated financial statements.

St. Augustine Gold and Copper Limited
Consolidated statements of cash flows
For the years ended December 31, 2016 and 2015
(Presented in U.S. dollars)

	Notes	Years ended December 31, 2016	2015
Cash flows from operating activities			
Net loss		$ (2,078,428)	$ (1,991,575)
Share-based compensation expense, net of capitalized amounts	8.B	8,606	28,008
Effects of foreign currency changes		139,880	(162,801)
Interest income		(217,359)	(221,587)
Loss from investment in NADECOR	4.C	85,989	44,117
Loss from investments in joint ventures	5.B	1,048,845	155,484
Income tax payable		(40,000)	(11,230)
Changes in non-cash operating working capital		32,570	(44,358)
Net cash used by operating activities		(1,019,897)	(2,203,942)
Cash flows from investment activities			
Increase in investment in mineral property	3	(1,302,893)	(2,832,729)
Advances to joint ventures	5	(946,546)	(1,125,032)
Note receivable from NADECOR	4.B	(142,312)	(94,035)
Note receivable from joint venture		-	(500,000)
Purchase of property and equipment	6	-	(1,720)
Changes in non-cash investing working capital		385,946	(192,122)
Interest income		14,487	46,692
Decrease in restricted cash		-	40,000
Net cash used by investing activities		(1,991,318)	(4,658,946)
Cash flows from financing activities			
Share issuance costs	8.A	-	(343,528)
Net cash used by financing activities		-	(343,528)
Net decrease in cash and cash equivalents		(3,011,215)	(7,206,416)
Effect of exchange rate changes on cash and cash equivalents		34,203	34,977
Cash and cash equivalents, beginning of year		3,213,845	10,385,283
Cash and cash equivalents, end of year		**$ 236,833**	**$ 3,213,845**
Comprised of:			
Cash		$ 236,833	$ 194,828
Cash equivalents		-	3,019,017
Total cash and cash equivalents, end of year		**$ 236,833**	**$ 3,213,845**

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

	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 capital transaction	8.A	-	(650,250)	-	-	-	-	(650,250)
Share-based compensation	8.B	-	-	68,757	-	-	-	68,757
Foreign exchange translation loss		-	-	-	-	-	(2,483,367)	(2,483,367)
Net loss		-	-	-	-	(1,991,575)	-	(1,991,575)
Balance, December 31, 2015		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	-	-	13,795	-	-	-	13,795
Foreign exchange translation loss		-	-	-	-	-	(2,083,579)	(2,083,579)
Net loss		-	-	-	-	(2,078,428)	-	(2,078,428)
Balance, December 31, 2016		726,758,334	$ 129,272,617	$ 12,033,926	$ 1,215,488	$ (24,577,252)	$ (9,135,524)	$ 108,809,255

The accompanying notes are an integral part of these 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 28/F, AIA Central No.1, Connaught Road, 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 exploration and evaluation of its mineral property. 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 had 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.

In June 2016, MGB issued an order approving the assignment of the MPSA to Kingking Mining Corporation (“KMC”) pursuant to the deeds of assignment dated October 22, 2010 and November 25, 2013.

On August 8, 2016, the Company announced that Department of Environment and Natural Resources (“DENR”) through Mines and Geosciences Bureau (“MGB”) has approved the renewal of the amended MPSA for another 25 year term.

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 consolidated financial statements, prepared as at and for years ended December 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 $24,577,252 through December 31, 2016 (December 31, 2015 - $22,498,824). The Company had a working capital deficit of $996,083 at December 31, 2016 (December 31, 2015 – working capital of $2,467,683); however, the Company has $3,500,000 in commitments remaining to a joint venture investee (Note 13.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 March 29, 2017.

2. Significant accounting policies

A. Statement of compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective for the Company's reporting year ended December 31, 2016.

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 Also, the Financial Statements have been prepared using the accrual method of accounting, except for cash flow information. 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 (Note 14). Intercompany balances and transactions are eliminated on consolidation.

D. Segment reporting

The Company operates in a single reportable operating segment, which is the exploration and evaluation of its mineral property. 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.

The most significant judgments and estimates relate to the following:

i. Impairment assessment of investment in mineral property

Management determines at each reporting period whether there are any indicators of impairment. If there are indicators, the carrying value of the investment in mining property is compared to the recoverable amount to calculate the amount of the impairment. If no indicators of impairment are identified, no impairment test is performed. At December 31, 2016, the Company determined that no indicators of impairment exist. Management believes that the Company and NADECOR have complied with the terms of the Mineral Production Sharing Agreement ("MPSA") agreement with the Philippine government and that the Company and NADECOR will be able to continue to obtain, as needed, the approvals from the government that are required under the MPSA in order to develop and complete the King-king project.

The determination of the recoverable amount (if required) of the King-king Project is highly subjective and contains a number of significant estimates. A preliminary feasibility study on the King-king project was completed in 2013. This study establishes an after-tax Net Present Value ("NPV") of $1.8 billion on the Project. The key assumptions in the preliminary feasibility study included an after-tax discount rate of 8%, long term gold and copper price assumptions of $1,250/oz and $3/lb respectively, initial capital costs of approximately $2 billion, total proven and probable reserves of approximately 617.9 million tonnes of ore containing copper with a grade of 0.3% and gold at a grade of 0.395 grams per

tonne, commercial production achieved in 2017, and a six year income tax holiday. Other key assumptions include 1) the metal recovery; 2) sustaining capital costs; 3) operating costs; and 4) foreign exchange rates.

However, given the economic analysis was performed in 2013 and the risks and assumptions may have changed since then, the NPV estimated in the preliminary feasibility study would not represent the King-king Project's recoverable amount.

ii. Determination of cash generating units

Cash generating units are identified at the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Since inception, the Company has not generated cash from operations; its sole potential cash generating unit is its interest in the Project mineral asset. This value is held through the Company's investment in mineral property, investment in NADECOR and investments in joint ventures.

iii. Depreciation and impairment of property and equipment

Management estimates the useful life of property and equipment for depreciation. Indicators of impairment are subject to management's evaluation of the impact of various events. When acquisitions qualify for earn-in, the Company charges the full cost to earn-in. As earn-in-qualified equipment is depreciated, the depreciation charges increase the investment in mineral property and do not affect net loss. Accordingly, at the end of the life of the property and equipment, the full cost is reflected in the Company's investment in mineral property asset. Property and equipment which does not qualify for earn-in is depreciated through net loss using the same assumptions and judgments as earn-in-qualifying property and equipment.

iv. Significant influence over associates

Management deems the Company to have significant influence over an associate when the Company is able to influence the financial and operating decisions of the associate. The Company has determined that its investment in NADECOR is an investment in associate.

v. Determination of joint control

When the Company is party to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company's investments in joint ventures are described in detail at Note 5.

vi. Share-based payments

Share-based payment values are calculated based on volatility, risk free interest rates, the fair value of the Company's shares on the grant date, exercise price, expected dividend yield, expected forfeiture rate and expected life of the instrument.

vii. Fair values of warrants

The initial recognition of warrants is based on applicable inputs similar to those of share-based payments. When warrants are classified as liabilities, the updated values of relevant inputs are used to calculate the fair value of the warrant liability at each reporting date. Warrants recorded in equity are carried at their historical grant-date value and reversed only on exercise.

viii. Deferred taxes

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized to the extent that it is probable that

future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

F. Functional and presentation currency

The Company's functional and presentation currency is the U.S. dollar ("$"). The functional currency of all material subsidiaries is the Philippine peso, and the functional currency of Kingking Mining Corporation ("KMC"), NADECOR and Kingking Gold and Copper Mines, Inc. ("KGCMI") is the Philippine peso.

G. Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies (whose functional currency is other than the U.S. dollar) are translated to U.S. dollars at the average exchange rate for the period. Monetary assets and liabilities denominated in foreign currencies are translated to U.S. dollars at the period end exchange rate. Foreign currency differences arising on translation are recognized in comprehensive income (loss) in the period in which they arise.

ii. Foreign operations

Assets and liabilities of foreign operations are translated into U.S. dollars at period end exchange rates while income and expenses are translated using average rates for the period. Gains and losses from the translation are deferred and included in the cumulative translation adjustment which is part of accumulated other comprehensive income (loss).

H. Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statement of comprehensive loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates at the end of the period, and which are expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

I. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

J. Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment is related to the actual costs and expenses associated with placing the property in service. Property and equipment is classified by type (building or

leasehold improvement, vehicle, equipment, and furniture and fixtures) and by useful life (3, 5, or 10 years). All property and equipment has been depreciated on a straight-line basis over the useful life of the asset. When components of an item of property and equipment have different useful lives, they are depreciated separately. The gain or loss on disposal of any item of property is determined by comparing the proceeds from disposal with the carrying amount of the property and any gain or loss is recognized in the statement of comprehensive loss. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each reporting period, and adjusted prospectively, if appropriate.

K. Investment in mineral property

The Company's directed purpose is to develop the Project under an agreement with NADECOR and will receive an economic interest in a joint venture based upon certain required expenditures being incurred. Those expenditures which are directly allowed under the MOU are included in the investment in mineral property account. Amounts not allowed to earn-in are either reported in the investment in mineral property under IFRS 6 – Exploration for and Evaluation of Mineral Resources, or expensed, depending on the character of the expenditure. Under the terms of the MOU, accrued amounts earn-in upon cash settlement. As more fully described in Note 4.A, an agreement was signed in October 2013 and amended in August of 2014, which will eventually supersede the terms of the MOU.

Direct costs related to the acquisition, exploration and evaluation of the Project are capitalized until the viability of the property is determined. Once economic viability is established, qualifying expenditures will be capitalized in accordance with relevant standards until production commences. Management periodically reviews the recoverability of the capitalized value of the Project, taking into consideration the results of exploration and evaluation activities, estimated mineral market prices, reports of experts and other relevant information. If the Project is to be abandoned or is determined to be impaired, the investment will be adjusted to fair value.

L. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to dispose. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

M. Financial instruments

All financial instruments are measured at fair value and classified into one of the following categories; loans and receivables; assets held to maturity; assets available for sale; fair value through profit or loss and other financial liabilities.

Financial instruments that are classified as fair value through profit or loss or available-for-sale are re-measured each reporting period at fair value with the resulting gain or loss recognized in net income or loss and other comprehensive income or loss, respectively. All other financial instruments are initially accounted for at fair value and subsequently measured at amortized cost using the effective interest rate method with foreign exchange gain and losses recognized immediately in net income (loss).

Financial instruments are measured at fair value and categorized into one of three hierarchy levels (Note 12).

iii. Loans and receivables

Other current assets and other non-current assets, as reported on the consolidated statements of financial position, include tax and other receivables; these items and the Company's notes receivable, advances receivable and related party accounts have fixed or determinable payments that are not quoted in an active market, and are classified as loans and receivables.

Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost less impairment losses, if any. Impairment losses are based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method calculates the amortized cost of loans and receivables and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the loan and receivable, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

iv. Financial assets at fair value through profit or loss ("FVTPL")

FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes cash and cash equivalents. FVTPL are carried in the consolidated statements of financial position at fair value, with changes in fair value recognized in the consolidated statement of comprehensive loss.

v. Impairment of financial assets

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it has become probable that the borrower will enter bankruptcy or financial reorganization; or,
- a significant or prolonged decline in the fair value of an available for sale security below its cost.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

vi. Derecognition of financial assets

A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or,
- the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

vii. Equity and financial liabilities

Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the appropriate reporting standard.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities include contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities under potentially unfavorable conditions. Financial liabilities also include contracts which may be settled in an entity's equity instruments.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has classified accounts payable, income tax payable and accrued wages and due to related parties as other financial liabilities.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire.

N. Share-based payments

The share option plan allows the Company's management, consultants and other qualified individuals to acquire shares of the Company. The fair value of share purchase options granted is recognized as compensation expense or capitalized to investment in mineral property depending on the nature of the services provided, with a corresponding increase in equity. The fair value of share-based payments is calculated using the Black-Scholes model. Equity attributable to share-based compensation is reclassified as share capital equity upon exercise.

The cost of equity-settled transactions is recognized, together with a corresponding increase in share option reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest. When the terms of an equity-settled award are modified, the minimum expense recognized is the expense had the terms not been modified, if the original terms of the award are met. Additional charges are recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. If a new award is substituted for a cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

O. Earnings (Loss) per share

Earnings (loss) per share ("EPS") is computed by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted EPS is computed in a manner similar to basic EPS except that the weighted average number of common outstanding are increased to include additional common shares for the assumed exercise of share options and warrants, if dilutive. The number of additional common shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting years.

P. Leases as lessee

The Company accounts for leases for which it is the lessee as either finance or operating leases. The primary factor in classifying a lease is whether the agreement between the lessee and lessor transfers substantially all the risks and rewards incidental to ownership. The following factors which would classify a lease as a finance lease under IAS 17 - Leases:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Finance leases are initially recognized as assets and liabilities at fair value, and the minimum lease payments are subsequently adjusted for the apportionment between finance charges and the outstanding liability. Operating leases are recognized on a straight-line basis over the life of the lease, unless another systematic basis is more representative of the time pattern of the lessee's benefit.

Q. Provisions

The Company reports provisions when the following conditions are met:

- an entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Whether or not a present obligation exists is determined by examining all available evidence, and whether the evidence suggests that an obligation is more likely than not present.

R. Investments in other entities

The Company accounts for investments below the threshold of having significant influence at fair value, depending on the nature of the investment. If the Company moves beyond the threshold of having significant influence, the cost of the investment is deemed to be the initial cost as the basis for the use of the equity method of accounting for the investment.

If the Company has significant influence over an investee as defined under IAS 28 – Investments in Associates and Joint Ventures, the investment is initially recognized at cost and is adjusted periodically to reflect the Company's portion of the investees' comprehensive profit or loss through the Company's consolidated statement of comprehensive loss. The Company's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in associate, which has also been grouped with the Company's investment in mineral property as a cash-generating unit for the purpose of impairment consideration. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the consolidated statement of comprehensive loss.

If the Company is party to a joint arrangement, an assessment is made as to whether the relationship is a joint venture or a joint operation. This determination is driven by the Company's rights and obligations under the agreement that formed the joint arrangement. Joint operations are recognized by the Company to the extent of the Company's share of the assets, liabilities, revenues and expenses relating to its involvement in the joint operation. Joint ventures are accounted for using the equity method under IAS 28.

After application of the equity method to its investments in joint ventures, the Company determines whether it is necessary to recognise an impairment loss on its investments in joint ventures. At each reporting date, the Company determines whether there is objective evidence that the investments are impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the consolidated statement of comprehensive loss.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

S. Application of new and revised accounting standards

i. Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and were prospectively effective for annual periods beginning on or after January 1, 2016. These amendments did not have a significant impact on the Company's Financial Statements.

ii. Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments were effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments did not have a significant impact on the Company's Financial Statements.

T. New or revised future accounting pronouncements and amendments

i. IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. Management is currently assessing the impact that adoption of the standard will have on its Financial Statements

ii. IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. Management is currently assessing the impact that IFRS 15 will have on its Financial Statements.

3. Investment in mineral property

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

		December 31, 2016		December 31, 2015
Begnning balance	$	56,159,644	$	53,269,409
Additions		1,459,809		2,890,235
Ending balance	**$**	**57,619,453**	**$**	**56,159,644**

Additions in the above table for the year ended December 31, 2016 reflect capitalized depreciation of $49,708 and book value equipment losses of $nil (2015 –$115,449 and $49,459) (Note 6) and capitalized share-based payments of $5,189 (2015 – $40,749) (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 December 31, 2016.

The Company has committed to spend $43,500,000 to complete a BFS for the Project, for which the Company will earn 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:

Item	Earn-in amount	December 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
Payments to NADECOR (v)	4,000,000	1,231,000	1,231,000
CapEx funding (vi)	32,000,000	16,147,966	14,179,156
Totals	$ 83,000,000	$ 64,378,966	$ 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 $30,000,000 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 CapEx 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 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 property included on the accompanying consolidated statements of financial position is as follows:

Reconciliation of Investment in mineral property to earn-in	December 31, 2016	December 31, 2015
Investment in mineral property	$ 57,619,453	$ 56,159,644
Depreciable property (earn-in in full on purchase)	141,555	196,856
Qualifying fundraising costs	1,788,362	1,788,362
Other (i)	4,829,596	4,265,294
Estimated earn-in balance	$ 64,378,966	$ 62,410,156

(i) Other items include earn-in expenditures that do not qualify as direct mineral property expenditures.

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 40% owned by NADECOR, 40% by the Company, and 20% by Queensberry (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 ₱860,000,000 (approximately $20,000,000), subject to available funds (Note 4.B);
    - During 2014 the Company settled NADECOR debts of ₱110,000,000 (approximately $2,500,000) 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;
- 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; and
- In June 2016, MGB approved the assignment of MPSA to KMC.

The primary terms of the agreement pending completion are:

- The Company's acquisition of 100% of a 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; and
- A secondary public listing of the Company's shares on the Philippine Stock Exchange.

KMC (Note 5.B) will be loaned $11,000,000 under a credit facility which has been committed to secure land acquisitions ($10,000,000) and to compensate Queensberry (Note 7.C) for certain services provided ($1,000,000). 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 $7,500,000 of the facility to KMC at December 31, 2016 and 2015 (Note 5.B).

B. Note receivable from NADECOR

At December 31, 2016, NADECOR owed the Company $4,937,353 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 $2,500,000) 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 year ended December 31, 2016 totalled $140,543 (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 repaid 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 years ended December 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 consolidated financial statements:

Item	December 31, 2016	December 31, 2015
Current assets	$ 275,154	$ 261,110
Non-current assets	149,938,580	158,584,122
Current liabilities	(774,295)	(682,462)
Non-current liabilities	(4,937,353)	(4,993,813)
Net assets	$ 144,502,086	$ 153,168,957
Share of net assets	25%	25%
Carrying amount on statement of financial position	$ 36,125,522	$ 38,292,239
Net loss	$ (343,957)	$ (176,468)
Foreign exchange translation loss	(8,322,914)	(7,108,572)
Comprehensive loss	$ (8,666,871)	$ (7,285,040)
Share of comprehensive loss	25%	25%
Proportionate share of net loss	$ (85,989)	$ (44,117)
Proportionate share of total comprehensive loss	$ (2,166,718)	$ (1,821,260)
Proportionate share of translation loss	$ (2,080,729)	$ (1,777,143)

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 December 31, 2016 (December 31, 2015 - $752,913), in exchange for 40% of KGCMI's voting common shares. At December 31, 2016 and 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 arranged 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 KMC. 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 December 31, 2016, KGCMI had current assets of approximately of $43,000, non-current assets of approximately $520,000, current liabilities of approximately $163,000, and non-current liabilities of approximately $50,000.

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 December 31, 2016 and 2015.

The Company continues to advance funds to KMC for joint venture operations, such as tenement security. At December 31, 2016, the Company was owed $1,484,257 for advances made to KMC (2015 – $1,482,177). The total amount receivable from KGCMI and KMC at December 31, 2016 was $1,484,257 (December 31, 2015 - $1,482,177). During the year ended December 31, 2016, the amount advanced to KMC was reduced by $806,864 (2015 – $294,432) due to losses from the Company's investment in KMC. During 2016, MGB approved the assignment of MPSA to KMC.

At December 31, 2016, KMC owed the Company $7,770,086, comprised of $7,500,000 in principal and $270,086 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 years ended December 31, 2016 and 2015 and reconciliation with the carrying amount of the investment on the consolidated statements of financial position:

Item	December 31, 2016	December 31, 2015
Current assets	$ 287,489	$ 252,091
Non-current assets	11,351,323	11,949,079
Current liabilities	(6,872,629)	(1,387,640)
Non-current liabilities	(7,519,422)	(11,682,266)
Net liabilities	$ (2,753,239)	$ (868,736)
Net loss	$ (2,622,112)	$ (388,709)
Foreign exchange translation gain (loss)	604,951	(375,776)
Comprehensive loss	$ (2,017,161)	$ (764,485)
Share of comprehensive loss	40%	40%
Proportionate share of net loss	$ (1,048,845)	$ (155,484)
Proportionate share of total comprehensive loss	$ (806,864)	$ (305,794)
Proportionate share of translation gain (loss)	$ 241,981	$ (150,310)

The carrying amount of the Company's investments in KMC and KGCMI totaled $752,913 at December 31, 2016 and 2015. The Company carries its investment in KMC at $nil 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 year ended December 31, 2016, the Company's share of KMC's total comprehensive losses were $806,864 (2015 – $305,794). Of total comprehensive losses, $806,864 reduced the Company's advances to joint ventures (2015 – $294,432) and $nil reduced the Company's investment in KMC in (2015 - $11,362).

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, December 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	49,708	-	-	-	49,708
Balance, December 31, 2016	$ 415,506	$ 48,748	$ 141,495	$ 69,160	$ 674,909
Net book value, December 31, 2015	**$ 219,182**	**$ -**	**$ -**	**$ -**	**$ 219,182**
Net book value, December 31, 2016	**$ 169,474**	**$ -**	**$ -**	**$ -**	**$ 169,474**

There were no impairment losses recognized during the years ended December 31, 2016 and 2015 with respect to property and equipment. Depreciation capitalized into the mineral asset during the year ended December 31, 2016 was $49,708 (2015 - $115,449).

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:

	Year ended December 31,	
Compensation	**2016**	**2015**
Officer salaries and director compensation	$ 742,938	$ 1,747,717
Share-based compensation	7,989	45,241
Total	**$ 750,927**	**$ 1,792,958**

As at December 31, 2016, a total of $639,933 is owing to key management in relation to salaries and compensation (December 31, 2015 - $185,600). This amount has been included in accounts payable and accrued wages on the consolidated statement of financial position.

B. Transactions with Other Related Parties

	Year ended December 31,	
Transactions	**2016**	**2015**
Services rendered:		
Norton Rose Canada LLP (i)	$ 44,930	$ 136,409
Queensberry (Note 7.C)	-	195,038
Prime Asset Ventures, Inc. (Note 7.D)	251,728	-
Reimbursement of third party expenses incurred on the Company's behalf:		
Russell Mining Corporation (ii), (iii)	-	13,578
Total	**$ 296,658**	**$ 345,025**

Related party receivable	**December 31, 2016**	**December 31, 2015**
Russell Mining Corporation (ii), (iii)	$ -	$ 21,276
NADECOR (Note 4.B)	4,937,353	4,993,813
KMC note receivable (Note 5.B)	7,770,086	7,643,536
KMC advances receivable (Note 5.B)	1,484,257	1,482,177
Total	**$ 14,191,696**	**$ 14,140,802**

Related party balances payable	December 31, 2016	December 31, 2015
Norton Rose Canada LLP (i)	$ 5,442	$ 1,515
Russell Mining Corporation (ii), (iii)	-	3,636
Queensberry (Note 7.C)	-	77,600
Prime Asset Ventures, Inc. (Note 7.D)	249,498	-
Total	**$ 254,940**	**$ 82,751**

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

(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 13.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).

D. Prime Asset Ventures Inc. ("PAVI")

During the year ended December 31, 2016, Queensberry assigned the management services agreement to PAVI, the parent company of Queensberry.

8. Shareholders' equity

A. Share capital

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

Under the terms of the amended PFA (Note 4.A), the Company issued 19,000,000 shares to settle certain NADECOR debts, which increased the Company's note receivable from NADECOR. The shares were valued at $2,218,810, which was the value of the debts settled to the underlying creditors. The Company credited equity for this amount, as well as loss attributable to the change in the fair value of the liability of $726,190 (Note 4.B), for a total of $2,945,000.

No shares were issued during the years ended December 31, 2016 and 2015. During the year ended December 31, 2015, the Company paid $343,528 in fundraising fees which were accrued against share capital in 2014.

As at December 31, 2015, $650,250 in notes receivable owing from former employees were reclassified to share capital.

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 $12,033,926 at December 31, 2016 (December 31, 2015 - $12,020,131), including charges of $13,795 during the year ended December 31, 2016 (2015 - $68,757); of this amount, $8,606 was expensed and $5,189 was capitalized to the investment in mineral property (2015 - $28,008 and $40,749 respectively). The portion expensed is included in wages and share-based payments on the consolidated statements of comprehensive loss.

i. Continuity schedule of share options at December 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	**$0.10 - 1.54**	**27,032,500**	**$ 0.50**
Expired	$0.53 - 1.54	(6,850,000)	1.20
Balance, December 31, 2016	**$0.10 - 0.42**	**20,182,500**	**$ 0.26**

ii. Summary of share options outstanding and exercisable at December 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 $0.42	20,182,500	$ 0.26	1.69	20,182,500	$ 0.26	1.69
Totals	**20,182,500**	**$ 0.26**	**1.69**	**20,182,500**	**$ 0.26**	**1.69**

C. Warrant reserves

During the year ended December 31, 2016, the 37,500,000 warrants outstanding as at December 31, 2015 and 2014 expired unexercised. No new warrants were issued in 2016.

9. Income taxes

A. Current income taxes

The major components of income tax expense for the years ended December 31, 2016 and 2015 are:

	December 31,	
	2016	**2015**
Current tax expense	$ 47,261	$ 30,000
Deferred tax expense	-	-
Income tax expense	$ 47,261	$ 30,000

Taxation in the Company's operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation between tax expense and the accounting loss multiplied by the Company's domestic tax rate for the years ended December 31, 2016 and 2015 is as follows:

	December 31,	
	2016	**2015**
Expected tax benefit at statutory income tax rate of 0%	$ -	$ -
Tax rate differential	7,170	32,560
Permanent differences	197,552	(155,849)
Deferred tax asset not recognized	(174,100)	141,674
Other	16,639	11,615
Tax Expense	$ 47,261	$ 30,000

B. Unrecognized tax losses / unrecognized deductible temporary differences

As of December 31, 2016, the Company has estimated non-capital losses for foreign income tax purposes that may be carried forward to reduce taxable income derived in future years, totaling approximately $1,026,000 for which no deferred tax asset was recognized. The majority of the operating losses begin expiring in 2020.

10. Earnings (loss) per share ("EPS")

A. Basic EPS

Basic EPS is computed by dividing net loss for the 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 the 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 years ended December 31, 2016 and 2015; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the consolidated statements of comprehensive loss. Diluted EPS did not include the effect of share options and warrants as they were anti-dilutive.

11. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the continued exploration and evaluation of (and future development of) its Project and to maintain a flexible capital structure which optimizes costs of capital at an acceptable risk.

In the management of capital, the Company considers items included in equity attributable to shareholders to be capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture partners.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditures budgets which are updated as necessary depending on various factors, including general industry conditions. The annual and updated budgets are approved by the Company's Board of Directors.

There were no changes to the Company's approach to managing capital during the year ended December 31, 2016.

12. Financial instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks. At December 31, 2016, the Company's financial instruments include cash and cash equivalents, advances to NADECOR, notes receivable and accounts payable, income tax payable and due to related party for which there are no differences in the carrying values and fair values, due to their short-term nature. The types of risk exposures are detailed below.

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 credit risk, liquidity risk, foreign exchange risk, and commodity price 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. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. 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 financial instruments, including derivative financial instruments for any other trade or speculative purposes.

A. Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company maintains the majority of its cash and cash equivalents in financial institutions located in the Philippines. The Company carries credit risk through its long-term receivables from NADECOR (Note 4.B) and KMC (Note 5.B). The Company's receivable from NADECOR is secured by a 40% interest in KMC, and the Company is a common shareholder in both NADECOR and KMC. Other current assets include tax refunds collectible and are considered to be low credit risk.

B. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure.

Following is a summary of current obligations:

At December 31, 2016	Less than 1 year	1 to 3 years	Greater than 3 years	Total
Accounts payable and accrued wages	$ 1,066,388	-	-	$ 1,066,388
Income tax payable	47,261	-	-	47,261
Due to related parties	254,940	-	-	254,940
Totals	$ 1,368,589	-	-	$ 1,368,589

C. Foreign exchange risk

The Company is exposed to foreign exchange risk as some of its cash and cash equivalents are held in currencies other than the U.S. dollar. The Company also incurs expenses in currencies other than the U.S. dollar regularly, and such expenditures are expected to increase over time. These subject the Company to currency transaction risk. The Company's items exposed to foreign exchange risk include the following:

Foreign Currency Assets		At December 31, 2016			At December 31, 2015	
		Foreign Amount	USD Amount		Foreign Amount	USD Amount
Cash accounts						
Philippine pesos	₱	3,705,170	$ 74,755	₱	2,553,277	54,479
Euros	€	262	277	€	-	-
Total foreign currency assets			**$ 75,032**			**$ 54,479**

Foreign Currency Liabilities		At December 31, 2016			At December 31, 2015	
		Foreign Amount	USD Amount		Foreign Amount	USD Amount
Accounts payable & accrued liabilities						
Canadian dollars	C$	-	-	C$	16,563	11,968
Philippine pesos	₱	10,135,136	204,484	₱	11,404,793	243,341
Euros	€	23,833	23,393	€	43,729	47,485
Total foreign currency liabilities			**$ 227,877**			**302,794**

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations; however, management monitors foreign exchange exposure.

The Company conducts transactions in foreign currencies, and while exchange rates are anticipated to remain stable, certain activities and expenditures will be subject to market fluctuations. The Company will be establishing policies to monitor and minimize risk concerning currency issues between the United States, Canada and the Philippines as transactions increase. Gains and losses on transactions due to fluctuations in foreign currency rates are recorded as changes in the consolidated statements of comprehensive loss.

Based on the above net exposures and assuming that all other variables remain constant, a 10% depreciation of the U.S. dollar against all of the above currencies would result in an increase in foreign exchange effects in the year of approximately $19,000 (2015 – $28,000). This sensitivity analysis includes only outstanding foreign currency denominated items.

13. 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 (1.0%) 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 filed an appeal with the Philippine Supreme Court. On March 9, 2016, the Philippine Supreme Court rendered its Decision dismissing the appeal and upholding the validity of the 2011 annual stockholders' meeting of NADECOR. A Motion of Reconsideration dated May 31, 2016 was lodged by the NADECOR minority shareholder group. In the Company's view, based from external counsel's advice, it is highly unlikely that the Philippine Supreme Court will reverse itself when the appealed Decision is clear on its legal basis.

However, in the highly improbable event that the Philippine Supreme Court reverses itself, 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

KMC (Note 5.B), the entity to which MPSA has been assigned to in 2016, was incorporated in October 2013.

KMC has a $3,000,000 payable due upon the finalization of a land 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.

14. Subsidiaries

A. Listing of subsidiaries consolidated by the Company:

Name	Country of Incorporation	Ownership Interest	Principal Activity
St. Augustine Mining, Ltd.	Cayman Islands	100%	Domestic operations
Asia Pacific Dutch BV	Netherlands	100%	Holding company
SAML-Dutch Cooperatief U.A.	Netherlands	100%	Holding company
Asia Pacific SAML Holdings	Philippines	100%	Holding company
MDC Operating Services Phils. Ltd.	Philippines	100%	Philippine employment (inactive)
San Augustin Services Inc.	Philippines	100%	Foreign operations

During the year ended December 31, 2016, MDC Mine Developers (Canada) Inc. ("MDCI") and MDC America, Inc. ("MDCA") were dissolved for administrative efficiency of the Company's organizational structure with no impact to the Financial Statements as at December 31, 2016.

B. Asset ownership by geographic location

All of the Company's non-current assets (other than financial instruments) are located in the Philippines as at December 31, 2016 and 2015.

15. Subsequent events

On February 22, 2017, KMC received a show cause order from the DENR directing KMC to explain why the MPSA should not be cancelled for being located within a protected watershed areas.

On February 27, 2017, management of KMC responded to the show cause order stating that there are no grounds to validly cancel, terminate or suspend the MPSA.

In the Company's view, the likelihood of the MPSA being cancelled is remote.