**St. Augustine Gold and Copper Limited**

# Annual Information Form

For the year ended December 31, 2011

Dated as of March 20, 2012

## Contents of Annual Information Form

# PRELIMINARY NOTES

## Cautionary Statement Regarding Forward-Looking Information

Certain statements made herein, including statements relating to matters that are not historical facts and statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information and statements are typically identified by words such as "may", "is expected to", "anticipate", "estimate", "intend", "plan", "projection", "could", "vision", "goal", "objective" and similar expressions suggesting future outcomes or statements regarding an outlook. In making these forward-looking statements, the Company has assumed that the current market for gold and copper will continue and grow and that the risks listed below will not adversely impact the Company's business. These include, but are not limited to, statements respecting:

- Anticipated business activities
- Planned expenditures
- Corporate strategies
- Proposed acquisitions and dispositions of assets
- Discussions with third parties respecting material agreements
- Anticipated future production and cash flows
- The Company's pre-feasibility study will be completed in the second quarter of 2012
- The bankable feasibility study will be completed during 2012
- Other statements that are not historical facts

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company, that could influence actual results are described under the heading "BUSINESS DESCRIPTION – Risk Factors" in this Annual Information Form ("AIF").

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

## Date of Information

In this Annual Information Form, unless the content otherwise requires, references to "our", "us", "we", "its", "the Company", or "St. Augustine" means St. Augustine Gold and Copper Ltd. and its subsidiaries. All of the information contained in this AIF is at December 31, 2011, the last day of the Company's most recently completed fiscal year, unless otherwise indicated.

## Documents Incorporated by Reference

This AIF incorporates by reference certain documents filed on the SEDAR system at www.sedar.com. Documents incorporated by reference include the technical report entitled "King-king copper-gold project" dated November 25, 2010, the audited financial statements for the year ended December 31, 2011 and the period from March 31 (inception) to December 31, 2010, management's discussion and analysis ("MD&A") for the year ended December 31, 2011, the interim financial statements and MD&A for the three, six and nine month periods ended March 31, 2011, June 30, 2011 and September 30, 2011, respectively, and the information circular dated November 24, 2011.

## Currency

In this AIF, all funds are quoted in United States dollars, unless otherwise indicated. References to "$" are United States dollars and references to "CDN$" are to Canadian dollars. Certain financial information relating to the Company originated in Canadian dollars were converted into United States dollars based on prevailing and average exchange rates for certain fiscal periods.

## Glossary of Technical Terms and Abbreviations

The following is a glossary of certain technical terms used in this AIF:

**Adit**: A type of entrance to an underground mining shaft which is horizontal or nearly horizontal.

**Alteration:** Changes in the mineral composition of a rock brought about by physical or chemical means, especially the local action of hydrothermal solutions that can be related to mineralization. Common varieties include silicification, (de)carbonatization, oxidation, potassic and argillic alteration.

**Assay**: To analyze the proportions of metals in an ore; to test an ore or mineral for composition, purity, weight, or other properties of commercial interest.

**BFS**: A Bankable Feasibility Study determines if it is economically viable to develop the project, operate the facility, and bring the product to market based on:

- Reasonable forecast market conditions – Current and forecast supply/demand and metal price. This must also consider smelting capacity.
- Defined initial capital and sustaining capital cost estimate within +/- 15% accuracy.
- Defined operating cost estimate based on an accuracy of +/-15% forecast

**Bornite**: It is a primary copper sulfide mineral. It is a bronze colored sulfide mineral containing copper and iron that tarnishes rapidly to purple after a freshly broken surface is exposed ($Cu_5FeS_4$).

**Breccia:** A coarse grained clastic rock, composed of angular broken rock fragments held together by mineral cement or in a fine-grained matrix.

**Chalcocite**: Generally it is a secondary copper sulfide mineral, though sometimes it is primary. It is a dark lead gray colored sulfide mineral containing copper ($Cu_2S$).

**Chalcopyrite**: Primary copper sulfide mineral that dominates copper production via concentrate flotation means worldwide. It is a yellow colored sulfide mineral, sometimes confused with gold, containing copper and iron ($CuFeS_2$).

**Chert**: A hard, dense, dull to semivitreous, microcrystalline or cryptocrystalline sedimentary rock, consisting dominantly of interlocking crystals of quartz less than about 30mm in diameter; it may contain amorphous silica (opal). It sometimes contains impurities such as calcite, iron oxide, and the remains of siliceous and other organisms. It has a tough, splintery to conchoidal fracture, and may be white or variously colored. Chert occurs principally as nodular or concretionary nodules in limestone and dolomites, and less commonly as layered deposits (bedded chert); it may be an original organic or inorganic precipitate or a replacement product. The term "flint" is essentially synonymous, although it has been used for the dark variety of chert.

**Chrysocolla:** It is an oxide copper mineral. It is a sky blue to greenish blue and green, often streaked with black oxide mineral containing copper and silica ($Cu_2H_2Si_2O_5(OH)_4$)

**Claim**: The area that confers mineral exploration/exploitation rights to the registered (mineral/mining) holder under the laws of the governing jurisdiction.

**Clastic:** A sedimentary rock composed of fragments from pre-existing rock.

**Composite:** A conceptual whole made up of complicated and related parts; consisting of separate interconnected parts.

**Covellite:** A secondary sulfide mineral. It is a blue, usually tarnished to purple or black, sulfide mineral containing copper (CuS).

**Cuprite:** It is an oxide copper mineral. It is a red to dark red oxide mineral containing copper ($Cu_2O$).

**Development:** The underground work carried out for the purpose of opening up a mineral deposit and includes shaft sinking, crosscutting, drifting and raising.

**Diamond Drilling:** Drilling with a hollow bit with a diamond cutting rim, to produce a cylindrical core used for geological study and assays as used in mine exploration.

**Disseminated:** The distribution of mineralization usually as small grains randomly distributed throughout the rock mass.

**Exploration**: Prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore.

**Fault:** A fracture in a rock along which the adjacent rock surfaces are differentially displaced.

**Feldspar:** A monoclinic or triclinic mineral with the general formula $XZ_4O_8$ where (X= Ba, Ca, K, Na, NH4) and (Z= Al, B, Si); a group containing two high-temperature series, plagioclase and alkali feldspar; colorless or white and clear to translucent where pure; commonly twinned; 90 degrees or near 90 degrees prismatic cleavage; Mohs hardness, Constituting 60% of the Earth's crust, feldspar occurs in all rock types and decomposes to form much of the clay in soil, including kaolinite.

**Hornfelsic**: A mnemonic adjective derived from (fe) for feldspar, (l) for lenad or feldspathoid, and (s) for silica, and applied to light colored rocks containing an abundance of one or all of these constituents.

**Gabbro**: A group of dark-colored, basic intrusive igneous rocks composed principally of basic plagioclase (commonly labradorite or bytownite) and clinopyroxene (augite), with or without olivine and orthopyroxene; also, any member of that group. It is the approximate intrusive equivalent of basalt. Apatite and magnetite or ilmenite are common accessory minerals.

**Galena:** A lead sulphide mineral.

**Geochemistry:** The study of the distribution and amounts of the chemical elements in minerals, ores, rocks, soils, water, and the atmosphere, and their circulation in nature, on the basis of the properties of their atoms and ions.

**Grade:** The concentration of an ore metal in a rock sample, given either as weight per cent for base metals (e.g. Cu, Zn, Pb) or in grams per tonne (g/t) or ounces per short ton (oz/t) for gold, silver, and platinum group metals.

**Hydrothermal**: An adjective applied to hot water, usually from an external source, which interacts with a body of rock, and to the products of that interaction. In some cases hydrothermal fluids interacting with a body of rock produce mineralization.

**Lithology:** Means the physical character of a rock.

**King-king Property**: This refers to the property located in Mindanao, Philippines, which contains the mineral interests being developed. Also referred to as the “King-king Project” or “the Project”.

**King-king Technical Report**: The technical report dated October 12, 2010 prepared in accordance with national instrument 43-101 of the Canadian Securities Administrators. This report is available at www.sagcmining.com.

**Mafic:** Pertaining to or composed dominantly of the ferromagnesian rock forming silicates; said of some igneous rocks and their constituent minerals.

**Malachite:** It is a carbonate copper mineral. It is a light to dark green carbonate mineral containing copper ($Cu_2CO_3(OH)_2$).

**Mineralization**: Commonly used to describe minerals of potential value occurring in rocks.

**Mill:** A plant where ore is ground fine and undergoes physical or chemical treatment to extract the valuable metals.

**NI 43-101:** National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators.

**Olivine**: A mineral group including fayalite, $Fe_2SiO_4$; forsterite, $Mg_2SiO_4$; liebenbergite, $(Ni,Mg)_2SiO_4$; and tephroite, $Mn_2SiO_4$; orthorhombic; olive green, grayish green, brown, or black; members intermediate in the forsterite-fayalite crystal solution series are common rock-forming minerals in gabbros, basalts, peridotites, and dunites; alters hydrothermally to serpentine. Fayalite occurs in some granites and syenites, forsterite in thermally metamorphosed dolomites, and tephroite in iron manganese ore deposits and their associated skarns.

**Outcrop:** Exposure of bedrock at the earth’s surface.

**Peridotite:** Coarse-grained plutonic rock composed chiefly of olivine with or without other mafic minerals such as pyroxenes, amphiboles, or micas, and containing little or no feldspar. Accessory minerals of the spinel group are commonly present. Peridotite is commonly altered to serpentinite.

**Preliminary Feasibility Study** and **Pre-feasibility study:** a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and an effective method of mineral processing has been determined. This study includes a financial analysis based on a reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve. In order to be in compliance with Canadian National Instrument 43-101 standards, the mine plan, mine statistics and costs must be within +/-25% accuracy.

**Qualified person:** an individual who: (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation, or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project; and (c) is a member in good standing of a professional association as defined by NI 43-101.

**Recapitalization:** The transaction effected on January 7, 2011, whereby the Company acquired all of the issued and outstanding shares of St. Augustine Minerals, Inc. through a share exchange.

**RMMI:** Russell Mining and Minerals, Inc., a British Columbia company with an office in Spokane, Washington. RMMI is a significant shareholder of the Company, through a subsidiary, Pegasi Holding Ltd.

**Serpentinite:** Rock consisting almost wholly of serpentine-group minerals, e.g., antigorite and chrysotile or lizardite, derived from the alteration of ferromagnesian silicate minerals, such as olivine and pyroxene. Accessory chlorite, talc, and magnetite may be present.

**Shear:** Deformation resulting from stresses that cause or tend to cause contiguous parts of a body to slide relatively to each other in a direction parallel to their plane of contact. It is the mode of failure of a body or mass whereby the portion of the mass on one side of a plane or surface slides past the portion on the opposite side. In geological literature the term refers almost invariably to strain rather than to stress. It is also used to refer to surfaces and zones of failure by shear, and to surfaces along which differential movement has taken place.

**Shaft:** Vertical passageway to an underground mine for moving personnel, equipment, supplies and material including ore and waste rock.

**Sphalerite:** Zinc sulphide mineral.

**Spinel:** Isometric mineral, $MgAl_2O_4$; crystallizes as octahedra; colorless to pale tints; Mohs hardness, 7.5 to 8; in high temperature metamorphic rocks, contact metamorphosed limestones, serpentinites, and ultramafic rocks; may be of gem quality.

**TSX:** Toronto Stock Exchange.

**Vein:** Tabular mineral deposit formed in or adjacent to faults or fractures by the deposition of minerals from hydrothermal fluids.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

St. Augustine Gold and Copper Limited ("SAGCL" or "the Company") was incorporated as Ratel Gold Limited in the British Virgin Islands on January 27, 2010. On January 7, 2011, SAGCL acquired St. Augustine Mining, Inc. ("SAMI"), which was incorporated on March 31, 2010, under the laws of British Columbia, Canada. Upon completion of the acquisition of SAMI on January 7, 2011, Ratel changed its name to St. Augustine Gold & Copper Limited.

The Company's head office is located at 601 West Main Avenue, Suite 600, Spokane, WA 99201. Its Philippine headquarters are located at 5th floor Pryce Tower, Pryce Business Park, J.P. Laurel Avenue, Davoa City, Philippines.

### Inter-corporate Relationships

The following sets forth the name, jurisdiction of incorporation and the Company's voting equity ownership interest, as of the date of this AIF, in each of the material subsidiaries through which the Company ultimately owns its assets and operates its business.

| Name | Country of Incorporation | Ownership Interest | Principal Activity |
|---|---|---|---|
| St. Augustine Mining, Inc. | Canada | 100% | Holding company |
| St. Augustine Mining, Ltd. | Cayman Islands | 100% | Domestic operations |
| MDC America, Inc. | United States of America | 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 |
| San Augustin Services Inc. | Philippines | 100% | Foreign operations |
| MDC Operating Services Phils. Ltd. | Philippines | 100% | Foreign operations |
| Strato International Hldings Ltd | British Virgin Islands | 50% | Not active |

## GENERAL DEVELOPMENT OF THE BUSINESS

### Overview

The Company is an international mineral exploration company. Currently, the Company is engaged in the exploration and development of the King-king copper-gold property ("King-king" or "the King-king project") in the Philippines. In April 2010, NADECOR, Russell Mining and Minerals, Inc. ("RMMI"), and the Company entered into a Memorandum of Understanding ("MOU"), which was subsequently amended, to develop the King-king property. The MOU and amendment (collectively the MOU) addresses the formation of a joint venture, the terms of the Company's earn-in, the transfer of the MPSA and the development and operational responsibilities of the Project.

The MOU gives the Company the exclusive option to earn-in up to an aggregate 60% equity interest in the project through either direct or indirect equity interests. The earn-in by the Company is based on funding and preparing a bankable feasibility study with respect to the development of the King-king property, as well as funding development capital expenditure and direct payments to NADECOR.

The King-king tenement comprises 184 mining claims that are owned by Nationwide Development Corporation ("NADECOR") under Mineral Production Sharing Agreement #009-92-XI (the "MPSA"), which was approved by the Government of the Philippines on May 27, 1992 and amended December 11, 2002. The MPSA grants NADECOR the exclusive right to explore develop and exploit minerals within the area comprising the King-king deposit. The Company has been informed by NADECOR that in December 2011, the MPSA was assigned to the King-king Gold & Copper Mines, Inc., pending approval by the Philippines Department of Environment and Natural Resources. Also in January 2012, the Company and NADECOR executed an agreement (the "Subscription Agreement"), which will result in the issuance of joint venture equity to the Company. The

Subscription Agreement will cause the Company to own 30% of the issued and outstanding equity of King-king Gold & Copper Mines, Inc.

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

Pursuant to a Heads of Terms agreement dated July 22, 2010, Benguet agreed to perform certain actions to transfer or assign its interest in the project to either NADECOR or a joint venture consisting of NADECOR and the Company. In August 2011, the Company reached a full and final settlement with Benguet. As part of the settlement, Benguet relinquished all rights, title and interest in the King-king MPSA, as well as a 1981 operating agreement between NADECOR and Benguet. Additionally, the Company acquired for the Project 2,025 hectares of adjacent and surrounding claims, known as the Sagittarius Alpha Realty Corp claims.

## TWO YEAR HISTORY

### 2010

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

On June 1, 2010, the Company agreed to acquire a 100% interest in Zambian Mining Limited ("Zambian Mining") and CGX Limited ("CGX"), collectively ("the African properties"). CGX and Zambian Mining were incorporated to act as holding companies respectively for the interests in the Segilola Gold Project in Nigeria and the Mkushi Copper Project in Zambia. A joint venture was entered into with African Eagle Resources ("AFE") on the Mkushi Copper Project in Zambia where Seringa Mining Limited ("SML") acquired a 51% interest in the project, with AFE retaining a 49% interest. SML was responsible for funding a bankable feasibility study, while AFE managed exploration initiatives outside the initial development zones, with funding proportional to the percentage interest held by each party in the project.

On August 6, 2010, the Company successfully closed the initial public offering of common shares (the "Offering"). Pursuant to the Offering, the Company issued 70,000,000 common shares at a price of CDN $0.20 per common share, for aggregate gross proceeds of CDN $14 million. The successful listing reduced CGA's shareholding to approximately 20% in the Company, and therefore was no longer controlled by CGA.

On October 18, 2010 the Company incorporated a new subsidiary, Ratel Group. During December 2010, the Company transferred control of Zambian Mining and CAML Ghana, the entities holding the African properties, to Ratel Group.

Also on October 18, 2010 the Company announced it had entered into a strategic alliance with CGA and an agreement to acquire the interests held by Russell Mining & Minerals, Inc. and their subsidiaries (the "RMMI Group"), in the significant King-king Copper-Gold Project in the Philippines ('the King-king Interests"), which was part of a series of transactions which were approved at the shareholders meeting held on December 23, 2010.

### 2011

The Company spun out its African property interests into a separate public company which was listed on the Toronto Stock Exchange on January 4, 2011, Ratel Group, trading under the symbol "RTG". Each shareholder holding shares on the entitlement date of January 6, 2011, received 5 common shares in the capital of Ratel Group for every 9 shares held on the share distribution record date of January 6, 2011.

On January 7, 2011, the Company completed its acquisition of the interests held by the RMMI Group by acquiring all 10,000,001 shares issued and outstanding in SAMI for 80,000,000 shares of the Company. Additionally, the Company agreed to issue an additional 75,000,000 shares to RMMI upon the completion of a BFS on the King-king Project, or any subsequent change of control.

The Company raised gross proceeds of CDN$25 million through a private placement transaction in conjunction with the King-king acquisition. This private placement consisted of 83,333,334 subscription receipts in the capital of the Company at a price of CDN$0.30 per subscription receipt. On January 7, 2011, the Company announced

that the release conditions relating to the subscription receipt private placement had been satisfied and therefore the Company issued those 83,333,334 common shares to satisfy all of the subscription receipts. CGA, an insider of the Company, participated in this financing for CDN$14.9 million, being the equivalent amount of the funding facility it provided to RMMI pursuant to the King-king transaction, which was then repaid in full on closing of the acquisition of King-king. The Company also issued a further 3 million shares at CDN$0.30 to parties including an insider, funded by loans from the Company.

The Company also acquired RMMI's 50% ownership and control of Strato International Holdings, Ltd. ("Strato") as part of the January 7, 2011, transaction.

On January 18, 2011, the Company also announced that the escrow release conditions had been satisfied with respect to the Offering, and 32,800,000 common shares of the Company were issued in connection therewith.

Further, as a result of the acquisition, the Company completed a name change to "St. Augustine Gold and Copper Limited" on January 18, 2011, and on January 21, 2011 commenced trading under symbol "SAU" on the Toronto Stock Exchange ("TSX").

On January 27, 2011, the Company announced the start of a 12,000 metre drilling program to support its efforts to complete a PFS and a BFS. The drilling program in 2011 completed 6,050 meters of drilling to support engineering studies related to open pit slope stability, mine hydrogeology and metallurgy (grinding, flotation and leach studies).

On July 5, 2011, the Company announced that NADECOR confirmed the Company's investment of the $30 million in project expenditures required under the Preferred Share Investment Phase and that the earn-in requirements for 30% were satisfied. Accordingly, the Company has accrued rights to preferred shares of NADECOR which is intended to be put into escrow pending fulfillment of certain administrative steps and released upon the Company's discretion. These preferred shares will translate into an interest in the Project through the Company's co-ownership of the joint venture.

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

On August 10, 2011, the Company announced that it had agreed and executed the Interim Funding Agreement ("IFA") with NADECOR, which related to the Company's expenditures in the project. The IFA confirms that the investment in the project in excess of the $30 million will be covered by the Preferred Share Investment Agreement and treated as earn in, which will eventually translate into the Company's equity in the JV. The IFA contemplates triggering conditions, which are potential performance failures on the part of NADECOR. Should a triggering condition occur, the Company receives a three-year option to purchase 60% of the saleable products from production of the Project at a 20% discount to market prices.

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

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

On August 31, 2011, the Company reached a full and final settlement with Benguet for $10,250,000. As part of the settlement, Benguet relinquished all rights, title and interest in the King-king MPSA, as well as the 1981 operating agreement between NADECOR and Benguet. Additionally, the Company acquired for the Project 2,025 hectares of adjacent and surrounding claims, known as the Sagittarius Alpha Realty claims.

In December of 2011, $11,130,146 (net of issue costs of $388,500) was raised through the issuance of 29,475,000 equity units ("Units"). Each Unit, issued at CDN$0.40, was comprised of one common share in the capital of the Company and one-half of one Common Share purchase warrant (the "Warrants"). Each whole Warrant entitles the holder thereof to acquire one Common Share for one year at an exercise price of CDN$0.75.

# BUSINESS DESCRIPTION

## General

### Summary

The Company is a mineral exploration company focusing on the acquisition, development and exploration of mineral properties. The Company's sole property interest, as described further, below is located in the Philippines.

The Company has focused exclusively on exploration and development of the King-king property since the recapitalization during 2011. Neither the Company nor its subsidiaries have generated revenue or cash flow from operations. The Company has relied upon equity issuances to fund all activities.

Based on the current status of the Project, as more fully described in the King-king Technical Report, the Company cannot project mineral production or resultant financial returns.

Current work is directed toward preparation of the pre-feasibility study to be completed during the second quarter of 2012, and the bankable feasibility study to be completed thereafter in 2012. The Company's technical staff is directing permitting, engineering, and design activities for the Project, and is also coordinating on-site efforts in support of the current drilling program.

### Production

The Company is at the development stage of its sole property interest but cannot yet predict when or if that property will reach the productive state.

### Specialized Skill and Knowledge

The Company's business requires specialized skills and knowledge in the areas of geology, exploration planning, drilling and regulatory compliance. The Company has been able to engage and retain qualified professionals capable of providing all required services. The ability to retain qualified professionals with background and experience specific to the Company's projects and business plan cannot be assured.

### Competitive Conditions

The Company operates in a highly competitive industry. In an environment of generally rising precious metals prices and favorable equity market conditions the Company has encountered significantly increased competitive conditions. The Company may encounter challenges accessing qualified exploration personnel, drilling contractors and drill rigs, mineral properties and access to capital.

### Cycles

Worldwide cycles of economic growth, interest rates, inflation rates and other economic factors can have a profound impact on the demand and realizable sale prices for precious metals and base metals over time. Relatively high metals prices can improve the probability that a mineral deposit could be developed into an economic producing property. In contrast, relatively low metals prices can reduce the probability that a mineral deposit could be developed into a producing property. The relative attractiveness of all mineral deposits is therefore highly dependent on metals prices and overall macroeconomic activity. Thus, mineral exploration activity is closely tied to the worldwide markets for precious metals and base metals.

The Company's ability to explore for precious and base metals or develop its property is dependent on access to external equity and debt financing and therefore the Company's business is highly sensitive to macroeconomic changes over time. During times of economic growth and favorable equity market conditions the Company's access to capital is better than during times of poor economic growth and weak equity market conditions. Therefore, the Company's ability to explore for precious metals and base metals is highly sensitive to changing equity market conditions.

### Economic Dependence and Changes to Contracts

The Company has the following significant contracts, which may be amended or renegotiated from time to time:

- *Memorandum of Understanding with NADECOR*

  Under the terms of the Memorandum of Understanding ("MOU") for the development of the Project, the Company can earn up to an aggregate 60% interest in the Project by making the following payments and

expending funds for project development, bankable feasibility expenses and other capital expenditures as follows:

**Summary of Expenditures Required by the Company for Full Earn-in to the Project under the MOU**

| | Amount | Description | Earn-in % | Cumulative Earn-in % |
|---|---|---|---|---|
| $ | 400,000 | Exclusivity payment to NADECOR (i) | 0.57% | 0.57% |
| | 3,100,000 | Initial payment to NADECOR (ii) | 4.43% | 5.00% |
| | 30,000,000 | Initial BFS funding (iii) | 30.00% | 35.00% |
| | 5,000,000 | Incremental BFS funding (iv) | 5.00% | 40.00% |
| | 8,500,000 | Incremental BFS funding (iv) | 10.00% | 50.00% |
| | 4,000,000 | Payment to NADECOR (v) | 1.00% | 51.00% |
| | 32,000,000 | CapEx funding (vi) | 9.00% | 60.00% |
| $ | 83,000,000 | | 60.00% | |

i. Direct payment to NADECOR made in 2009.

ii. $3,000,000 was paid in 2010, pursuant to the First Amendment to the MOU. The remaining $100,000 is expected to be paid during 2012.

iii. Direct project expenditures made by the Company pursuant to the Preferred Shares Investment Agreement ("PSIA").

iv. Direct project expenditures after the fulfillment of the $30 million required to be expended under the PSIA, expected to be completed by 2012.

v. Direct payments to NADECOR, the timing is contingent on events contemplated in the MOU. $981,000 was paid during the third quarter of 2011 pursuant to the third amendment to the MOU, and the balance is expected to be paid in 2012 or early 2013.

vi. This amount is due within 90 days of the Company and NADECOR's formal joint commitment to fund development of the Project following completion of a BFS, which is expected to occur in 2012. The $32,000,000 commitment is a minimum amount and is subject to adjustment depending on the final planned throughput of the mine.

- *Benguet Debt*

  On September 1, 2011, the Company reached a full and final settlement with Benguet Corporation ("Benguet") for $10,250,000. The settlement amends the "Heads of Terms" Agreement signed in July 2010. Payment was made in September 2011, and all future payments originally agreed to are settled with this final payment. As part of the settlement, Benguet relinquished all rights, title and interest in the King-king MPSA, as well as a 1981 operating agreement between NADECOR and Benguet. Additionally, the Company acquired 2,025 hectares of adjacent and surrounding claims, known as the Sagittarius Alpha Realty claims.

  Originally under the "Heads of Terms" agreement signed in July 2010, SAML and NADECOR were to share equally in payments totaling $25 million to Benguet. A $6 million payment was made in October 2010. As part of the second amendment to the MOU, SAML funded NADECOR's 50% portion of the $6 million cash payment.

  Pursuant to the Heads of Terms, Strato acquired Benguet's outstanding debts from Credit Agricole Corporate & Investment Bank Manila Offshore Bank ("Calyon") and Marathon Master Fund Limited ("Marathon"). The debts acquired by Strato from Calyon and Marathon were re-purchased by Benguet at a discounted value of $3,950,000. The Company then issued these credit notes to Benguet for $2,000,000 and $1,950,000, which were applied against payments owing under the Heads of Terms, and were cancelled with the settlement in September 2011.

Environmental Protection Requirements

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

There are no known environmental liabilities associated with the Company's sole property.

## Employees

The Company presently has approximately 25 employees in the United States and approximately 180 permanent employees in the Philippines. Additionally, the Company employs temporary workers in the Philippines, on an as-needed basis.

## Foreign Operations

All of the Company's exploration activity is in the Philippines. All potential economic benefit from the Company's current activities will be derived from foreign operations if the Company's Philippine asset becomes productive.

## Bankruptcy and Similar Procedures

No bankruptcy, receivership or similar proceedings has been instituted against the Company or any of its subsidiaries in its history.

## Lending

The Company has not engaged in lending to unrelated parties since inception. A $3,000,000 payment made on behalf of its partner's share of debt qualified as additional investment in the Project.

## Reorganizations

The Company completed the recapitalization in January 2011, as described above in the section above "Two Year History".

## Social or Environmental Policies

The Company has adopted and implemented a corporate social development management policy to guide community development activities in the project area. The Company maintains a staff of professionals retained to increase the quality of local communities' health and economic welfare, education, infrastructure, livelihood and to enhance local citizen and government support for development of the King-king Project. The increasing local support for the mine is important to continued development of the King-king Project. The core values and principles outlined in the policy are used to formulate the Company's community improvement plans and guide ongoing community development areas. The Company has conducted numerous environmental and social surveys in order to determine the impacts to and needs of the local communities. Based on the findings of these surveys, community projects are being undertaken to assist the communities, and mitigation is being developed to address potential future impacts associated with the Project development.

The Environmental Impact Statement (EIS) being developed in accordance with the Philippine national requirements is nearly complete and is anticipated to be submitted to the Department of Environment and Natural Resources in the first quarter of 2012. An "International Social and Environmental Impact Assessment" (I-SEIA) to be consistent with the International Finance Corporation's (IFC) Performance Standards and the derivative Equator Principles is planned for completion in 2012. The Company has engaged the services of a Filipino consulting firm to develop the application for the Declaration of Mine Project Feasibility (DMPF) – the major government approval required for the Project. This consulting firm is working in conjunction with the consultants retained to complete the feasibility study in developing the DMPF application.

In conjunction with these activities, the Company is actively engaging with the local communities in transparent communications regarding the sustainable development of the Project. The Company is also engaged in the free, prior and informed consent (FPIC) process to obtain the Certificate of Preconditions from the indigenous people as defined by the Philippine National Commission on Indigenous People (NCIP) and IFC.

Currently, St. Augustine is working as the technical services provider to NADECOR as described in the technical services agreement.

## Risk Factors

The mining business is inherently risky in nature. Exploration activities are based on professional judgments and statistically-based tests and calculations and often yield few rewarding results. Mineral properties are often non-productive for reasons that cannot be anticipated in advance and operations may be subject to numerous risks. As a result, an investment in the Company's common shares should be considered highly speculative and prospective investors should carefully consider all of the information disclosed in this AIF prior to making an investment. In addition to the other information presented in this AIF, the following risk factors should be given special consideration when evaluating an investment in the Company's common shares.

### No history of earnings

The Company has no history of earnings. The Company's property is in the pre-development stage.

### Exploration and development may not result in commercial production of the mineral deposit

Development of a mineral property is contingent upon obtaining satisfactory exploration results. Therefore, resource exploration and development is a highly speculative business, requiring substantial expenses, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. Significant risks include, among other things, unprofitable efforts resulting not only from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. There can be no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production.

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

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

### Uninsured or uninsurable risks

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

### Operating hazards and risks

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

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

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, imports and exports, labor standards, waste disposal, taxes and royalties,

mine decommissioning and rehabilitation, protection and remediation of the environment, mine safety, toxic substances, transportation safety and other matters.

Compliance with these laws and regulations may increase the cost of exploring, drilling, developing, constructing, operating and closing the mine and related facilities. Since legal requirements may change from time to time, are subject to interpretation and may be enforced to varying degrees, we are currently unable to predict the cost of compliance with these requirements and their effect on operations.

All phases of operations are subject to environmental legislation. Failure to comply with applicable laws regulations and permitting requirements may result in enforcement action. This may cause operations to cease or be deferred, and may include corrective actions requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering damage by the mining activities and may have fines and/or penalties imposed for violations of laws and regulations.

In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees.

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

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

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

### Competition for new properties

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

### Dependence on management

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

### Resource estimates may be imprecise

The estimates of resources disclosed in this AIF, including the anticipated tonnages and grades that will be achieved or the indicated level of recovery that will be realized, are estimates and no assurances can be given as to their accuracy. Such estimates, are in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. It may also take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a deposit may change. Resource estimates are materially dependent on prevailing metal prices and the cost of recovering and processing minerals at the mine site. Market fluctuations in

the price of metals or increases in the costs to recover metals from the project may render the mining of ore reserves uneconomical and materially adversely affect the Company's operations.

Prolonged declines in the market price of metals may render resource reserves containing relatively lower grades of mineralization uneconomic to exploit and could materially reduce the resource estimate. Should such a reduction occur, a material write down of the investment in the King-king investment or the discontinuation of exploration and/or development might be required. The resource estimate is based on accepted engineering and evaluation principles.

There are numerous uncertainties inherent in estimating quantities of mineral resources. The estimates in this AIF are based on various assumptions relating to commodity prices and exchange rates during the expected life of production, mineralization of the area to be mined, the project cost of the mining, and results of additional planned development work. Actual future production rates and amounts, revenues, taxes, operating expenses, environmental and regulatory compliance expenditures, development expenditures, and recovery rates may vary substantially from those assumed in the estimates. Any significant change in those assumptions, including changes that result from variances between projected and actual results, could result in material downward revision to current estimates, which may have a material adverse impact on the Company and its share price.

### Mining projects are sensitive to the volatility of mineral prices

The long term viability of the King-king Project depends largely on the world market prices of copper and gold. The market prices for these metals are volatile and are affected by factors beyond the Company's control These factors include political and international economic trends, inflation, regional and global demand, currency exchange fluctuations, interest rates and global consumption patterns, speculative activities, increased production due to improved mining and production methods and economic events, including Asian economic performance.

The aggregate effect of these factors on metal prices is not possible to predict. Should prevailing metals prices remain depressed or below planned production costs, it may result in a deferral or curtailment of development and exploration activities. The Company would need to assess the economic impact of any sustained lower metal prices on recoverability, and accordingly, the cut-off grade and level of resources. These factors could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition, which may have an adverse impact on the share price.

The following table summarizes copper and gold prices for the past five years:

| **Average annual market price (US$)** | | |
|---|---|---|
| Year | Copper (lb) | Gold (oz) |
| 2007 | 3.28 | 704 |
| 2008 | 3.11 | 880 |
| 2009 | 2.41 | 981 |
| 2010 | 3.45 | 1,233 |
| 2011 | 4.02 | 1,568 |

### Future financing

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

### Future acquisitions

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

## Volatility of share price

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

## Dividends

The Company has not paid any dividends to date, and it does not intend to declare dividends for the foreseeable future. Therefore, investors will not receive any funds unless they sell their shares and investors may be unable to sell their common shares on favorable terms. The Company cannot give any assurance of a positive return on investment or that investors will not lose the entire amount of their investment in shares. Prospective investors seeking dividend income or liquidity should not purchase shares of the Company.

## No assurance of consistently producing positive cash flows

The Company has not paid any dividends to date, and it does not intend to do so for the foreseeable future. Additionally, the Company has not produced positive cash flow from operations to date, and there can be no assurance of its ability to operate its project profitably. While the Company may in the future generate additional working capital through the operation, development, sale or possible syndication of our interest in the King-king Project, there is no assurance that the Company will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for development and exploration programs, which may have a material adverse impact on the Company and its share price.

## Conflicts of interest

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

## Reliability of historical information

The Company has relied, and the King-king Technical Report is based, in part, upon historical data compiled by previous parties involved with the King-king Property. To the extent that any of such historical data is inaccurate or incomplete, the Company's exploration plans may be adversely affected.

## Currency exchange rates

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

## Current Global Economic Conditions

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

## Foreign Operations and Joint Venture Risk

Because all of the Company's operations are in the Philippines, it is subject to operational and economic risks, such as the effects of local unrest due to small scale mining, corruption, demands for improper payments and physical security. Consequently, the Company's exploration, development and production activities outside of the United States may be substantially affected by factors beyond the Company's control, any of which could materially adversely affect the Company's financial condition or results of operations.

The Company's interest in the King-king Project is held through its joint venture partner by way of a series of agreements. The Company is relying upon its joint venture partner to fulfill its obligations under these agreements. If it should fail to do so, one of the Company's recourses is to the Philippine courts, which may not operate in the same manner as those in Canada and the United States.

### Service of Process

A majority of the directors and all of the officers of the Company reside outside of Canada and it will therefore be difficult to effect service of process (service of legal proceedings) on such directors and officers.

### Single Property

At this time, the Company has an interest in only one property, the King-king Property in the Philippines.

## King-king Property

### Qualified Persons

This AIF incorporates by reference the technical report entitled “King-king Copper-Gold Project” (the “King-king Technical Report”) dated October 12, 2010 and the press releases updating the drilling data and updating the total resource dated August 12, 2011 and August 15, 2011 respectively, which are available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com. The authors of this report are Michael G. Hester of Independent Mining Consultants, Inc. (“IMC”); Donald F. Earnest of Resource Evaluation, Inc.; and John G. Aronson of AATA International, Inc. (“AATA”). All who contributed to the preparation of the Technical Report are independent Qualified Persons under National Instrument 43-101.

Other disclosures of a scientific or technical nature in this AIF with respect to the Project were prepared by, or under the supervision of either: James Moore, P.E., the Company’s Vice President, Technical; or Mr. David Harvey, the Company’s Manager of Geology and Lands. Mr. Moore and Mr. Harvey are “qualified persons” for the purposes of National Instrument 43-101 of the Canadian Administrators (“NI 43-101”).

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

The King-king property is one of the largest undeveloped copper-gold deposits in the world, with a measured and indicated copper-gold resource of 962.3 million tonnes at 0.254% copper and 0.334 grams per tonne gold (containing 5.4 billion pounds of copper and 10.3 million troy ounces of gold). On an equivalent gold basis this equates to 0.66 grams gold per tonne of ore containing 20.4 million troy ounces of equivalent gold. There is additionally an inferred resource of 188.8 million tonnes at 0.215% copper and 0.265 grams gold per tonne of ore. The equivalent troy ounces of gold in this resource are 3.6 million.

LOCATION MAP OF KING-KING GOLD-COPPER PROJECT

Equivalent g/t gold (Eq Au) and Equivalent % copper (Eq Cu) levels are used above to illustrate the combined effect of the copper and gold in this project, in one metal. The following calculations were applied to calculate the Eq Au or Eq Cu in the oxide ore and the sulfide ore:

Eq Cu (oxide) = Total Copper + 1.400 x Gold, Cutoff = 0.30% Eq Cu

Eq Cu (sulfide) = Total Copper + 0.686 x Gold, Cutoff = 0.15% Eq Cu

Alternatively, as Equivalent Gold:

Eq Au (Oxide) = Gold + 0.714 x Total Copper, Cutoff = 0.22 g/t Eq Au

Eq Au (Sulfide) = Gold + 1.458 x Total Copper, Cutoff = 0.22 g/t Eq Au

These equations were derived from the parameters listed in the table below that was developed for the updated August 2011 mineral resources for the Project.

| Parameter | Units | Oxide Mill | Sulfide Mill |
|---|---|---|---|
| Copper Price Per Pound | (US$) | 2.500 | 2.500 |
| Gold Price Per Troy Ounce | (US$) | 1,100 | 1,100 |
| Base Mining Cost Per Tonne Material | (US$) | 1.250 | 1.250 |
| Mine Replacement Capital Per Tonne | (US$) | 0.100 | 0.100 |
| Process Cost Per Ore Tonne | (US$) | 5.000 | 5.000 |
| General and Administrative Cost Per Ore Tonne | (US$) | 0.270 | 0.270 |
| Process Recovery of Copper (Average) | (%) | 37.8% | 77.2% |
| Process Recovery of Gold (Average) | (%) | 75.0% | 75.0% |
| Smelting/Refining Payable for Copper | (%) | 96.4% | 96.4% |
| Smelting/Refining Payable for Gold | (%) | 95.0% | 95.0% |
| SRF (or SXEW) Cost Per Pound Copper | (US$) | 0.260 | 0.260 |
| Gross Royalty | (%) | 3.0% | 3.0% |
| NSR Factor for Total Copper | (US$) | 17.455 | 35.649 |
| NSR Factor for Gold | (US$) | 24.443 | 24.443 |

| | | | |
|---|---|---|---|
| Gold Factor for Copper Equivalent | (none) | 1.400 | 0.686 |
| Total Copper Equivalent Cutoff Grades | | | |
| Breakeven (without lift) | (%Cu) | 0.38 | 0.19 |
| Internal | (%Cu) | 0.30 | 0.15 |
| Copper Factor for Gold Equivalent | (none) | 0.714 | 1.458 |
| Gold Equivalent Cutoff Grades | | | |
| Breakeven (without lift) | (g/t) | 0.27 | 0.27 |
| Internal | (g/t) | 0.22 | 0.22 |

Land Area and Mining Claim Description

The King-king tenement has a total land area of 1,548 hectares and is shown in the map above.

All mineral resources within the Republic of the Philippines are owned by the State and, unless otherwise closed, withdrawn or claimed, are open to exploration by way of mining claims, leases or agreements with the Philippine government. The King-king deposit is located within the boundaries of the King-king MPSA (Mineral Production Sharing Agreement No. 009-92-XI), which was approved by the government on May 27, 1992 for an initial term of 25 years and covers approximately 1,656 hectares. The MPSA was amended on December 11, 2002 to bring it in line with Republic Act No. 7942, otherwise known as “The Philippine Mining Act of 1995.” The MPSA is in favor of NADECOR as Claim Owner-Leaseholder and Benguet as Operator. It grants to NADECOR (owners) and Benguet the exclusive right to explore, develop, mine and operate minerals within the tenement area, including surface access to exercise such rights. As discussed elsewhere in this AIF, during 2011, Benguet relinquished all rights, title and interest in the King-king MPSA, as well as a 1981 operating agreement between NADECOR and Benguet Production from Benguet. The MPSA is subject to a government share (royalty) comprised of an excise tax, which are payable in addition to other prescribed taxes and fees.

The King-king MPSA is a conversion of mining leases covering 184 mining claims that are owned by NADECOR. Benguet would obtain a 50 percent earn-in through funding of 100 percent of the development and construction of the mine under an Operating Agreement dated August 21, 1981 and amended December 11, 2002.

Subsequently, Echo Bay Mines Inc. (EBMI), TVI Pacific (TVI) and King-king Mines, Inc. (KMI) entered into option agreements executed on October 25, 1995 with Benguet whereby Benguet granted KMI the option to purchase within 24 months or up to October 25, 1997, Benguet's interest in the agreement, and the NADECOR royalty, the government share, and the right of Benguet to buy back a 20 percent (20%) interest in KMI.

After drilling the property, EBMI and TVI opted not to exercise the option that expired on October 25, 1997. The property then reverted to original ownership.

On August 29, 2008, NADECOR terminated its Operating Agreement with Benguet Corporation under the terms of the agreement due to the failure to execute on work plans for six consecutive years. On May 26, 2008, and again on December 10, 2009, NADECOR filed a motion with the Secretary of the Department of Environment and Natural Resources (“DENR”) to remove Benguet from the MPSA as Operator for their continued failure to implement the exploration and work program. The DENR in a November 23, 2009, order declared NADECOR the sole operator on the MPSA for the term of a renewed two year exploration period. The order was primarily based on a detailed report completed September 30, 2009, by the Region 11 Mines and Geoscience Bureau (MGB”) which reviewed in detail the work accomplished on the King-king tenement area. The November order was substantiated in January 2009 when the Secretary of the DENR issued a finding sustaining the Order after a Request for Reconsideration was submitted by Benguet rebutting the November Order. On April 29, 2010, the Office of the President issued a Final and Executory Order Sustaining the November Order.

There are no other private entities or corporations, other than NADECOR, with a claim of possession over the said tenement area. MPSA 009-92-XI awarded to NADECOR on May 27, 1992, defines the ownership of the surface rights covering the lands within the 1,656 hectares rests with the government of the Republic of the Philippines. NADECOR and the government have sole control over this land and its development into a mineral producing mine and mill. The Company and NADECOR have an agreement to develop the property together.

Environmental Liabilities

There are no known environmental liabilities associated with this property.

### Permits Required

The MPSA document and the approved work plans (exploration and environmental) allow work to be carried out that is necessary to obtain an approved DMPF (Declaration of Mine Project Feasibility) that includes an ECC (Environmental Compliance Certificate), which allow the future development of the mine. This work would include work proposed for the property, i.e. to drill, sample, transport, survey, baseline studies, etc.

In the Philippine constitution, minerals and mineral lands belong to the country. Private individuals can embark on exploration, development and utilization of the mineral resources under four modes of mineral agreements with the government: Mineral Production Sharing Agreement (MPSA), Co-Production, Joint Venture and Financial or Technical Assistance Agreement (FTAA). The first three modes of agreement are available only to Filipino citizens or corporations where at least 60 per cent of the capital is owned by Filipinos. The last mode is available to foreign owned corporations.

The features of this method are as follows:

- The contractor has the exclusive right to conduct exploration, development and operation in the contract area.
- The MPSA has a term of 25 years, renewable for another 25 years.
- The contractor is required to carry out activities according to an approved work program (NADECOR and the Company have an approved work plan under execution) and commit expenditure for the environment, the community and the development of geo-sciences.

The financial requirement includes the payment of occupation fees (PhP100/hectare) and excise tax at 2 per cent of gross revenue.

Prior to forming an MOU with RMMI, NADECOR was granted one of the major critical agreements, permits, licenses and certificates vital in its mining operations. This was the Mineral Production Sharing Agreement No. 009-92-XI, which was approved by the government on May 27, 1992, (MPSA) 095-97-V, and amended on December 11, 2002. NADECOR and the Company have entered into agreements to acquire and control adjacent claims surrounding the King-king claims for the purpose of managing the valueless rock from mining operations to protect the environment.

Many additional permits are required to bring the mine to production.

## Accessibility, Climate, Local Resources, Infrastructure and Physiography

### Access

The Project area is approximately 35 aerial kilometers east-northeast of Davao City, and some 1,000 aerial km southeast of Manila. Locally, it is about 10 aerial km northeast of the Municipality of Pantukan, Province of Compostela Valley. Pantukan is about 92km by road from Davao City via the well paved Tagum City–Mati National Road. From Pantukan town proper, the Project can be reached through the 18km Buko-buko sa Anay-Lawaan dirt road which as of the date of this report can be negotiated in 35-45 minutes using motorcycles or approximately three hours via conventional four-wheel drive vehicles.

### Climate

The climate is tropical (Type I-B) with no pronounced wet and dry seasons. Maximum rainfall usually comes between the months of June and December. Daytime temperatures range from 18 to 35 degrees Celsius and the daily average is about 27 degrees Celsius (81 degrees Fahrenheit). Rainfall ranges from 2,000 to 3,200 millimeters per year within the mountains and 1,800 to 2,000 millimeters per year along the coastal plain. Normal precipitation is 2,100mm per year and the average daily relative humidity is 81%.

Typhoons are extremely rare but torrential rains and subsequent flash floods are not uncommon.

There are no climatic conditions that should cause the Project great operational difficulty. The greatest climatic issue will be managing storm waters that will result from excessive rainfall at intermittent times during the life of the Project. However, this is a common operating issue at many tropical mine sites and should be manageable with proper controls and planning.

## Local Resources

The local unemployment rate is approximately 6% and underemployment is 19%. In 2009 the local Pantukan municipal government sent a letter to the Department of Environmental and Natural Resources requesting the Project be developed as swiftly as possible. The local community is favorable to the Project.

Primary employment in the region is on plantations growing bananas or coconuts. Secondary jobs exist for a limited number of workers in the several small scale mines in the mountains northeast of Pantukan City.

According to the National Statistics Office of the Philippines, the 2007 populations of communities near the Project were as follows:

| | Population |
|---|---|
| Pantukan Municipality | 69,656 |
| Magnaga | 7,743 |
| Napnapan | 9,983 |
| King-king | 21,444 |
| Davao City | 1,366,153 |

## Infrastructure

Some of the basic infrastructure is in-place for exploration and development of the King-king deposit. A paved highway from Davao City runs 10 kilometers southwest of the Project. The Project mine area in the 250- to 950-meter elevation range can be reached via the previously mentioned 18km Buko-buko sa Anay-Lawaan dirt road, and is passable with minor improvement by large four-wheel drive vehicles such as drilling rigs and supply, fuel and water trucks. Planned low-land facilities, including the port facility and power plant location can be accessed via local area roads.

Water for exploration has been taken from low pressure artesian wells, including two wells developed from exploration diamond drill holes located on the southern side of the deposit or from nearby small surface drainage that runs through the southern and northern ends of the Project area. Potential sources for water for mining and processing include wells planned to be situated in the alluvium deposits located southwest of the mineral area, or the King-king River.

Power availability is currently too limited in Mindanao to assume that grid-supplied power will be available for operation of King-king. Construction of a power plant is envisioned for the Project.

Anticipated concentrate volumes and the potential requirements for coal import necessitate the construction of a dedicated port facility. The only port facility in the Pantukan area consists of a concrete barge landing ramp, which should be available to handle barges from the existing deep water port facilities at Davao and Tagum for transport of inbound materials for construction and early mine operation.

Currently there is a drill core storage facility in Davao City. Several buildings from Echo Bay's tenure in 1997 remain at the Project site.

## Physiography

The coastal plain extends a length of 6 kilometers from Davao Gulf to the base of the mountains where the Project is located. The majority of the population lives along the coastal plain with significantly lower population densities in the mountains.

The topography in the immediate Project area is steep and rugged with elevations ranging from 260-950 meters above mean sea level (AMSL) and averaging 800 meters AMSL. The porphyry copper-gold mineralization outcrops between 400 m and 700 m elevations. The terrain gradually transitions through moderately rugged to rolling moving westward toward the coastline. The dominant drainage pattern in the area is dendritic. The property itself is drained by the Casagumayan and Lumanggang creeks, tributaries of the King-king River which enters the Davao Gulf at Pantukan.

The Project area is covered generally by sparse tropical rainforest mostly left over from past commercial logging operations. Old growth trees are mostly gone, and large areas of the previously timbered slopes have been cleared, cultivated and planted with corn and other crops by local mountain tribes and lowland settlers. In the foothills toward Davao Gulf, what used to be forest-covered slopes are now dominated by cogon grass. Vegetables and fruit-bearing trees are grown in some places but these are limited and concentrated in localized flat or rolling terrain.

## History

The Project history can be briefly summarized as follows:

| | |
|---|---|
| 1966-1968 | Discovery of the King-king mineralization anomaly; |
| 1969-1972 | Mitsubishi Mining Corporation drilled 54 surface diamond drill holes; |
| 1981 | NADECOR entered into an operating agreement with Benguet Corporation (Benguet); |
| 1981-1991 | Litigation regarding ownership did not allow any activity within the Project. In 1991 all legal issues were resolved in favor of NADECOR ownership of mineral claims; |
| 1991-1994 | Benguet drilled 69 diamond core holes and 25 reverse circulation (RC) holes in addition to completing extensive surface and underground exploration. An in-house feasibility study was completed; |
| 1992 | The Mineral Production Sharing Agreement (MPSA) was signed between NADECOR, Benguet and the Philippine Government; |
| 1995-1997 | Echo Bay Mines, Inc. drilled approximately 128 holes (52,718 meters). All Echo Bay data were acquired by Kinross Gold, which waived its option to proceed with the King-king Project; |
| 2005 | NADECOR and Benguet applied for a conversion of the MPSA into a Financial Technical Assistance Agreement (FTAA) covering the porphyry area of the Project; |
| 2008 | NADECOR terminated the Operating Agreement and applied to the government to have Benguet removed from the MPSA and became sole owner of the Project; |
| 2009 | NADECOR and RMMI reached an agreement to work together to develop the Project, with - RMMI undertaking extensive analysis to update the Project information and mine plan; |
| 2010 | January 15, the Department of Environmental and Natural Resources (DENR) order for NADECOR to undertake the work program and Benguet to hand over possession in order to allow for immediate resumption of operations. |

From 1969 to 1972, Mitsubishi Mining Corporation undertook initial exploration of the deposit, completing 54 surface diamond drill holes for a total of 13,031 meters of drilling. These initial holes all were drilled within the confines of the present resource outline. The Mitsubishi drilling was only assayed for total copper and acid soluble copper. None of the core from this drilling is known to exist.

Benguet Corporation (Benguet) signed an Operating Agreement with Nationwide Development Corporation (NADECOR) on August 21, 198,1 for the exploration and development of the King-king property. However, the validity of the Operating Agreement was contested by some members of NADECOR's board which resulted in a lengthy court litigation that ended in November 1991 with the final decision of the Philippine Supreme Court upholding Benguet's rights under the aforesaid Operating Agreement. Exploration work was conducted from August 1990 by NADECOR while awaiting the court’s decision on the abovementioned litigation. As soon as the Supreme Court upheld the Operating Agreement, Benguet took over the exploration work from NADECOR. From 1991 until 1994, Benguet completed 69 diamond core holes (19,247m), 25 reverse circulation holes (4,926m), 326m of confirmatory adits and underground raises, 2,500 hectares of geological mapping, and the collection of 2,172 surface rock samples. The Benguet drilling was concentrated in the Lumanggang and Casagumayan areas in the central and west areas of the current known deposit. Benguet produced an in-house "pre-definitive" feasibility study in March 1994.

From 1995-1997 King-king Mines Inc. (KMI), an Echo Bay Mines, Inc. company, entered into an option agreement with Benguet and NADECOR to develop the Project. KMI drilling amounted to 128 core holes and 52,718m of drilling. Kilborn International, Inc. (Kilborn) was retained by KMI to complete a plus or minus 20 percent capital and operating cost estimate for the Project, the scope of which was based on several specific items and on Kilborn's interpretation of Echo Bay Mines' generic requirements for what was termed by Echo Bay to be a Level l Study. The scope included those activities necessary for evaluation of equipment, processes, environmental and regulatory considerations, and economic factors sufficient to confirm a technically viable and cost effective facility.

Several other consulting groups provided services for the Project. DCCD Engineering of Manila, under subcontract to Kilborn, provided capital cost estimates for port facilities, local labor rates, and local costs for services and consumables. Knight Piesold Ltd. (Knight Piesold), under contract with KMI, provided costs for

the various tailings dam and waste rock storage alternatives, as well as closure costs. Fluor Daniel, under contract with KMI, completed the mine planning and mine cost estimate portions of the report.

In mid-1997, KMI's "Level I" study estimated a total mineral resource of 1,040 million tonnes containing 0.306% Cu and 0.41grams Au per tonne for the King-king deposit. This resource included a "mineable reserve" of 403 million tonnes at 0.332% Cu and 0.488g/t Au. Neither the KMI "Level 1" mineral resource estimate nor the "mineable reserve" estimate is compliant with current Canada NI 43-101 guidelines. These estimates are included as they are an important part of the Project history and management feels they are reliable. The property then reverted to original ownership.

In 1998, Benguet completed a revised mineral resource estimate that was based on all available exploration drilling data and on a 0.20%TCu cut-off grade. This estimate, which is not compliant with current NI 43-101 guidelines, totaled 749 million tonnes containing 0.387% Cu and 0.433g/t Au.

All Echo Bay data was subsequently acquired by Kinross Gold (Kinross) through its merger with Echo Bay in 2002. Kinross subsequently waived its option to proceed with the Project. Kinross provided all the available data in its archives to RMMI.

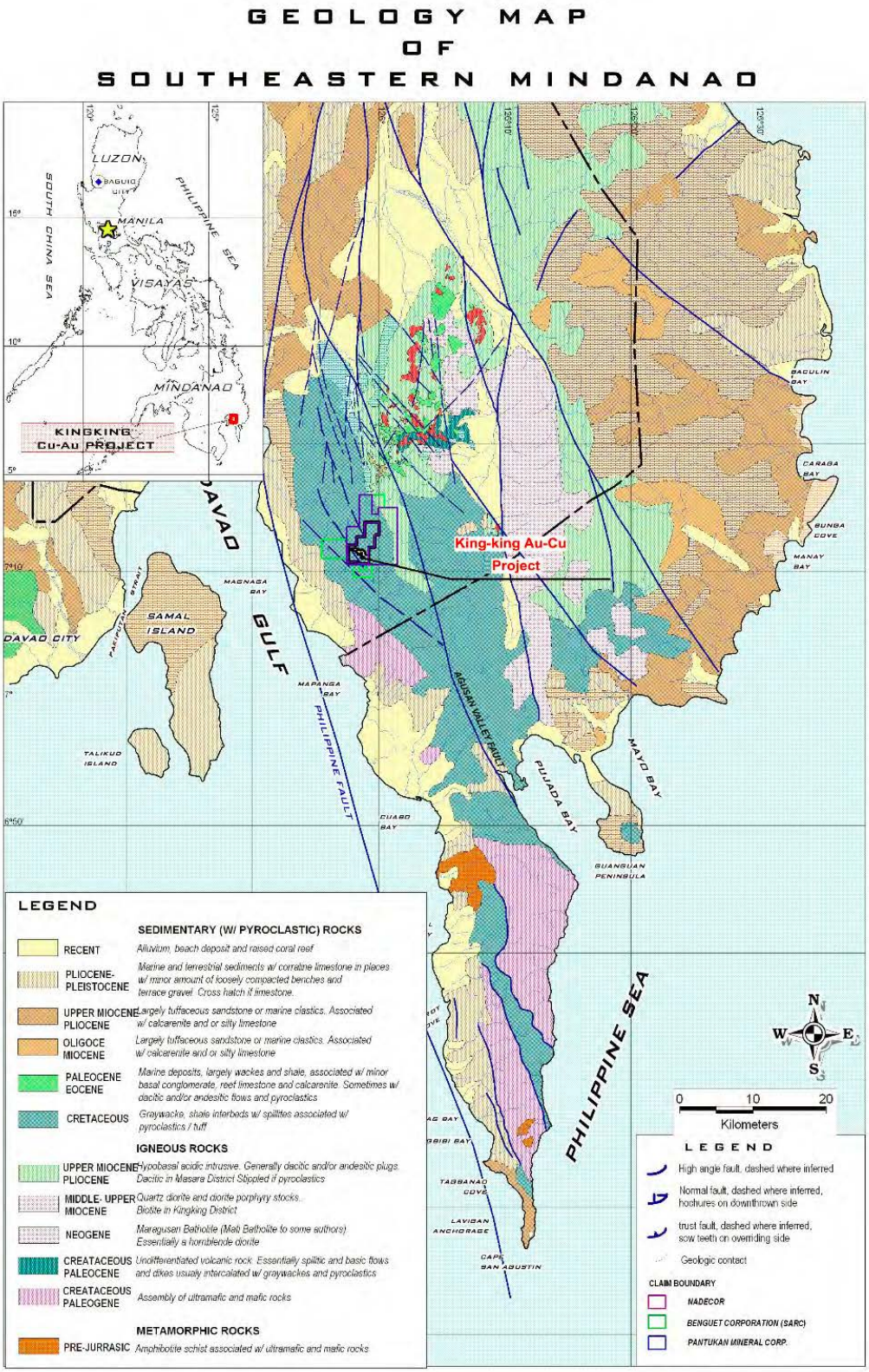
## Geologic Setting

### Regional Geology

The southeastern Mindanao peninsula (comprising the mountainous provinces of Davao Oriental, Compostela Valley and Davao del Norte) is bounded by two parallel subduction systems – the north-south trending East Mindanao trench, which is a segment of the Philippine Trench situated off the east coast of Mindanao, and the north-south trending Davao Trench situated between Samal Island and the east coast of Davao Gulf. Active tectonism is manifested in the frequent low to moderate-intensity earthquakes being felt in the area.

The King-king porphyry copper-gold deposit is located on the western flank of the eastern Mindanao Cordillera. It is the most southerly of the NNW-trending groups of porphyry copper and gold deposits discovered thus far that include the now-closed Hijo and Amacan Mines of North Davao Mining Corporation, the old Masara Mines of Apex Mining Company, the Kalamatan Mine of Sabena Mining Company, and the fabulous gold-rush areas of Diwalwal in Monkayo farther north. All of these are part of a 75-km long, NNW-trending mineralized belt that runs across southeastern Mindanao. The development of this belt can probably be attributed to tension relief faulting induced by the Philippine Fault (Philippine Rift Zone). There are other mines and mineral prospects that lie outside the belt but which are still within and evidently related to, the NNW-trending Mindanao segment of the Philippine Rift Zone. These include the Cabadbaran Gold Mine and the Placer Gold Mine of Manila Mining in Agusan del Norte, the Coo Gold Mine of Banahaw Mining in Agusan del Sur, the Siena Gold Mine of Suricon, and, the Asiga porphyry copper prospect, all in Surigao del Norte in northeastern Mindanao.

The King-king district itself is bounded by two major splays of the Philippines Fault. About 20 km to the east is the main Agusan Valley fault and its branches that controlled the courses of the Manat, Agusan and Bitanagan rivers. The fault was probably responsible in the formation of Maragusan Valley, a broad plain believed to be a sediment-filled graben perched high on top of the Diwata Range at 650 m to 850 m ASL. Several kilometers to the west is a thrust fault running N-S and parallel to Davao Gulf with King-king situated on the fault's upper plate. The following figure shows the general regional geology.




## Local Geologic Setting

The main King-king deposit is a low-pyrite porphyry copper system with locally significant associated gold. It is the largest of several prospects associated with mineralized intrusive bodies situated along a NE-trending belt

measuring some 6km long and 3km wide. These intrusives were emplaced in a folded sequence of Cretaceous-Paleocene volcanic sedimentary rocks, apparently along pre-existing NW-trending anticlinal axes. The intrusions probably occurred during the middle- to late-Miocene. The axial portions of the anticlines have since been largely eroded, exposing the cupolas of the underlying intrusives.

The main King-king deposit, as defined by a 0.20% total copper cut-off, is elongated along a N70°W trend and measures some 1,800 m long and from 250 m to 550 m wide, as shown in the following figure (King-king Prospect Area Map). This figure shows the relative location of various areas of the deposit that include Tiogdan, Casagumayan, Lumanggang, Bacada, and Bibutaan. The deposit has an apparent steep NE dip especially in its central sections. On longitudinal section, it appears as an irregularly-shaped body with an undulating bottom. In most sections, though, the bottom of the mineralization has yet to be fully defined.

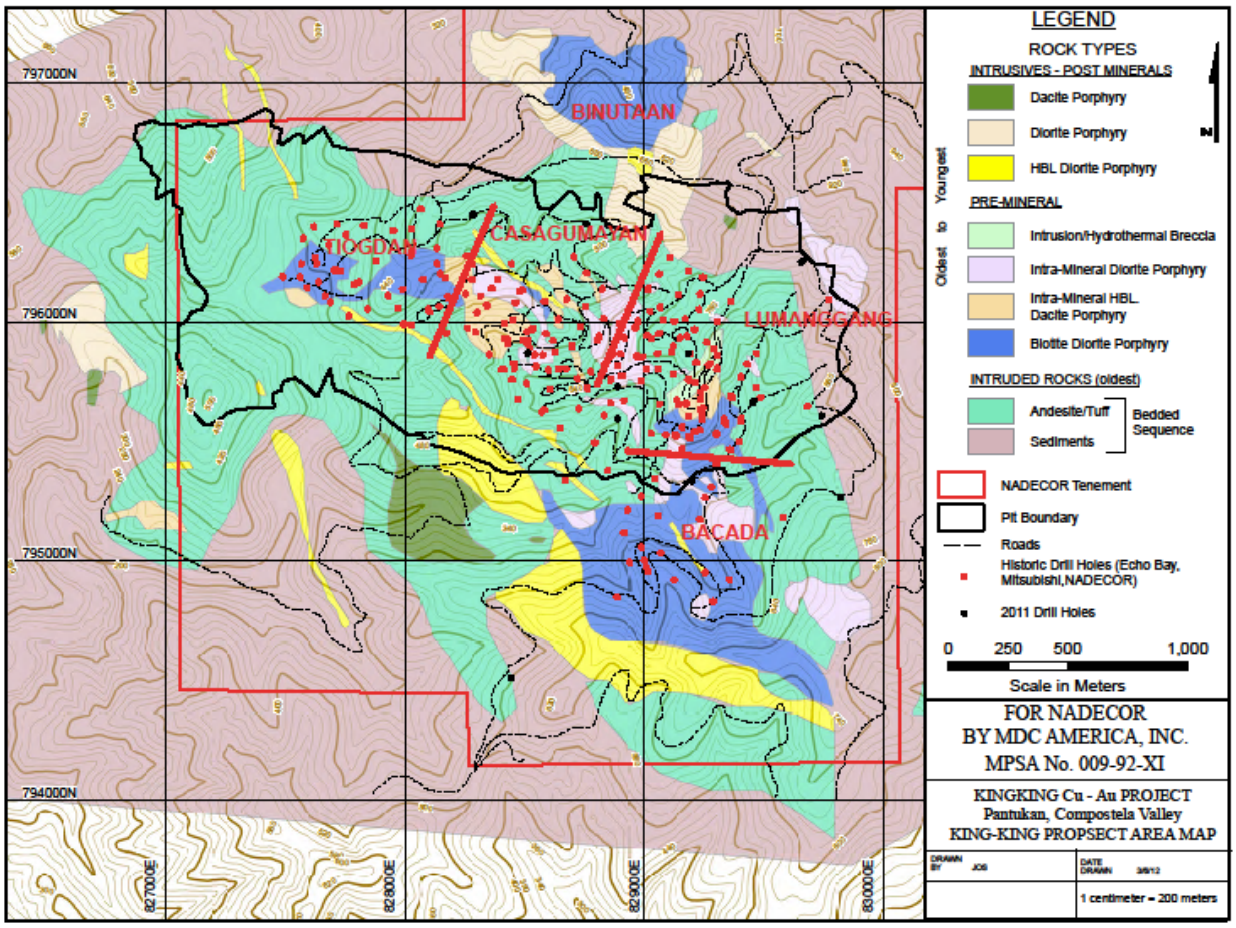
The deposit may be subdivided into two more or less equal segments: 1) the eastern segment underlying Lumanggang, where copper mineralization is in general extremely erratic and where the better gold mineralization occurs in pockets usually associated with localized zones of strong silicification and quartz stock works; and, 2) the western segment within the Casagumayan and Tiogdan areas which generally carries higher copper and gold values and is more uniformly mineralized. These two segments could either be parts of one and the same body, or of two or more adjoining masses related to separate, although probably genetically-related, intrusives.

The deposit is hosted to a large extent by the diorite intrusive complex to which it is genetically related, and partly by the intruded volcanics and sediments. The diorite complex consists of the biotite diorite porphyry and the accompanying hornblende diorite and diorite porphyry which are late magmatic differentiates of the biotite diorite porphyry. The biotite diorite porphyry is the most important intrusive host and appears to be the major intrusive body underlying the King-king district. Local brecciation accompanied the diorite intrusions into the predominantly volcanic wallrocks resulting in the development of breccia along the contacts. The overall shape of the diorite complex is elongate, trending northwesterly and measuring 1,800 m in the longer axis and some 400 m across on average.

The intruded volcanics are composed of pyroclastics (tuff, lithic tuff) and andesite flows with intercalated sediments (mostly wackes) which are typically found located further away from the deposit. Geologic mapping indicates that the sediment pyroclastics sequence has a general northwest trend with southwest dips. However, local reversals of dip are common, forming minor anticlines and synclines along roadcuts and gullies south of the main King-king deposit. Within the ore zone, the sediments have not been identified on surface or in the drill cores, although their identity may be obscured by hydrothermal alteration. Hornfelsic rocks encountered in the ore zone are thought to originally have been sediments but these hornfels may represent volcanic rocks that have been intensely metamorphosed.

The intrusion of dioritic rocks continued even after the porphyry copper deposit was emplaced, as evidenced by the presence of post-mineral hornblende diorite porphyry, diorite porphyry and dacite porphyry. These occur as peripheral stocks bounding the Lumanggang and Bacada areas, and as northwest-trending lenticular bodies or dikes flanking the porphyry mineralization. One hornblende diorite porphyry dike measures 5m to 15m wide and is traceable for more than 1,000m along and within the south flank of the deposit. Elongate hornblende diorite stocks bounding the southern and western portions of Bacada also trend northwest.

*Figure 2 – Commonly Referenced Deposit Areas*




## Intrusive Rock Types

### Biotite Diorite Porphyry (BDP)

This is the main intrusive at King-king and the most important host to copper-gold mineralization. Copper mineralization within the biotite diorite porphyry (BDP) consists predominantly of bornite with subordinate chalcopyrite occurring usually as fracture fillings. Bornite appears to increase towards the western half of the orebody from Casagumayan to the Tiogdan area. A number of drillholes intersected BDP dikes below thick volcanic cover indicating that the base portion of the deposit is largely underlain by this intrusive.

The BDP is generally brownish, medium- to coarse-grained and is characterized by the presence of primary "book" biotite that accounts for about 10% of the rock's volume. Type localities are found in Bacada, Casagumayan Creek and in Tiogdan. It is crumbly in the near-surface when not silicified or when lacking well-developed quartz veinlets. Along or near the contact with the volcanic wallrock, the diorite commonly exhibits strong breccia textures with pebble-size to occasional cobble-size angular xenolithic fragments tightly welded in the rock matrix. These represent fragments of the intruded rocks that were stopped by the magma during intrusion.

The copper and gold grades in the BDP average 0.37% and 1.17 g/t respectively.

### Intra-mineral Hornblende Diorite Porphyry (IHDP)

The intra-mineral hornblende diorite porphyry (IHDP) occurs as stocks situated in the central part of the Lumanggang and Casagumayan areas of the deposit. It is brownish-gray, medium- to coarse-grained porphyritic with large subhedral plagioclase (andesine) and hornblende phenocrysts occurring in an

interlocking feldspathic matrix. In thin section the hornblende phenocrysts are estimated to comprise 10% to 20% of the rock volume. Locally it contains primary biotite comprising some 1% to 3% by volume. Within the main King-king body, copper and gold grades in the IHDP average 0.37% and 0.44 g/t, respectively.

Intra-mineral Diorite Porphyry (IMDP)

The intra-mineral diorite porphyry (IMDP) is lighter in color, has a relatively finer matrix and more dispersed plagioclase (andesine) and hornblende phenocrysts compared with the IHDP, whose hornblende is more tightly packed. It contains 3% to 5% hornblende which in some cases has been totally altered to secondary biotite, leaving a plagioclase-dominated texture.

The IMDP locally exhibits a smooth line contact with the IHDP, but in most cases the contacts are gradational. In some instances IHDP clasts occur in the IMDP, making it very difficult to distinguish between the two intrusives. In cases where the contact between the two is not clear, the texture and hornblende content become the basis for identification.

Among the mineralized intrusives, the IMDP is the least well mineralized with respect to copper and gold, with grades in the ore zone averaging 0.37% Cu and 0.38 g/t Au respectively.

Intra-Mineral Dacite Porphyry (IDAP)

As intersected in a few drill holes, this unit appears to be a minor intra-mineral intrusive occurring as a series of dikes with well-defined contacts cutting the BDP. It is generally massive, coarse-grained, and porphyritic with large euhedral to subhedml plagioclase (andesine) phenocrysts as much as 0.5 cm in size and hornblende set in a fine feldspathic matrix.

Mineralization in the IDAP is mainly fracture filling with almost equal amounts of bornite and chalcopyrite. Classified as an intra-mineral intrusive, its copper might have been remobilized from earlier mineralized rocks during its intrusion. Its alteration is basically propylitic, similar to that of the post-mineral dacite porphyry mapped outside of the copper mineralization zone where chlorite, epidote and calcite are the predominant alteration minerals. Where bornite is the predominant mineral, copper grades are generally over 0.2% with occasional values exceeding 1% Cu near contacts with the intruded biotite diorite porphyry.

Intrusion/Hydrothermal Breccia

Drillholes in Lumanggang intersected hydrothermal breccia pipes that appear to be intra- to late-mineralization in age. As mapped on surface and logged in drill core, the largest hydrothermal breccia appears in plan to be generally elliptical in shape, measuring roughly 40m to 60m in diameter, with the longer axis oriented in a N60°E direction. The fragments are pebble-size to cobble-size, angular, and dominated by volcanics which occasionally carry copper oxides and IHDP fragments. The fragments commonly exhibit effects of rotation with rounded edges rimmed by rock flour. However, tightly welded pebble-size to cobble-size angular to sub-angular fragments have also been observed. Copper grades range from 0.04% to 0.68% Cu, averaging 0.27% Cu. Gold varies from trace amounts to 0.6 g/t, averaging 0.21 g/t.

Post-Mineral Intrusives

Diorite Porphyry (DP)

This unit, which occurs west of the ore zone in Lumanggang and extends towards Binutaan, is a northwest-trending stock measuring 60m to 120m wide and about 900m long. Its texture is coarser than the mineralized IMDP. Displaying only weak propylitic alteration, it is essentially barren of sulfide mineralization. It is generally greenish due to chlorite infused in the matrix and locally contains specks of epidote.

Hornblende Diorite Porphyry (HDP)

This greenish-gray unit is megascopically similar to the IHDP except for the essentially propylitic alteration it exhibits and the absence of porphyry copper mineralization. It intruded the western flank of the mineralized diorite and also occurs as lenses or dikes within the general mineralized zone. Its intrusion appears to have been influenced by a pre-existing northwest-trending fracture system, as evidenced by the dike's presence both inside and away from the main King-king mineralized body, as well as by the predominantly northwest elongation of its major axis as mapped east and south of Bacada. It commonly contains specks or disseminations of epidote. In all cases, the copper grade drops drastically to below 0.1% Cu inside of this dike.

The HDP is also distinguished from the DP by the presence of ≥10% hornblende phenocrysts which are minimal (1-2%) in the DP, and by the presence of relatively euhedral plagioclase laths.

Dacite Porphyry (DAP)

This rock is characterized by large (up to 0.5cm) subhedral plagioclase and hornblende phenocrysts set in a fine- to medium-grained feldspathic matrix. Petrography shows medium-sized to large sub-angular to sub-rounded plagioclase and medium-sized to large phenocrystal sub-angular to sub-rounded primary quartz that comprise up to 10% of the rock's volume. The rock is propylitized, characterized by matrix epidote and chlorite and calcite in microveinlets.

Host Rock Types

Tuff and Andesite

The pre-mineralization volcanic rocks are dominated by a sequence of pyroclastics and andesite flows. The tuff is massive to bedded, fine-grained to aphanitic and is gray to dark-gray where relatively unaltered. Locally it is lithic (as suggested by the presence of relict lithic fragments), and scoriaceous as indicated by the presence of crumbly open spaces observed in some drill core. The andesite flows are either aphanitic or porphyritic, with the latter texture having noticeable medium-sized plagioclase phenocrysts. No intrusive contact has been observed between the tuff and andesite.

The volcanics exhibit a general northwest strike with moderate to steep southwest dips, although locally the beds dip north due to folding. Within the main King-king deposit in Casagumayan the northwest strikes and southwest dips are reflected by the tuff layers logged in some drillholes. Colors in the tuff vary from greenish to brownish-gray depending on the dominant alteration mineral. Petrography showed that it consists of fine to large intermingled quartz, and feldspar shards (up to 25% by volume).

Sulfide mineralization within the volcanic rocks is usually confined to the contact zone with the intrusive complex. Copper and gold grades range from 0.06% to 0.84% total Cu (averaging 0.22% total Cu), and; from trace to 0.87 g/t Au, averaging 0.18 g/t Au.

Sedimentary Rocks

The sedimentary rock units generally overlie the volcanic rocks around the main King-king deposit and the surrounding prospect areas. Intercalation of the sedimentary units and the pyroclastics was observed, but in most cases distinctions between individual thin beds are difficult to identify megascopically. The sediments are generally thinly bedded and show rhythmic bedding characteristics. Individual rock units locally contain greenish to reddish volcanic fragments generally measuring 1mm in diameter, as observed in the graywacke exposed at Diat, Panganason, Mabaros and south of the main King-king deposit.

The sedimentary rocks trend generally northwest and dip southwest, although dip reversals to the northeast are common due to localized steep folding, particularly to the south of the main King-king deposit. Near the Buko-buko checkpoint and along the Maplag - Buko-Buko road, near-vertical dips are present apparently as a result of regional faulting and folding.

Some of the clastic rocks identified microscopically consist of arkosic graywacke, feldspathic wacke, lithic wacke, tuffaceous siltstone, and shale. The plagioclase component of these rocks ranges from 12% to 35%. Other common accessory minerals are quartz and hornblende. Pyroxene and biotite are rare. The rock fragments that comprise 10% to 15% of the lithic wacke are andesitic. Exposures of a reddish-maroon mudstone/shale along two portions of the Maplag - Buko-buko road and in the Lahi area are thought to be correlative.

Structures

The major faults in the main King-king deposit and immediate vicinities are generally northwest-trending and dip steeply to the northeast. The Soysoy Fault (which is thought to define the south flank of the main deposit) apparently influenced the course of Soysoy Creek. It is traceable for 1.5 km along its strike length, extending northwest beyond the King-king river. Several other faults (particularly those traced across Casagumayan and Tiogdan) have been observed inside the deposit which show localized silicification and associated quartz veinlets along the walls. North-northwest-trending faults comprise the other major set of structures mapped at King-king. These faults are commonly observed in the northern part of Tiogdan and outside of the known mineralization.

The dominance of the northwest structural component is reflected by the preferred orientation of the post-mineral hornblende diorite porphyry (HDP) dikes, the epithermal quartz stock work zone in the Casagumayan and Tiogdan "bardown" areas and the elongation of the entire main deposit. The same trend is also expressed by the HDP stocks situated peripheral to the main King-king deposit. While it is apparent that these northwest-trending structures played an active part during the emplacement of the mineralized diorite complex and the

post-mineral intrusives, the north-norhwest faults appear to some extent to have also influenced the emplacement of the HDP as indicated by the dikes near Tiogdan.

On a district-wide scale, the northwest structural fabric is also evident from the orientation of the faults and veins and orientations of the longer axes of post-mineral diorite stocks in Binutaan and Diat and the shape and orientation of the biotite diorite and hornblende diorite porphyries in Diat.

Folding in the area is evident outside of the main King-king deposit. The fold axes generally trend northwest with localized deviations to the east and west. The folds observed in the Lahi, Barricade, Buko-buko sa Anay and Maplag areas are generally small but believed to be due to northwest-trending regional folding. Recumbent folds which appear to have been developed as a result of regional stresses are noted along portions of the Maplag - Buko-buko road.

## Mineralization and Alteration

### General

Gold and copper mineralization in the King-king deposit is hosted primarily by an elongate, dike-like N60°W-striking diorite intrusive complex consisting predominantly of plagioclase-rich hornblende diorite and biotite diorite porphyries, and later magmatic differentiates. Among the intrusives, the most favorable host rock appears to be the biotite diorite porphyry, followed by intra-mineral hornblende diorite porphyry and intra-mineral diorite porphyry. In the intruded volcano-sedimentary rocks, tuff appears to be the most favorable host, especially near or along contacts with the intrusives. Mineralization at King-king occurs as fracture fillings and to a lesser extent as disseminations in the diorite porphyries and adjacent wallrocks. Better gold and copper grades appear to occur where there was intimate mixing of different rock types, such as along contact zones or where several intra-mineral dikes or intrusives cut the earlier lithologies.

The majority of the mineralization in the King-king deposit is hypogene (sulfide). Rapid regional uplift and erosion may be the cause of the general lack of a both leached cap over the deposit and well developed oxide and supergene zones that are typically found in other porphyry deposits. For process development purposes, two types of mineralization are considered: sulfide and oxide (which includes mixed oxide-sulfide material).

#### Oxide Zone

In general, the depth of oxidation is greatest under ridge tops (reaching 150 m in thickness), and thins progressively to the valley bottoms where oxidation may only extend to a depth of a few meters due to active erosion. The transition between oxidized and sulfide material is usually quite abrupt and mixed zones are seldom more than a few tens of meters thick. The Lumanggang area contains the greatest thickness of surface oxidation.

In the oxide and mixed oxide-sulfide (mixed) zones, partially oxidized chalcopyrite and bornite are occasionally found along with tenorite, malachite, chrysocolla, cuprite and other copper oxide minerals, together with the iron oxides, hematite, jarosite and goethite. On account of their bright colors and usual association with the more visible, ridge-forming, highly silicified outcrops and quartz stock works, past impressions of the relative abundance of malachite and chrysocolla in the deposit may have been exaggerated because these silicified outcrops are generally found only in limited areas within the oxidized cap of the deposit.

Gold is relatively abundant in the oxide zone, as evidenced by widespread gold panning and small-scale mining activities on the oxidized slopes of Casagumayan and Tiogdan. Some of the gold particles examined in the possession of the small-scale miners were found to be attached to quartz and/or blebs of magnetite. According to old-timers who pioneered gold panning at King-king, coarser gold particles were more abundant in the original soil horizon that existed over the deposit. Gold particles panned along the creeks typically range up to 2 mm in diameters.

#### Mixed Zone

The mixed zone consists of the oxide minerals described in the previous section, partially oxidized chalcopyrite and bornite, and limited supergene mineralization. Chalcopyrite and bornite are partially to completely replaced by secondary chalcocite and covellite, with covellite almost always rimming bornite.

#### Sulfide Zone

Hypogene copper mineralization consists predominantly of chalcopyrite with overall lesser amounts of bornite and primary chalcocite, the latter occurring as fracture fillings in the areas of the deposit that are distinctly more

bornite-rich. Bornite-rich areas include the biotite diorite porphyry, where bornite partially replaces chalcopyrite and occurs in amounts roughly equal to or greater than chalcopyrite.

Lesser sulfide minerals include molybdenite, which commonly occurs as fracture coatings and in quartz veins. There appears to be a higher grade molybdenite-bearing shell along the fringes the copper-gold mineralization. Digenite, covellite, tetrahedrite, galena, and sphalerite have been observed in trace amounts in petrographic studies.

Gold occurs in the sulfide zone of the deposit in free form in close association with bornite and as exsolution intergrowths in other sulfides, particularly chalcopyrite. Native gold is occasionally observed on fractures and in quartz veinlets.

The King-king deposit is characteristically pyrite-poor (<1% by volume for the entire deposit). This is reflected by the relative absence of a pyrite halo that is commonly developed around most porphyry copper deposits. The low pyrite content of the deposit to some extent may have contributed to the deposit's lack of a classic leach cap and supergene enrichment zone, as there was probably not enough pyrite present to generate sufficient acid to form these zones.

## Drilling

Three companies completed drilling campaigns on the King-king property prior to the Company's acquiring the rights to the deposit - Mitsubishi Metal Mining Corp. (Mitsubishi), Benguet Corporation (Benguet), and Echo Bay Mines Ltd. (Echo Bay). The initial drillhole database developed by the Company consisted of 276 holes drilled by these companies, which represented 89,922 meters of drilling. Below is a summary of the historical drilling campaigns.

Drilling History by Campaign

| Campaign Description | No. of Holes | Meters | No. of Intervals |
|---|---|---|---|
| Mitsubishi Core Holes | 54 | 13,031 | 4,352 |
| Benguet Core Holes | 69 | 19,247 | 6,412 |
| Benguet RC Holes | 25 | 4,926 | 4,456 |
| Echo Bay Core Holes | 128 | 52,718 | 18,440 |
| TOTAL DRILLING | 276 | 89,922 | 33,660 |

The following table shows details of the drilling by hole series and drill hole type – diamond core holes (DDH), and reverse circulation holes (RCH).

| | | | |
|---|---|---|---|
| 54 DDH Holes | Mitsubishi | 1972 | DDH 1-54 |
| 23 DDH Holes | Benguet | 1991-1994 | BC 1-23 |
| 38 DDH Holes | Benguet | 1991-1994 | BN 1-31(A&B) |
| 3 DDH Holes | Benguet | 1991-1994 | NH 1-3 |
| 5 DDH Holes | Benguet | 1991-1994 | PQ 1-5 |
| 10 RCH Holes | Benguet | 1991-1994 | BNR 1-9 |
| 13 RCH Holes | Benguet | 1991-1994 | M-Series Holes |
| 2 RCH Holes | Benguet | 1991-1994 | PQ-Series Holes |
| 128 DDH Holes | Echo Bay | 1996-1997 | EB 1-126 |

The core holes were nominally sampled on 3m down-hole intervals, though a portion of the early Echo Bay holes were sampled on 2m intervals. The Benguet RC holes were sampled on 1m intervals. Of the 33,600 intervals, 33,466 were assayed for total copper, 33,323 for soluble copper, and 29,192 for gold. Samples from the Mitsubishi drilling were not assayed for gold. Soluble copper assays were done for almost every interval for which total copper was done.

Most of the Echo Bay holes and a significant number of the Benguet core holes are angle holes oriented southwest to intersect structures striking northwest and having a northeast dip. However, locally the actual orientation of mineralization in the King-king porphyry system is complex and the relationship between true mineral thickness and sample intercept thickness is unknown.

## Sampling Method and Approach

As briefly described previously, three companies completed drilling campaigns on the King-king property – Mitsubishi, Benguet, and Echo Bay. All sampling data used are derived from only diamond drill core or RC drill hole cuttings generated by these three companies - no surface grab samples or samples from underground workings were included. In general the sample intervals in the core holes were nominally 3m in length, though a portion of the early Echo Bay holes were sampled on 2m intervals. The Benguet RC holes were sampled on 1m intervals. There was generally no attempt to break sample intervals at geologic contacts or to separate out perceived high grade zones by any of the three companies. Core was split longitudinally by Benguet and Echo Bay on site with the resulting half-core sent to off-site sample preparation laboratories. RC samples generated by both of these companies were bagged and sent to off-site labs as well. Other than sample length, the sampling methods and approach used by Mitsubishi are unknown.

The core from 23 holes was closely examined during the course of collecting 100 core samples for check assay analysis from core currently stored at a facility in Davao City. The core from the Benguet and Echo Bay drilling campaigns was found to be in generally good condition, especially considering that the core has been transported between different storage facilities a number of times over the past 20 years. Drilling run blocks were found to be in place in most of the boxes examined and/or sampled, with sample breaks in most cases noted in black marker on the wooden box dividers. With a few exceptions, the core was found to be in correct order in the boxes, with the continuity between the remaining half pieces generally good. It was noted during the collection of the core check samples that the solid core pieces of many of the rock types intersected have a general tendency to shatter when struck with a hammer, with some lithologies worse than others. Future core drilling programs should incorporate diamond saws for splitting the core for analysis in lieu of using conventional hydraulic knife-blade-type core splitters.

Though core recoveries were measured and recorded for Benguet and Echo Bay drilling, these data were not included in the digital database. Other than possible effects of sample recovery on grade, no other factors are known that could materially impact the accuracy and reliability of the sample results.

### Mitsubishi Metal Mining Corp

From 1969 to 1972, Mitsubishi drilled 54 core holes totaling 13,031 meters. Core was split (splitting method unknown) on three meter intervals and subsequently assayed. Sample preparation and analytical procedures used are unknown. Assay results for total copper and acid soluble copper for the Mitsubishi holes are present in the drillhole database. Gold reportedly was not assayed. To the knowledge of REI and IMC there are no drill logs, drill core, or assay certificates available from the Mitsubishi drilling that could be used to document any of the assay results.

### Benguet Corporation

From 1992 to 1994, Benguet drilled 69 core holes totaling 19,247 meters, and 25 reverse circulation drill holes totaling 4,926 meters. Core samples were split and assayed on three meter intervals and reverse circulation holes were sampled and assayed on one meter intervals. Most of the core was HQ (63.5mm) and NQ (47.60mm) diameter. Four holes were PQ diameter (85mm).

After splitting at the site using a conventional knife-blade core splitter, the core was placed in sample bags and sent to the sample preparation laboratory in Davao City, where pulps were prepared for shipment to separate analytical facilities. Assaying was done by two Benguet in-house labs at Dizon and Balatoc and by McPhar Labs in Manila. In 1997 an initial check assay program by Echo Bay of 460 pulps obtained from Benguet indicated that the quality of the Benguet copper assaying was within industry standards, but a systematic bias in the Benguet gold assays was noted, particularly in grades near the average for the deposit. Because of this bias, approximately 10,000 splits of pulps from all of the core holes were subsequently obtained by Echo Bay from Benguet in 1997. Of these, 22 of the more critical holes were re-assayed by Inchcape Testing in Manila to further evaluate assay quality. Results of this work show that total copper assaying error was within acceptable industry standards of error, acid soluble copper assays were biased low and the gold assays were biased high compared to the 1997 re-assays. Check assay samples were taken for the current study in June 2010 from the remaining half of split core from seven Benguet drill holes currently stored at the core shed near Pantukan. Results for these check samples (which were prepared and analyzed by Independent Assay Laboratories Ltd. (IALL) in Wangara, Western Australia) confirm that the original Benguet results for total copper and acid soluble copper are within industry standards of error compared to the recent re-assay work by IALL, while the original Benguet gold assays were biased high compared to the re-assaying.

### Echo Bay Mines Ltd. (King-king Mines Inc)

On November 2, 1995, Echo Bay (through its Philippine company, King-king Mines Inc.) collared its first hole on the deposit. The current database contains the results of 128 Echo Bay core holes totaling 52,718 meters. Most of the core was split on three meter intervals, with a few of the early holes in suspected high grade gold areas split on two meter intervals. All of the holes with road access were collared PQ (85mm-diameter) core size to obtain as large a sample of the oxide zone as possible. Drill holes were reduced to HQ (63.50mm-diameter) size upon reaching sulfide material or at the limit of the ability of the drill to penetrate with PQ tools. A few holes were further reduced to NQ (47.60mm-diameter/ core size in order to case off bad ground. Nineteen of the holes were mobilized and supported by helicopter and were drilled using HQ size core barrels. Core was transported as soon as possible to a centrally located logging area on site for inventory and geotechnical logging and then forwarded to a facility in Davao City for geologic logging. Core was divided in half with a conventional knife-blade core splitter in Davao City and a 150-gram sample pulp subsequently prepared for shipping to the Inchcape Testing Lab in Manila. The pulps were assayed for gold, total copper, acid soluble copper and molybdenum. Check assay samples were taken for this study in June 2010 from the other half of split Echo Bay core from 16 holes currently stored at the core shed near Pantukan City. Results of this sampling confirm the Echo Bay results of 1997 for total copper and gold are within acceptable industry standards of error. However, Echo Bay acid soluble coppers were found to be biased high compared to the recent re-assay work, perhaps due to Inchcape's use of a more aggressive acid soluble copper analytical method.

## Sample Preparation, Analysis, Security and Data Verification

Estimates of mineralized tonnage and grade at King-king Gold-Copper have historically been based upon assays derived from drilled intercepts. Approximately 33,660 samples were taken over the course of the Project and processed by four separate analytical laboratories - Benguet's in-house labs at Dizon and Balatoc, McPhar Labs in Manila and Inchcape Labs in Manila. The preparation of these samples was not completed by the Company or any of its contractors.

### Mitsubishi Drilling Programs

Sample preparation and analysis procedures for the Mitsubishi drilling program of 1969-1972 were not available for review. The sample chain of custody and security procedures used by Mitsubishi are unknown.

### Benguet Drilling Programs

For the Benguet drilling programs core samples were collected on 3m intervals and split at the site, placed in sample bags, and sent to the company's sample preparation laboratory in Davao City. There the samples were dried and crushed to a nominal 1/8 inch size, then split to produce samples weighing about 500 grams that was then pulverized to 150 mesh. These pulps were then divided into two 250- to 300-gram samples, one for analysis and one for reserve. The pulps were then shipped to Benguet's in-house analytical labs at either Balatoc or Dizon for analysis. Total copper analysis was done on 0.5-gram samples, using three acid digestion (perchloric, nitric, and hydrochloric acids) prior to analysis by atomic absorption (AAS).

Soluble copper analysis was done on 1.0-gram samples. Digestion was with 5% sulfuric acid at room temperature for two hours, with solution stirring every 15 minutes. As with total copper, final analysis was done by AAS.

Based on the documentation provided to IMC, it appears that the Benguet laboratories also performed gold analysis by solution methods rather than by fire assay. The gold analyses were done on 10.0-gram samples. Nitric acid was first added under low heat to decompose sulfides. Potassium chlorate was then added, followed by hydrochloric acid, which formed aqua regia and dissolved the gold. Additional HCL was added to dissolve salts that may have formed, and MIBK (methyl isobutyl ketone) was added to collect the gold. Final gold analysis was by AAS.

The specific sample chain of custody and security procedures employed by Benguet are not known, although it is likely that the samples were continually under Benguet company control, given that the samples were prepared as well as analyzed in company laboratories.

### Echo Bay Drilling Programs

Echo Bay transported core as soon as possible to a centrally located logging area on site for inventory and geotechnical logging. The geotechnical logging was carried out by trained technicians following procedures

recommended by Knight-Piesold. Core was then transported daily to the Davao office warehouse for detailed geologic logging. The entire core was photographed prior to splitting and the photographs were transferred to a CD-ROM format for ease of storage and access.

Core splitting was done by trained technicians using conventional hydraulic knife-blade splitters. One half of the core was placed in permanent storage in a secure, enclosed warehouse. The remaining half core from each sampled interval was transported daily to a sample preparation facility located in Davao City that was independently operated by Inchcape Testing. The entire sample was crushed to minus one-tenth inch using a jaw crusher. A sample weighing approximately one kilogram was then split from the crushed material using a riffle splitter. This entire split was pulverized using a large capacity disk pulverizer. The pulps were reduced in size to a nominal 90 percent passing through a minus 200 mesh screen. A pulp split weighing approximately 150 grams from each sample was then shipped to the Inchcape Testing laboratory in Manila by air freight. The remainder of the pulp and the coarse reject were returned to the King-king project site for secure storage in an enclosed warehouse.

Gold assaying was done by fire assay with an atomic absorption finish on fifty-gram charges. Total copper and molybdenum were assayed after total digestion by atomic absorption (AA) techniques. A weak acid digestion at room temperature followed by AA analysis was used for acid soluble copper determinations.

### Assay Quality Control/Quality Assurance

The Quality Assurance/Quality Control (QA/QC) program used by King-king Mines Inc (KMI) was jointly designed by Ken Lovstrom, a consulting geochemist and KMI staff and was fully implemented in the second quarter of 1996. To provide the highest degree of assurance for assay data, KMI used three reputable independent assay laboratories. The primary lab was Inchcape Testing Services located in Manila. The secondary check laboratory was Cone Geochemical located in Denver, Colorado. Chemex Labs Ltd. of Vancouver was used for limited check assaying and for round robin assaying of control samples. Echo Bay's chain of custody and security procedures were not documented in writing, but it is highly likely that rigid procedures were followed, based on IMC's first-hand experience with other Echo Bay projects that were overseen by Ken Lovstrom.

### Data Verification

IMC performed the following data verifications on the King-king sampling database:

- A significant portion of the assays in the database were compared with assay certificates and geologic logs;
- For the 1997 Feasibility Study, Echo Bay re-assayed a significant number of Benguet samples for copper and gold. IMC did comparisons of the Echo Bay and Benguet assays for these sample intervals;
- Donald Earnest of REI pulled 100 samples from Benguet and Echo Bay existing core to be assayed for copper and gold for comparison with original assays.

## Mineral Resource Estimates

The mineral resource was developed based on historic drilling that was completed by three companies from 1972 – 1997 (Mitsubishi Corporation, Benguet Corporation and Echo Bay Mining). The assay information was on electronic files. These files were checked and corrected by hand comparison to assay certificates and printed scanned paper logs, and an electronic data base for assembly of a block model was produced. Due to a bias in the Benguet gold assays which was discussed in a previous section, these assays were not used for the IMC resource estimate, but were replaced with the Echo Bay re-assays where available.

An important aspect of IMC's mandate was to verify the validity of drill and assay data. As part of this project, 100 core samples for independent check assay analysis were recovered from the core drilled by Benguet and Echo Bay that is currently stored at the core shed located in Pantukan City, Compostela Valley. The results of those assays confirm the presence of gold and copper. IMC and REI hold the opinion that these recent check assays provide sufficient confidence that the data generated and compiled by Benguet and Echo Bay are valid for the estimation of measured and indicated mineral resources.

The King-king Copper/Gold deposit is currently envisioned to be mined using large scale open pit mining methods to produce ore to a flotation concentrator. Initial estimates of mining, process, and overhead costs were applied along with initial estimates of process and mining recovery to establish an estimate of mineral resources that have reasonable expectation of economic extraction. The following table summarizes the mineral resources at the Project as updated in August 2011.

Independent Mining Consultants, Inc. (IMC) of Tucson, AZ, the technical consultant for the mine design, updated the resource block model for this mineral resource update. The main features of this update are the incorporation of better topography into the estimate than was previously available and the conversion of the model and drillhole database from the old Benguet local coordinate system to WSG84 coordinates. Most of the increased mineral resource is due to higher prevailing metal prices.

IMC reports mineral resources within a floating cone shell for open pit mines to comply with the "reasonable prospects for economic extraction" clause of NI 43-101 regulations and also Australia's AusIMM - JORC code. Table 1 shows the economic parameters used for this update. Only measured and indicated resource blocks were allowed to contribute to the floating cone shell used for the mineral resource tabulation, with inferred blocks treated as waste. The economic parameters developed for Table 1 are based on bulk open pit mining of the ore followed by crushing, grinding, and flotation to produce copper concentrates.

| Table 1. King-king Mineral Resource | | | | | | 8/9/2011 |
|---|---|---|---|---|---|---|
| Ore Type/Resource Class | Ore Ktonnes | Eq Cu (%) | Tot Cu (%) | Sol Cu (%) | Gold (g/t) | Eq Au (g/t) |
| Measured Mineral Resource | | | | | | |
| Oxide Mill Ore | 39,513 | 1.180 | 0.431 | 0.266 | 0.535 | 0.843 |
| Sulfide Mill Ore | 80,829 | 0.551 | 0.258 | 0.037 | 0.427 | 0.803 |
| Total Measured Resource | 120,342 | 0.758 | 0.315 | 0.112 | 0.462 | 0.816 |
| Indicated Mineral Resource | | | | | | |
| Oxide Mill Ore | 122,350 | 0.868 | 0.334 | 0.203 | 0.382 | 0.620 |
| Sulfide Mill Ore | 719,560 | 0.439 | 0.230 | 0.029 | 0.305 | 0.640 |
| Total Indicated Resource | 841,910 | 0.501 | 0.245 | 0.054 | 0.316 | 0.637 |
| Measured/Indicated Mineral Resource | | | | | | |
| Oxide Mill Ore | 161,863 | 0.944 | 0.358 | 0.218 | 0.419 | 0.675 |
| Sulfide Mill Ore | 800,389 | 0.450 | 0.233 | 0.030 | 0.317 | 0.657 |
| Total Meas/Ind Resource | 962,252 | 0.533 | 0.254 | 0.062 | 0.334 | 0.660 |
| Inferred Mineral Resource | | | | | | |
| Oxide Mill Ore | 33,303 | 0.747 | 0.276 | 0.160 | 0.337 | 0.534 |
| Sulfide Mill Ore | 155,513 | 0.373 | 0.202 | 0.024 | 0.249 | 0.544 |
| Total Inferred Resource | 188,816 | 0.439 | 0.215 | 0.048 | 0.265 | 0.542 |
| Notes: | | | | | | |
| Eq Cu (oxide) = Total Copper + 1.400 x Gold, Cutoff = 0.30% Eq Cu | | | | | | |
| Eq Cu (sulfide) = Total Copper + 0.686 x Gold, Cutoff = 0.15% Eq Cu | | | | | | |
| Alternatively, as Equivalent Gold: | | | | | | |
| Eq Au (Oxide) = Gold + 0.714 x Total Copper, Cutoff = 0.22 g/t Eq Au | | | | | | |
| Eq Au (Sulfide) = Gold + 1.458 x Total Copper, Cutoff = 0.22 g/t Eq Au | | | | | | |
| Total Material in Cone Shell | | | 1,736,371 | Ktonnes | | |
| Waste:Ore Ratio | | | 0.80 | (Inferred as Waste) | | |
| Waste:Ore Ratio | | | 0.51 | (Inferred as Ore) | | |

Measured and indicated mineral resource amounts to 962.3 million tonnes at 0.533% copper equivalent, 0.254% total copper, 0.062% soluble copper, and 0.334 g/t gold. Inferred mineral resource is an additional 188.8 million tonnes at 0.439% copper equivalent, 0.215% total copper, 0.048% soluble copper, and 0.265 g/t gold. The measured and indicated mineral resource consists of 5.4 billion pounds of contained copper and 10.3 million troy ounces of contained gold. The last column of the table also shows that with metal grades defined in terms of equivalent gold, instead of equivalent copper, the equivalent gold grade of the measured and indicated mineral resource is 0.660 g/t gold equivalent.

There is no guaranty that any of the mineral resource will be converted to mineral reserve. There is also no guaranty that inferred mineral resource will be upgraded to measured or indicated mineral resource or mineral reserves.

## Mining Operations

The mining operation will be open pit, bulk, mining conducted with mining shovels in the 40 cubic meter class or larger and trucks in the 200 metric tonne class or larger. The concentrator (mill) ore production rate is expected to be 52,000 to 71,000 metric tonnes per day. Another 20,000 to 40,000 metric tonnes per day of heap leach ore will be crushed, agglomerated and placed on the heap leach pad.

The Company has also developed a preliminary mining production schedule (i.e. production forecast) for the Project. Six mining phases were designed to do the scheduling. The phases include haulage roads and adequate working room for large mining equipment. Only measured and indicated mineral resource was allowed to contribute to the design.

The following table shows the mine production schedule for various mining periods. Mill and heap leach ore are tabulated separately. Copper cathodes from both heap leach and tailing leach of flotation tailing will be produced along with copper-gold-silver flotation concentrates and Dore metal containing gold and silver costs.

Preproduction stripping requirements have decreased to 11 million tonnes due to the inclusion of the heap leach. Heap leach is currently scheduled to start approximately one year before the mill starts up. This allows Years 1-17 total mine production to be maintained at 65 million tonnes of material.

This schedule results in 522.8 million tonnes of mill ore at 0.297% total copper and 0.441 g/t gold, and, 95.2 million tonnes of heap leach ore at 0.311% total copper, 0.177 acid soluble copper and 0.143 g/t gold. This is measured and indicated resource only. Total material mined is 1.27 billion tonnes.

**Table 2. Prefeasibility Study Mine Plan**

| | | Time Period | | |
|---|---|---|---|---|
| **Statistic** | **Units** | **Years 1-5** | **Years 1-10** | **LOM** |
| Total Material Mined | ktpy | 53,034 | 58,020 | 57,931 |
| | ktpd | 145 | 159 | 159 |
| Mill Ore Mined | ktpy | 21,028 | 24,985 | 24,832 |
| | ktpd | 58 | 68 | 68 |
| Heap Leach Ore Mined | ktpy | 10,594 | 7,713 | 5,009 |
| | ktpd | 29 | 21 | 14 |
| Waste Mined | ktpy | 21,411 | 25,322 | 28,090 |
| | ktpd | 59 | 69 | 77 |
| Waste:Ore Ratio | unitless | 0.76 | 0.86 | 1.06 |
| Mill Ore Grades | | | | |
| Total Copper | % | 0.398 | 0.342 | 0.297 |
| Soluble Copper (WAS) | % | 0.149 | 0.095 | 0.067 |
| Gold | g/t | 0.557 | 0.481 | 0.441 |
| Heap Leach Ore Grades | | | | |
| Total Copper | % | 0.335 | 0.312 | 0.311 |
| Soluble Copper (WAS) | % | 0.199 | 0.179 | 0.177 |
| Gold | g/t | 0.128 | 0.143 | 0.143 |

## Exploration and Development

Exploration of the King-king deposit has spanned a few decades, and represents the efforts of numerous companies and individuals. A wide variety of techniques have been employed, including:

- Surface mapping and sampling
- Drilling (primarily diamond core)
- Underground drift and raise sampling
- Geochemistry (soil, stream, and down-hole)
- Development of cross sections, long sections, and plan maps
- Physical and computer-generated three-dimensional modeling.

A significant portion of past work focused on drilling to explore, define and confirm the economic potential of the property.

The interpretation of the exploration work done to date is that the King-king deposit is a significant copper-gold porphyry system with the potential to become an economic project. The drilling done to date has also been used to develop an NI 43-101 compliant mineral resource for the deposit.

All but a minor fraction of the exploration data collection, including the drilling data, is historic data compiled by previous property owners. The Company and its contractors were not involved in the compilation of this historic data. The Company and its contractors conducted interpretative evaluations of the mapping and drilling data to develop the current mineral resource estimate.

Development drilling in 2011 was completed by the Company and its contractors in order to obtain diamond drilling core samples for geomechanical testing to allow technical analysis of pit wall stability and design of intermediate and final pit slope angles. Diamond drill coring was completed to obtain various hydrologic data for geotechnical and hydrogeological evaluations. Additional diamond drilling was conducted to collect samples for metallurgy testing and in-fill diamond core drilling was completed in certain areas of the deposit to confirmation the copper and gold assays generated by the earlier Benguet drilling.

## Conclusions

The August 2011 update measured and indicated mineral resource for the King-king deposit has 962.3 million ore tonnes at 0.25% total copper and 0.33 g/t gold. The August 2011 update to the resource increased the resource 21.6% in tonnage (962.3 vs. 791.5 million tonnes). The resource contains 5.4 billion pounds of copper and 10.3 million troy ounces of gold. On an equivalent gold basis the measured and indicated resource has 20.4 million troy ounces of equivalent gold grading an equivalent 0.66 g/t gold. The updated estimate of inferred mineral resource amounts to 188.8 million tonnes at 0.215% copper and 0.265 g/t gold.

The results of the resource estimate indicate that the Project has the potential to become an economic producer of copper-gold and gold concentrates for shipment to a copper smelter/refiner and a gold refinery if planned studies confirm projected mine and mill designs are practical and economical.

There is potential to add resource tonnage to the King-king deposit as there are significant quantities of inferred resource, particularly at depth, to the north and west of the presently defined open pit, where drilling has not found the limits of the mineralization. The additions could be in the range of hundreds of millions of tons.

Based on the known information provided to date, AATA sees no environmental issues that would prevent the permitting of the proposed operations. After review of the laws of the Philippines and the planned Project, this Project should apply generally under the MINING ACT OF 1995, however, several other laws and regulations may apply. Although AATA currently does not see any permitting issues that would prevent the operation of the proposed King-king Gold-Copper Mine, AATA cannot predict all the concerns or issues the permitting agencies may have with the proposed Project during the permitting process, nor can AATA control how long the agencies will take to issue the necessary permits. At this time, quantification of all the environmental impacts of the proposed facilities and operations is not possible. A better understanding of these will be developed during the permitting process.

## Recommendations

Many recommendations from the King-king Technical Report push the Project forward towards the prefeasibility stage were executed upon. The progress on these is listed below:

- Re-assaying of the Benguet drill hole pulps to improve the confidence of mineral resource and mineral reserve estimate is expected to complete in Q3 2012.
- Drilling programs to determine pit wall angles (slope stability) and provide new sample for metallurgical tests have been initiated and most have been completed. Completion of the remaining drill holes is expected by the end of Q3 2012.
- Additional recommended drilling for confidence and adding tonnes to the resource are planned for 2012.
- Recommended acid rock characterization studies were planned and executed. Static type tests were completed and kinetic type tests are in progress.
- A new topographic survey of the mine, alternate valueless rock management areas, processing plant and tailings storage areas was recommended and executed along with the new imagery and topographic maps distributed to all the consultants engaged on the Project.

Process testing on old and new core was recommended to address the following items:

- Optimum primary grinding size for various ore zones and lithology types – 100% complete
- Geo-statistical analysis of grinding and flotation – 100% complete;
- Copper oxide mineral response to flotation with recently developed and commercialized oxide flotation reagents and flow sheets – complete, result – failed;
- Agitation and heap leaching of copper oxide minerals with sulfuric acid were evaluated after copper oxide flotation failed. Success was achieved at each stage and bankable feasibility level designs were developed and these were incorporated in the prefeasibility study.
- A thorough study of regrind product size – 100% complete;
- Optimized cleaner flotation reagent schemes and flow sheet for ore variations - complete;
- Evaluate centrifugal gravity and flash flotation recovery of gold from the primary grinding circuit and from tailing streams in flotation – 50% complete;
- Evaluate concentrate processing by hydrometallurgical methods to recover gold and copper at site – after consultation with industry experts decided smelting was a better way to proceed;
- Rheology studies on tailing for settler design and tailing pumping designs – 70% complete;
- Settling and filtration studies on concentrates for dewatering purposes – 100% complete.

- All drilling has utilized Ori-Shot or Reflex Act II down hole survey methods.
- An independent audit, by a contracted third party, of the drilling program was performed in March 2011. A positive site visit and audit report on the overall King-king drilling and geology programs was received.
- The recommended geotechnical testing on the new core was completed. More tests were recommended and will be completed in Q2 2012.
- Hydrogeological testing of the finished core holes was required and this work was completed on 5 holes.
- The recommended Quality Assurance/Quality Control program was established for the new drilling and as aforementioned above it was audited in March 2011 and received a positive report.

## DIVIDENDS AND DISTRIBUTIONS

To date, the Company has not paid any dividends on its outstanding Common Shares. The future payment of dividends will be dependent upon the financial requirements of the Company to fund further growth, the financial condition of the Company and other factors which the board of directors of the Company may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future.

## DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of common shares without par value. 325,258,334 common shares are issued and outstanding.

The holders of the Company's common shares are entitled to vote at all meetings of shareholders of the Company, to receive dividends if, as and when declared by the directors and, subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Company. The Company's common shares will carry no pre-emptive rights, conversion or exchange rights, or redemption, retraction, repurchase, sinking fund or purchase fund provisions. There will be no provisions requiring a holder of common shares to contribute additional capital and no restrictions on the issuance of additional securities by the Company. There will be no restrictions on the repurchase or redemption of the common shares by the Company except to the extent that any such repurchase or redemption would render the Company insolvent.

## MARKET FOR SECURITIES

### Trading Price and Volume

Following is a summary of the trading prices and average daily volume on the TSX Exchange since January 2011.

| Month | High | Low | Close | Volume |
|---|---|---|---|---|
| January 2011 | $ 2.05 | $ 1.33 | $ 1.35 | 397,900 |
| February 2011 | $ 1.48 | $ 1.18 | $ 1.46 | 222,300 |
| March 2011 | $ 1.40 | $ 0.85 | $ 0.97 | 184200 |
| April 2011 | $ 1.04 | $ 0.74 | $ 1.00 | 94,900 |
| May 2011 | $ 1.02 | $ 0.66 | $ 0.69 | 243,100 |
| June 2011 | $ 0.80 | $ 0.54 | $ 0.64 | 234,700 |
| July 2011 | $ 0.75 | $ 0.60 | $ 0.65 | 270,900 |
| August 2011 | $ 0.71 | $ 0.60 | $ 0.70 | 345,323 |
| September 2011 | $ 0.72 | $ 0.46 | $ 0.53 | 252,200 |
| October 2011 | $ 0.64 | $ 0.36 | $ 0.41 | 162,900 |
| November 2011 | $ 0.42 | $ 0.30 | $ 0.38 | 118,500 |
| December 2011 | $ 0.36 | $ 0.23 | $ 0.36 | 798,500 |
| January 2012 | $ 0.35 | $ 0.27 | $ 0.28 | 223,600 |
| February 2012 | $ 0.44 | $ 0.27 | $ 0.37 | 424,000 |
| March 2012 (i) | $ 0.40 | $ 0.31 | $ 0.35 | 141,450 |

(i) Through March 14, 2012

## Prior Sales

The following table summarizes each class of securities of the Company outstanding but not listed or quoted on a marketplace as at the date of this AIF and that were issued in the past year, the price at which such securities were issued, the number of securities issued and the date such securities were issued.

| Date | Number of Securities | Type of Security | Issue Price (Cdn) |
|---|---|---|---|
| January 7, 2011 | 80,000,000 | Common Shares | (a) |
| January 7, 2011 | 3,000,000 | Common Shares | $ 0.30 |
| January 7, 2011 | 4,700,000 | Common Shares | 0.20 |
| January 7, 2011 | 83,333,334 | Common Shares | 0.30 |
| January 7, 2011 | 32,800,000 | Common Shares | 1.22 |
| March 29, 2011 | 450,000 | Common Shares | 0.20 |
| June 7, 2011 | 1,500,000 | Common Shares | 0.20 |
| November 17, 2011 | 29,475,000 | Common Shares | 0.40 |
| November 17, 2011 | 14,737,500 | Warrants | 0.75 |
| February 11, 2011 | 10,158,333 | Common share options | 1.54 |
| April 4, 2011 | 2,100,000 | Common share options | 0.98 |
| April 21, 2011 | 125,000 | Common share options | 0.80 |
| June 3, 2011 | 200,000 | Common share options | 0.73 |
| June 11, 2011 | 200,000 | Common share options | 0.68 |
| July 5, 2011 | 200,000 | Common share options | 0.66 |
| June 30, 2011 | 500,000 | Common share options | 0.64 |
| October 11, 2011 | 1,100,000 | Common share options | 0.53 |
| December 9, 2011 | 525,000 | Common share options | 0.29 |

(a) As part of the recapitalization described elsewhere in this document, RMMI's 10,000,001 shares in SAMI were acquired for 80,000,000 shares on January 7, 2011.

## Escrowed Securities and Securities Subject to Contractual Restriction on Transfer

Upon the recapitalization the Company issued 80,000,000 common shares to RMMI, these shares are subject to an escrow agreement dated January 7, 2011 between the Company, Computershare, and RMMI's subsidiary, Pegasi Holding Ltd. 25% of these shares were released on January 7, 2012 and the balance are releasable on July 7, 2012.

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holding of Directors and Officers

The following table set out the name, province or state and country of residence, position held and principal occupations for at least the past five years, and percentage ownership holdings beneficially owned or controlled or directed, directly or indirectly of each director or officer of the Company. The directors are elected for terms of up to three years on a rotating basis at each annual meeting and hold office until the next biannual meeting, unless his office is vacated earlier due to death, removal, resignation or ceasing to be duly qualified in accordance with the *Business Corporations Act* (BVI).

| Name and Municipality of Residence | Positions Held With the Company | Principal Occupation During Past 5 Years | Percentage of Common Shares held |
|---|---|---|---|
| Robert L. Russell[(1)(4)]<br>Spokane, Washington | Chairman of the Board of Directors | Chairman of the board of directors since January 2011, President and CEO of Josephine Mining Corp since March 2011; President and Managing Director of Russell Associates E & T LLC since January 2008; President, Chairman and CEO of General Moly, Inc. from October 2007 until November 2007. | nil |
| Andrew J. Russell[(4)]<br>Spokane, Washington | Director, President and Chief Executive Officer | President and CEO of St. Augustine Gold & Copper since 2010, President and CEO of Russell Mining and Minerals Inc. since January 2009; Vice President of Development of General Moly, Inc. from October 2007 until August 2008. | 26.59%[(1)] |
| Tom Henderson<br>Spokane, Washington | Chief Operating Officer | COO since February 2011. Vice President and General Manager for Coeur Alaska from December 2006 to January 2011; Mine Manager Quadra Mining Company, Robinson Mine April 2004 – November 2006. | .03% |
| Terry J. Krepiakevich [(2)(3)(5)]<br>Vancouver, Canada | Director | Member of the Board of Directors of several publicly-listed and private companies since July 2011; Chief Financial Officer of SouthGobi Resources Ltd., a mining company, from June 2006 to July 2011. | nil |
| Max V. Anhoury [(2)(3)(4)]<br>Tucson, Arizona | Director | Global sales and marketing at Iovation, Inc since February 2009. President of Topline Performance, Inc. since January 2002. | nil |
| D. Richard Skeith<br>Calgary, Alberta, Canada | Corporate Secretary | Partner at Norton Rose Canada LLP, (formerly known as Macleod Dixon LLP), Barristers and Solicitors. | nil |
| R. Llee Chapman [(1)]<br>Elko, Nevada | Interim Chief Financial Officer | Independent consultant, 2010 to present; Regional Vice President, Newmont Mining Corp. 2007 to 2010; independent consultant, 2005 to 2006. | nil |
| Thomas L. McKeirnan [(2)(3)(4)] | Director | Senior Vice President, General Counsel and Secretary of Red Lion Hotels Corporation since February 2005. | nil |

Note: (1) Andrew J. Russell is the president of RMMI, which holds 86,500,000 common shares of the Company. Robert L. Russell is on the board of directors and a shareholder of RMMI. R. Llee Chapman is a shareholder of RMMI.

(2) Member of the audit committee

(3) Member of the compensation committee

(4) Term expires in 2013

(5) Term expires in 2014

As of the date of this AIF, the directors and officers above collectively beneficially owned, or controlled or directed, directly or indirectly, 87,183,000 common shares representing 26.80% of the issued and outstanding common shares. Each director's term of office will expire at the next annual meeting of the shareholders unless re-elected at such meeting.

The information as to principal occupation and shares beneficially owned or controlled or directed, directly or indirectly not being within the knowledge of the Company, has been furnished by the officers and directors.

## Audit Committee

Pursuant to the provisions of National Instrument 52-110 Audit Committees ("NI 52-110"), reporting issuers are required to provide disclosure with respect to its audit committee, including the text of the audit committee's charter, composition of the committee, and the fees paid to the external auditor. Accordingly, the Company provides the following disclosure with respect to its Audit Committee.

### Relevant Education and Experience

The following table discloses the relevant education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an audit committee member:

| | |
|---|---|
| Terry J. Krepiakevich<br><br>Independent<br>Financially Literate | Mr. Krepiakevich is a member of the Board of Directors of several publicly-listed and private companies since July 2011. From June 2006 to July 2011, Mr. Krepiakevich was the Chief Financial Officer of SouthGobi Resources Ltd., a publicly-listed mining company focused on exploring and developing coal deposits in Mongolia's South Gobi Region. Previously, Mr. Krepiakevich was Chief Financial Officer for Extreme CCTV Inc., a publicly traded company on the TSX involved in manufacturing high tech surveillance equipment, and Vice-President Finance and Chief Financial Officer of Maynards Industries Ltd., a private firm specializing in retailing, auctioneering, liquidating, and mergers and acquisition services. Prior to his position with Maynards, Mr. Krepiakevich was a senior officer in a number of private and public issuers. He is a Canadian qualified Chartered Accountant and was employed with the international accounting firm Peat Marwick Thorne (KPMG), where he worked with a number of companies in mining and related industries. |
| Max V. Anhoury<br><br>Independent<br>Financially Literate | Mr. Anhoury brings over 20 years of operational, sales and marketing experience. Currently, at Iovation, Inc. he is responsible for global sales and marketing and a member of the Senior Executive Team. His responsibilities include setting strategic direction as well as managing the day to day operations of a worldwide team. Mr. Anhoury holds a bachelor of science in Mathematical Science from Oregon State University. |
| Thomas L. McKeirnan<br><br>Independent<br>Financially Literate | Mr. McKeirnan has been Senior Vice President, General Counsel and Secretary of Red Lion Hotels Corporation since February 2005, and held other General Counsel positions at Red Lion since 2003. He is a named executive officer of that company, is involved in all strategic decision-making, advises Red Lion's Board of Directors and oversees all legal, transactional, securities and corporate governance matters for the company. Mr. McKeirnan holds a Juris Doctor from the University of Washington, and a Masters of Business Administration from Gonzaga University. He is also a licensed attorney, and a member of the Washington Bar Association. |

### Audit Committee Charter

The Company has adopted a Charter of the Audit Committee of the Board of Directors, which is attached as Schedule "A" to this AIF.

### Audit Committee Oversight

During the most recently completed financial year, the Company's Board of Directors has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

### Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on any of the exemptions in sections 2.4, 3.2, 3.3(2) 3.4, 3.5 or 3.6 of National Instrument 52-110 – Audit Committees ("NI 51-102"), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110. No non-audit services were approved pursuant to a de minimis exemption to the pre-approval requirement.

### Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described under the Audit Committee Charter set out in Schedule "A" to this AIF.

### External Auditor Service Fees

In the following table, "audit fees" are fees billed by the Company's external auditor for services provided in auditing the Company's annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. "Tax fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories.

The fees paid by the Company to its auditor during the Company's fiscal years ended December 31, 2011 and December 31, 2010, by category, are as follows:

| Year Ended | Audit Fees | Audit Related Fees | Tax Fees | All Other Fees |
|---|---|---|---|---|
| December 31, 2011 | $163,725 | $ - | $ - | $62,401 |
| December 31, 2010 | $174,938 | $ - | $ - | $42,349 |

## Cease Trade Orders, Bankruptcies, Penalties or Sanctions

As at the date of this AIF and within the ten years before the date of this AIF, no director, officer or promoter of the Company is or has been a director, officer or promoter of any person or company, that while that person was acting in that capacity:

a) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### Penalties or Sanctions

As at the date of this AIF, other than as disclosed below, no director, officer or promoter of the Company or a security holder anticipated to hold sufficient securities of the Company to affect materially the control of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would likely be considered important to a reasonable security holder making an investment decisions relating to the Company's common shares.

No proposed director, officer or promoter of the Company, or a security holder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, or a personal holding company of such persons, has, within the past ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold the assets of that individual.

Rick Skeith was a director of Sienna Gold Inc., formerly Vortex Integrated Industrial Corp. On February 25, 2003 trading in the company shares was suspended by the BC Securities Commission for failure to file required financial statements. The order was rescinded on March 14, 2003. On June 20, 2003 trading in the company shares was suspended by the Alberta Securities Commission for failure to file required financial statements. Vortex was delisted by the TSX-V on June 20, 2003. Sienna subsequently relisted on the TSX-V, and is currently in good standing. Mr. Skeith was the corporate secretary of Canaf Group Inc. and was subject to a management cease trade order on March 5, 2008, when that company was late with its financial filings. These were subsequently filed and the CTO was revoked on June 20, 2008. He was the corporate secretary of MegaWest Energy Corp. when it was subject to a cease trade order from September 7, 2010 until October 22, 2010 for failure to file financial information on a timely basis.

### Conflicts of Interest

Conflicts of interest may arise as a result of the directors and officers of the Company holding positions as directors or officers of other companies. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation of assets and businesses, with a view to potential acquisition of interests in businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies under the British Columbia Business Corporations Act or other applicable corporate legislation.

Messers. Robert and Andrew Russell and Llee Chapman are also either directors, officers or shareholders of RMMI.

## PROMOTERS

Andrew J. Russell may be considered to be the promoter of the Company because he has taken the initiative in reorganizing the business of the Company. As president of RMMI, Mr. Russell exercises control and direction over 86.5 million common shares of the Company, representing 27% of the issued and outstanding shares of the Company; another 75,000,000 shares will be issued to RMMI upon completion of a BFS or upon a change in control. Except as disclosed in this AIF, and the documents incorporated by reference, Mr. Russell has not and will not receive from or provide to the Company anything of value, including money, property, contracts or rights of any kind directly or indirectly.

No other person will be or has been since the recapitalization a promoter of the Company.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not currently a party to any legal proceedings, nor is the Company currently contemplating any legal proceedings. Management of the Company is currently not aware of any legal proceedings contemplated against the Company. The Company was not party to any legal proceedings during the twelve months previous to the date of this AIF.

The Company is not currently party to any regulatory actions, nor was the Company party to any regulatory actions during the twelve months previous to the date of this AIF.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

RMMI, a company of which Andrew Russell (the President and CEO) is also the president and a director, received 80,000,000 common shares issued pursuant to the recapitalization of the Company; another 75,000,000 shares will be issued to RMMI upon completion of a BFS or upon a change in control. Robert L. Russell and Llee Chapman are also directors and/or shareholders of RMMI.

## TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada, through its principal office in Toronto, Ontario, is the transfer agent and registrar for the Common Shares.

## MATERIAL CONTRACTS

The Company has not entered into any material contracts, outside the ordinary course of business, within the past twelve months preceding the date of this AIF that are still in effect, except for those listed above related to RMMI, NADECOR and Benguet.

## NAME AND INTERESTS OF EXPERTS

1. The authors of the King-king Copper-Gold Project technical report dated October 2010 are Michael G. Hester of Independent Mining Consultants, Inc.; Donald F. Earnest of Resource Evaluation, Inc.; and John G. Aronson, of AATA International, Inc. To the Company's knowledge, none of these individuals own any securities, direct or indirect, of the Company.

2. MNP is the auditor who prepared the auditor's report for the Company's annual financial statements for the year ended December 31, 2011. MNP is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

## ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com and at the Company's website at www.sagcmining.com.

Additional information, including directors' and officers' compensation and indebtedness, principal ownership of securities and securities authorized for issuance under equity compensation plan is contained in the Company's information circular dated November 24, 2011.

Additional financial information is provided in the Company's financial statements and MD&A for the year ended December 31, 2011.

## SCHEDULE A - AUDIT COMMITTEE CHARTER

Schedule A begins on the following page.

# AUDIT COMMITTEE CHARTER

(As of May 17, 2011)

## 1. Purpose

1.1 The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of St. Augustine Gold & Copper Limited (the "Company") to assist the Board in fulfilling its financial management oversight responsibilities. The Committee's primary duties and responsibilities are to:

(a) monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;

(b) identify and monitor the management of the principal risks that could impact the financial reporting of the Company;

(c) monitor the independence and performance of the Company's external auditor; and

(d) provide an avenue of communication among the external auditor, management and the Board.

## 2. Authority

The Committee has the authority to:

(a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) set and pay the compensation for any advisors employed by the Committee; and

(c) communicate directly with the internal and external auditors.

## 3. Composition

3.1 Committee members shall meet the requirements of the applicable securities regulatory rules and regulations. The Committee shall be comprised of at least three directors, as determined by the Board, each of whom shall be an "independent" director within the meaning of National Instrument 52-110 ("NI 52-110") promulgated by the Canadian Securities Administrators and shall be free from any relationship that would interfere with the exercise of

the director's independent judgment, provided that, the exemption in Section 3.9 of 52-110 is available for a period of up to one year commencing on the date of the receipt of the prospectus qualifying a distribution of securities that is the initial public offering of the Company. All members of the Committee shall be "financially literate" within the meaning of NI 52-110 and at least one member of the Committee shall have accounting or related financial management expertise.

3.2 The members of the Committee shall be appointed by the Board and shall serve until their successors are appointed. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies in it, subject to the Committee continuing to satisfy the composition requirements mentioned above. The Board shall designate one member of the Committee as its Chair. If a Chair of the Committee is not designated or present at a meeting, the members of the Committee may designate a Chair for the meeting by majority vote of the Committee membership.

**4. Meetings**

4.1 Except as expressly provided in this Charter or the Articles of the Company, the Committee shall fix its own rules of procedure.

4.2 The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee should meet privately in executive session at least annually with management, the external auditor, and as a Committee to discuss any matter that the Committee or each of these groups believes should be discussed. In addition, the Committee should communicate with management quarterly as part of their review of the Company's interim financial statements and management's discussion and analysis.

4.3 At all meetings of the Committee, the presence of a majority of the members will constitute a quorum for the transaction of the business and the vote of a majority of the members present shall be the act of the Committee.

4.4 The Chair, any member of the Audit Committee, the external auditors, the Chairman of the Board, or the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Audit Committee by notifying the Company's Corporate Secretary who will notify the members of the Audit Committee. The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit Committee present may appoint a chair from their number for a meeting.

4.5 Members of the Committee may participate in a meeting of the Committee by conference telephone or similar communications equipment by means of which all people participating in the meeting can hear each other and participation in such a meeting will constitute presence in person at such a meeting.

4.6 Any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting if all of its members consent in writing to the action and such writing is filed with the records of proceedings of the Committee.

4.7 The Committee shall have unrestricted access to the Company's management and employees and the books and records of the Company.

4.8 Directors not on the Committee may attend meetings at their discretion. At the invitation of the Chair of the Committee, members of management and outside consultants may attend Committee meetings.

## 5. Responsibilities

***Review Procedures***

5.1 The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company, as are in effect from time to time (collectively, the "Applicable Requirements").

5.2 Review and update, if applicable or necessary, this Audit Committee Charter annually and submit any amended Audit Committee Charter to the Board for approval.

5.3 Review the Company's annual audited financial statements, related management's discussion and analysis ("MD&A") and related documents prior to filing or distribution. This review should include discussion with management and the external auditor of significant issues regarding accounting principles, practices, and significant management estimates and judgments.

5.4 Review with financial management the Company's quarterly financial results and related documents prior to the release of earnings and/or the Company's quarterly financial statements, the auditor's review report thereon, related MD&A and related documents prior to filing or distribution. As part of this review, the Committee should discuss any significant changes to the Company's accounting principles.

5.5 Review all filings with government agencies in Canada and assess the compliance of the Company in relation to governmental and stock exchange regulations as they apply to the Company respecting processes and controls.

5.6 Review all annual and interim earnings press releases before the Company publicly discloses the information.

5.7 Review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

5.8 Review policies and procedures with respect to directors' and officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment.

5.9 Discuss with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements.

5.10 Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial

statements, as well as review any financial information and earnings guidance provided to analysts and rating agencies, and periodically assess the adequacy of those procedures.

***External Auditor***

5.11 The external auditor is ultimately accountable to the Committee and the Board, as representative of the shareholders. The Committee shall review the independence and performance of the auditor and annually recommend to the Board the appointment of the external auditor or approve any discharge of the external auditor when circumstances warrant.

5.12 Approve the fees and other significant compensation to be paid to the external auditor.

5.13 At least annually, the Audit Committee shall review the qualifications and performance of the lead partner(s) of the auditors and determine whether it is appropriate to adopt or continue a policy of rotating lead partners of the external auditors.

5.14 Obtain annually, a formal written statement from the external auditor setting forth all relationships between the external auditor and the Company.

5.15 On an annual basis, the Committee should review and discuss with the external auditor all significant relationships the auditor has with the Company that could impair the auditor's independence.

5.16 Take, or recommend that the Board take, appropriate action to oversee the independence of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting.

5.17 Review the external auditor's audit plan, discuss and approve audit scope, staffing, locations, reliance upon management and general audit approach.

5.18 Prior to releasing the year-end financial report, the Committee will discuss the results of the audit with the external auditor. The auditor will review with the Committee any matters required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants.

5.19 At each meeting, where desired, consult with the external auditor, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.

5.20 Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and, if applicable, former external auditor of the Company.

5.21 Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditor. The authority to pre-approve non-audit services may be delegated by the Committee to one or more independent members of the Committee, provided that such pre-approval must be presented to the Committee's first scheduled meeting following such pre-approval. Pre-approval of non-audit services is satisfied if:

a. the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the Company and subsidiaries to the Company's external auditor during the fiscal year in which the services are provided;

b. the Company or a subsidiary did not recognize the services as non-audit services at the time of the engagement; and

c. the services are promptly brought to the attention of the Committee and approved, prior to completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.

***Financial Reporting Processes***

5.22 The Audit Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Audit Committee shall consider and review with management and the auditors:

(a) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;

(b) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;

(c) any material issues raised by any inquiry or investigation by the Company's regulators;

(d) the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and

(e) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

The Committee should discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures. The review will include a consideration of any significant findings prepared by the external auditor together with management's

responses.

5.23 Review the effectiveness of the overall process for identifying the principal risks affecting financial reporting and provide the Committee's views to the Board.

5.24 Review analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

5.25 Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditor and management.

5.26 Review significant judgments made by management in the preparation of the financial statements and the view of the external auditor as to appropriateness of such judgments.

5.27 Following completion of the annual audit, review separately with management and the external auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

5.28 Review any significant disagreement among management and the external auditor in connection with the preparation of the financial statements.

5.29 Review with the external auditor and management the extent to which changes and improvements in financial or accounting practices have been implemented.

5.30 Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.

5.31 Review the financial disclosures certification process.

5.32 Establish procedure for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters or any material violation of securities laws or other laws, rules or regulations applicable to the Company and the operation of its business. Any such complaints or concerns that are received shall be reviewed by the Audit Committee and, if the Audit Committee determines that the matter requires further investigation, it will direct the Chair of the Audit Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the general counsel to reach a satisfactory conclusion.

***Other Committee Responsibilities***

5.33 Annually assess the effectiveness of the Committee against this Audit Committee Charter and report the results of the assessment to the Board.

5.34 The Audit Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

5.35 As required under Securities Rules, prepare and disclose a summary of the Audit Committee Charter in applicable continuous disclosure documents.

5.36 Perform any other activities consistent with this Audit Committee Charter, the Company's articles, and governing law, as the Committee or the Board deems necessary or appropriate.

5.37 Maintain minutes of meetings and report to the Board on significant matters arising at Committee meetings at the next scheduled meeting of the Board.

***Other Duties***

5.38 Periodically conduct a self-assessment of Committee performance.

5.39 Review financial and accounting personnel succession planning within the Company.

5.40 Annually review a summary of director and officers' related party transactions and potential conflicts of interest.

## 6. No Rights Created

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the Audit Committee functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Articles and By-laws, it is not intended to establish any legally binding obligations.

## 7. Charter Review

The Committee shall review and update this Charter annually and present it to the Board for approval.

**Approved and adopted by the St. Augustine Board of Directors on May 17, 2011.**