

St. Augustine Gold and Copper Limited

Management's Discussion and Analysis

Three months ended March 31, 2012
Unaudited and expressed in U.S. dollars

Dated as of May 8, 2012

ST. AUGUSTINE GOLD AND COPPER LIMITED
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2012
UNAUDITED AND EXPRESSED IN U.S. DOLLARS

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The following discussion and analysis should be read in conjunction with the Technical Report dated October 12, 2010, entitled "King-king Copper-Gold Project, Mindanao, Philippines" (the "Technical Report"), Annual Information Form for the year ended December 31, 2011, the audited consolidated financial statements of St. Augustine Gold and Copper Limited (the "Company") for the year ended December 31, 2011 and the condensed consolidated interim financial statements for the three months ended March 31, 2012, and all of the notes, risk factors and information contained therein. These are all available at www.sedar.com.

Introduction

This Management's Discussion and Analysis ("MD&A") is dated May 8, 2012, and is in respect of the three months ended March 31, 2012. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars. References to "CDN\$" mean Canadian dollars.

The following section contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those described in forward-looking statements as a result of various factors, including those described under "Forward-Looking Information".

Forward-Looking Information

Certain statements contained in this MD&A constitute forward-looking statements within the meaning of applicable securities laws including, among others, statements made or implied relating to the Company's objectives, strategies to achieve those objectives, management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by words such as "objective", "may", "will", "expect", "likely", "intend", "estimate", "anticipate", "believe", "should", "plans" or similar expressions suggesting future outcomes or events. Such forward-looking statements are not guarantees of future performance and reflect management's current beliefs based on information currently available. Such statements involve estimates and assumptions that are subject to a number of known and unknown risks, uncertainties and other factors inherent in the business of the Company and the risk factors described in the Company's 2011 Annual Information Form dated March 20, 2012, and other materials filed with the securities regulatory authorities from time to time which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Those risks and uncertainties include, but are not limited to: the mining industry (including operational risks; risks in exploration, and development; the uncertainties involved in the discovery and delineation of mineral deposits, resources or reserves; and the uncertainty of mineral resource and mineral reserve estimates); the risk of gold, copper and other commodity price and foreign exchange rate fluctuations; the ability of the Company to fund the capital and operating expenses necessary to achieve the business objective of the Company; the uncertainty associated with commercial negotiations and negotiating with foreign governments; the risks associated with international business activities; the risks associated in dealing with a joint venture partner; risks related to the Company's operations in the Philippines; environmental risk; the dependence on key directors and officers; and the ability to access capital markets.

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

Overview

Background

St. Augustine Gold and Copper Limited ("SAGC" or "the Company") was incorporated as Ratel Gold Limited ("Ratel") in the British Virgin Islands on January 27, 2010. Upon completion of the acquisition of St. Augustine Mining Inc. ("SAMI") by Ratel in January 2011, Ratel changed its name to St. Augustine Gold and Copper Limited.

The Company is engaged in the business of mineral property exploration; currently, its only activity is for the benefit of the King-king copper-gold property ("King-king" or the "Project") in the Philippines. The Company is in the process earning up to a 60% interest in the Project from Nationwide Development Corporation ("NADECOR").

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

Financial Condition

The Company had positive working capital at March 31, 2012, of approximately \$12,900,000.

No funds were raised during the three months ended March 31, 2012, (three months ended March 31, 2011 - \$58,645,651). Management strategically limited cash outlay during the quarter for activity which directly advanced work towards an Environmental Impact Statement ("EIS"), a Declaration of Mining Project Feasibility ("DMPF"), a Pre-feasibility Study ("PFS") and a Bankable Feasibility Study ("BFS").

The Company continues to generate no revenues as it explores its sole mining property and management believes that funds must be raised within the next twelve months in order to complete a BFS and put its property into production.

While management expects to utilize all funds on hand within the next twelve months, it has no long-term debt or other restrictive covenants with respect to its liabilities. Agreements with vendors are typically arranged as short-term cancellable contracts, such that management is able to respond quickly to new developments and opportunities.

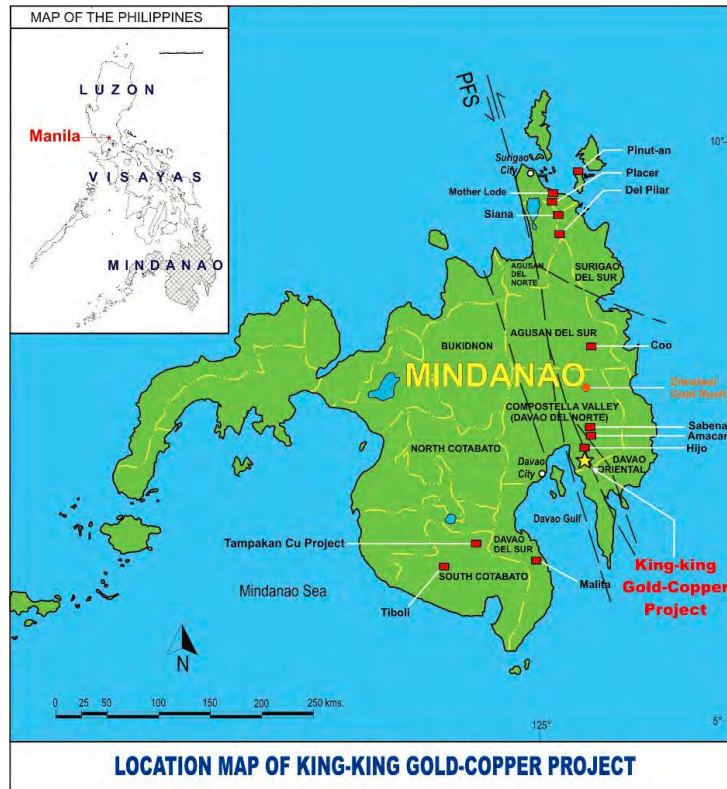
Qualified Person

Disclosure of a scientific or technical nature in this MD&A with respect to the Project was prepared by, or under the supervision of James Moore, P.E., the Company's Vice President, Technical. Mr. Moore is a "qualified person" for the purposes of National Instrument 43-101 of the Canadian Administrators ("NI 43-101").

Project

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 equivalent copper-gold resource of 962.3 million tonnes at 0.254% copper and 0.334 gram 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 0.660 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.



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

$$\text{Eq Au (Oxide)} = \text{Gold} + 0.714 \times \text{Total Copper}$$

$$\text{Eq Au (Sulfide)} = \text{Gold} + 1.458 \times \text{Total Copper}$$

These equations were derived from the parameters listed in the table below that was developed by Independent Mining Consultants (“IMC”) during the update of the King-king mineral resource in August 2011.

Economic Parameters for King-king

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)	1.4	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 Grands			
Breakeven (without lift)	(g/t)	0.27	0.27
Internal	(g/t)	0.22	0.22

Source: Parameters described in the Company's press release filed August 16, 2011, at www.sedar.com (contents were reviewed by qualified persons; Mr. Michael G. Hester, FAusIMM of Independent Mining Consultants, Donald F. Earnest, P.G., of Resource Evaluation, Inc. and Mr. James J. Moore, P.E., St. Augustine Gold and Copper Limited).

History and Current Developments of the King-king property

The King-king tenement comprises 184 mining claims that are owned by 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 King-king mineral anomaly was originally discovered in 1966.

In April 2010, NADECOR, Russell Mining and Minerals, Inc. ("RMMI"), the Company and shareholders of NADECOR entered into a Memorandum of Understanding, which was subsequently amended, (collectively referred to as the "MOU") to develop the King-king property. The MOU addresses the formation of a joint venture to develop the King-king property.

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 in the joint venture corporation and/or the companies in the joint venture structure. 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, a disproportional contribution to fund any development capital expenditure and direct payments to NADECOR. The commitment to fund the completion of a bankable feasibility study for the King-king property is \$43,500,000. Direct payments to NADECOR and capital

expenditures ("CapEx") will bring the Company's expenditures to a minimum aggregate amount of \$83,000,000 in order to earn-in the full 60% interest. Details of the earn-in schedule are described under the section "Contractual Obligations" in this MD&A.

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 and Copper Mines, Inc., the joint venture which will hold the Mineral Production Sharing Agreement relevant to the King-king Project. The agreement modifies the \$30 million dollar PSIA investment commitment.

During 2010 and 2011, the Company settled with other parties which held an interest in the Project, such that only the Company and NADECOR have rights to development and place the Project into production.

Market Trends

Copper prices increased significantly between late 2003 and mid-2008, and after a steep decline in late 2008 and early 2009, have been generally increasing since that time.

Although the gold price has dropped from time to time, over the past five years the average annual price has steadily increased. This upward trend accelerated in 2009 during the period of global economic uncertainty that began in mid-2008.

Average annual prices as well as the average price through the date of this document, for copper and gold are summarized in the table below:

Average annual market prices (US\$)		
Year	Copper (lb)	Gold (oz)
2008	3.11	880
2009	2.41	981
2010	3.45	1,233
2011	4.02	1,568
2012*	3.78	1,689

Source: Monthly spot prices per London PM Fix – Kitco (Gold) and London Metal Exchange (Copper) and indexmundi.com.

** Most current data available through the date of this MD&A.*

Current Highlights

In January, 2012, the Company and NADECOR executed the Subscription Agreement, described above in the section entitled "History and Current Developments of the King-king Property."

In March, 2012, the Company announced its receipt of historical records of exploration programs demonstrating significant copper and gold drill intercepts in three exploration areas of the Project. The information included the following favorable items which support additional exploration at the Project site:

- A 237 meter core hole which intercepted 81 continuous meters averaging .44% total copper and .34 g/t gold.

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- A 683 meter core hole which intercepted 311 continuous meters averaging .234% total copper and .352 g/t gold.
- Two additional core holes: one angle core intercepted 15 meters averaging 2.246 g/t gold and the other intercepted 46 meters averaging .073 g/t gold. While the gold intercept is low with respect to the Company's economic modeling plans, it is favorable because it demonstrates the potential for untested systems.

The records were obtained from Benguet Corp., which relinquished its rights to the Project following a 2011 settlement with the Company.

In May 2012, the Company announced it has appointed Robert Orr to the position of Chief Financial Officer and Vice President Business Development.

Summary of Quarterly Results

A summary of selected financial information is as follows:

	Three months ended				
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Interest income	\$ 7,885	\$ 311,876	\$ 252,892	\$ 193,708	\$ 187,779
Total operating expenses	1,729,745	1,955,635	630,327	2,134,413	3,449,886
Comprehensive loss	1,579,339	1,591,997	384,537	1,940,705	3,262,107
Net loss per share - basic and diluted	0.01	0.01	0.00	0.01	0.01
Total assets	90,796,450	92,497,092	98,324,509	108,350,670	105,923,960
Total long-term liabilities	-	-	-	8,988,305	8,723,960
Cash dividends	-	-	-	-	-

The Company's recapitalization involving Ratel was considered a reverse acquisition under IFRS; accordingly, periods before January 1, 2011, are not presented due to their limited comparative value.

Results of Operations

The following financial data has been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee and are expressed in U.S. dollars unless otherwise noted.

The Company's operations and business are not driven by seasonal trends, but by efforts to achieve project milestones such as the achievement of various technical, environmental, socio-economic and legal objectives, including obtaining the necessary permits, completion of a PFS, a BFS and preparation of engineering designs, as well as receipt of financings to fund these objectives along with future mine construction.

Three months ended March 31, 2012 and 2011

Comprehensive Loss and Operating Expenses

The Company reported a net loss of \$1,546,068 or \$0.01 per share (2011 – loss of \$3,262,107 and loss per share of \$0.01). The primary components of operating expenses for both periods were stock compensation expense, stock listing and transfer fees, and general and administrative expense.

The decrease in net loss from the comparative period in 2011 is attributable primarily to decreased stock-based compensation of approximately \$2,165,000. This was offset by increased costs associated with marketing and fundraising expenses.

Investment in mining property

Investment in mining property increased by approximately \$6,700,000 from December 31, 2011 to March 31, 2012. The following table summarizes the primary components of additions to the investment in mining property and comparable amounts:

	Three months ended March 31,	
	2012	2011
General and administrative and labor	2,400,000	2,300,000
Engineering	2,000,000	1,000,000
Geology	850,000	1,600,000

The balance of additions totaling \$6,700,000 included expenses related to various types of technical work, such as permitting and environmental studies.

Management continues to capitalize earn-in expenditures and other exploration and development expenses into the investment in mining property. Limited non-cash items are capitalized and share-based payment expense associated with option grants are specifically excluded from the investment in mining property.

Capital Resources and Liquidity

At March 31, 2012, the Company had cash and cash equivalents of \$15,785,205 (December 31, 2011 – \$24,656,885). Working capital at March 31, 2012 was \$12,895,968 (December 31, 2011 - \$20,657,729). Decreases in cash and working capital are due to cash outlay for technical work which supported the Company's primary objectives.

No funds were raised during the three months ended March 31, 2012 (2011 - \$58,645,651). Management anticipates further fundraising following completion of a PFS currently scheduled to be completed in the second quarter of 2012. Management is actively adjusting activity in order to limit use of capital assets. A PFS determines economic feasibility of a mining project with a wider margin of error than a BFS, which determines economic viability of a project 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 estimate within +/-15% accuracy.
- Defined operating cost estimate based an accuracy of +/-15%.

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

Cash flows of \$1,143,946 were used by operating activities (2011 - \$223,698). The increase is attributable primarily to an increase in other non-current assets, which is comprised of professional service retainers and a long-term Philippine value-added tax withholding asset.

Cash used by investing activities for the quarter ended March 31, 2012 was \$7,728,782 (2011 - \$10,364,209). The decrease is attributable primarily to the Company's rapid increase in activity during the three months ended March 31, 2011, while activity remained reasonably consistent in 2012. This caused changes in non-cash

investing working capital to be much lower during the three months ended March 31, 2012, reflecting a relatively stable use of vendor credit.

The Company had no long-term debt as of March 31, 2012 (December 31, 2011 – nil) and had 325,258,334 common shares issued and outstanding at March 31, 2012 (March 31, 2011 – 294,283,334). Contingent upon completion of a feasibility study or a change in control, 75,000,000 shares are issuable to RMMI. The feasibility study required to release these shares to the Company must be a comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered to a level of detail typical for a feasibility study of this nature.

Financing is needed to complete a BFS, develop the mine site, and fund operations. While the Company has been successful in raising funds in the past, there can be no objective reliance on continuing support from private and related parties, which has been essential for the Company's development.

Contractual Obligations

NADECOR Memorandum of Understanding

Under the terms of the MOU between the Company and NADECOR, the Company can earn up to an aggregate 60% interest in the Project by making the following payments totaling a minimum of \$83,000,000:

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 during 2011 by the Company pursuant to the PSIA. The full amount has been expended.
- iv. Direct project expenditures after the fulfillment of the \$30,000,000 required to be expended after the PSIA, expected to be completed by 2012.
- v. The timing of direct payments to NADECOR is contingent on events contemplated in the MOU. \$981,000 was paid during the third quarter pursuant to the third amendment to the MOU, and the balance is expected to be paid in 2012.
- vi. Capital expenditures based on planned mine throughput. The minimum commitment is \$32,000,000 and is subject to adjustment depending on the final planned throughput of the mine.

Completion of a BFS is a MOU milestone which, with related expenditures, will contribute to 45% of the Company's potential 60% earn-in. The Company has made an additional commitment to spend a minimum of \$32,000,000 in CapEx. The actual CapEx expenditure will be calculated using the following formula: $0.457 \times \text{Planned Tonnage (to be determined)} \times 1,000$; or 5% of capital cost, whichever is less. The CapEx expenditures contribute to 9% of the total potential 60% earn-in.

As of March 31, 2012, the Company had expended an aggregate of approximately \$4,400,000 in direct payments to NADECOR and an aggregate of approximately \$67,800,000 in BFS and CapEx expenditures, such that the Company's earn-in related expenditures totaled \$72,200,000. Some of these expenditures remain subject to NADECOR's audit.

Security & Community Relations and Joint Venture Committee Commitment

The Community Relations and Security Agreement and the Joint Venture Coordinating Committee Agreement were both terminated during the three months ended March 31, 2012. The agreements ended pursuant to termination clauses in the agreements triggered by the Company's fulfillment of planned CapEx expenditures.

Transactions with Related Parties

Legal Services

The Company receives securities counsel from a firm which is considered a related party. Services rendered during the three months ended March 31, 2012 totaled \$57,213 (2011 – \$66,425) and \$11,416 was outstanding at March 31, 2012 (December 31, 2011 – \$16,346).

Officers and Directors

The aggregate value of transactions with officers and directors during the three months March 31, 2012, totaled \$1,392,819 (2011 - \$3,425,260). The transactions included salaries, benefits and other compensation, as well as share based compensation.

Rental Agreements

The Company and RMMI are lessees under a three year lease agreement for office space. The Company's monthly payment under the agreement is \$16,000.

Off Balance Sheet Arrangements

As of March 31, 2012, the Company had no material off balance sheet arrangements (2011 – none).

Financial Instruments and Other Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate, commodity price and industry credit risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. At March 31, 2012, there was no material difference in the carrying values and fair values of the Company's financial instruments, except for the fair value of a derivative warrant liability. The warrant liability adjustment at March 31, 2012 reduced the liability from the December 31, 2011 balance of \$316,267 to \$150,499 through net loss.

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

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

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

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

Cash and cash equivalents are measured using Level 1 inputs.

The Company's liability for outstanding warrants is the only financial instrument measured using Level 2 inputs.

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

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

Other MD&A Requirements

Outstanding Share Data

At the date of this document, the Company's outstanding equity securities are described as follows:

Outstanding share data at the date of this MD&A

Securities	Outstanding
Voting equity securities issued and outstanding	325,258,334 common shares
Securities convertible or exercisable into voting equity securities	
Stock options	21,291,667 stock options
Warrants	14,737,500 warrants

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, requires an evaluation of the effectiveness of the Company's disclosure controls and procedures ("DC&P") and its internal control over financial reporting ("ICFR"). The Chief Executive Officer and the Chief Financial Officer have overseen the process of designing and implementing DC&P and ICFR. Their conclusions with respect to ICFR and DC&P are described below.

Internal Controls over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

An effective ICFR design provides reasonable assurance that the Company's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing financial information, in accordance with applicable reporting requirements. Management believes its system of internal controls over financial reporting was effective as at March 31, 2012.

Disclosure Controls and Procedures

An effective DC&P system provides reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so

that decisions can be made about timely disclosure of that information. Management believes its disclosure procedures in place as at March 31, 2012, were effective.

Risks and Uncertainties

In addition to the risk factors listed below, please see the risk factors listed in the Company's annual information form for the year ended December 31, 2011 (available at www.sedar.com).

Adverse fluctuations in currency exchange rates

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

Competition

The mining industry is intensely and increasingly competitive in all its phases, and the Company will compete with other companies that have greater financial and technical resources. Competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and produced economically. In addition 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.

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 interests 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.

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.

Dependence on Directors and Officers

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.

Dividends

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

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

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

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

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

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

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

Exploration and Development

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

The King-king property is an advanced stage exploration property and is without a known commercially-mineable ore body.

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

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

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

Fluctuating Mineral Prices

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

Foreign Operations and Joint Venture Risk

All of the Company's operations are in the Philippines, and 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 and Canada 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, the Company's first level of recourse is through arbitration in Singapore. One of the Company's other recourse options is to the Philippine courts, which may not operate in the same manner as those in Canada and the United States.

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 completed will ultimately benefit its business.

Future Financing

The Company's continued operation will be dependent upon its ability to procure additional financing and eventually generate revenues. There can be no assurance that any such revenues can be generated or that other financing can be obtained on acceptable terms to the Company, if at all. Failure to obtain additional financing on a timely basis may result in delay or indefinite postponement of further exploration and development or forfeiture of some rights in some or all of the Company's properties. If additional financing is raised by the issuance of shares from treasury, control of the Company may change and shareholders may suffer additional dilution. If adequate

funds are not available, or are not available on acceptable terms, the Company may not be able to further explore and develop its properties, take advantage of other opportunities, or otherwise remain in business. Events in the equity market may impact the Company's ability to raise additional capital in the future.

No History of Earnings

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

Operating Hazards and Risks

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

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 Property. To the extent that any of such historical data is inaccurate or incomplete, the Company's exploration plans may be adversely affected.

Title Risks

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

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.

Volatility of Share Price

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

Critical Accounting Policies and Estimates

The Company's significant accounting policies, including critical accounting policies and estimates, are presented in Note 3 to the annual consolidated financial statements for the year ended December 31, 2011. An analysis of the Company's critical accounting policies and estimates follows.

Statement of compliance

The Company's condensed consolidated interim financial statements, including comparatives, for the three months ended March 31, 2012, have been prepared in accordance with International Financial Reporting Standard 34 – *Interim Financial Reporting* - as issued by the International Accounting Standards Board effective for the Company's reporting year ended December 31, 2012.

Statement of compliance analysis

Management has implemented internal controls over financial reporting and disclosure controls and procedures which management believes operate effectively. In addition to performing a rigorous period end review of the close and financial reporting process, management analyzes its financial statements and related disclosures in relation to IFRS guidance effective for the reporting period. As at March 31, 2012, management determined that the financial statements, notes to the financial statements, and this MD&A are in compliance with IFRS and applicable regulations.

Investment in mining property

The Company's directed purpose is to develop the Project under an agreement with NADECOR and will ultimately receive up to an aggregate 60% interest in a joint venture based upon certain required expenditures. Those expenditures which are directly allowed under the MOU are included in the investment in mining property account. Amounts not allowed to earn-in, following NADECOR's audit, are either reported in the investment in mining property under IFRS 6 – *Exploration for and Evaluation of Mineral Resources*, or expensed, depending on the character of the expenditure. Under the terms of the MOU, accrued amounts earn-in upon cash settlement and NADECOR has the right to audit the underlying expenditure.

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

Analysis of Investment in mining property

Management has performed a rigorous review of its contractual commitments and rights and IFRS 6 - *Exploration for and Evaluation of Mineral Resources*. The Company's expenditures included in the Company's investment in mining property are those which have directly benefited the Project and which management has determined, based on an impairment analysis, to be recoverable; and expenses which qualify for shares in its joint venture partner's capital accounts under its contractual arrangements.

The impact of the Company's treatment of capitalized expenses in respect of the Company's financial statements has been to increase the Company's assets and decrease net loss, as compared to a policy which expensed a higher proportion of Project expenditures.

Impairment of non-financial assets

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

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

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

Analysis of impairment of non-financial assets

The Company's non-financial assets include investment in mining property (described above) and property and equipment. Management's policy is to analyze its investment in mining property and property and equipment for impairment at each reporting period and as circumstances and events warrant. Management has recognized no impairment losses against property and equipment or investment in mining property since significant activity began in 2011, which it believes is appropriate.

Significant accounting estimates, judgments and assumptions

The preparation of condensed consolidated interim financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant estimates relate to the share-based payments; fair value of derivative warrant liability; impairment assessment of investment in mining property; and depreciation and impairment of property and equipment.

The most significant judgments relate to recoverability of capitalized amounts, accounting for long-term investments, and the determination of the economic viability of a project.

Analysis of accounting estimates and judgments

Management has performed a rigorous review of its inputs in share-based payment valuations. The most significant inputs affecting recognition of stock option expense include estimated volatility and forfeiture rate. Volatility was estimated using a comparison of peer companies' volatility and forfeiture rate was estimated at 10% based on historical experience.

The useful lives of assets are generally determined by a categorical assignment of fixed asset purchases. In general, management uses a 3, 5, or 10 year depreciation life for vehicles and equipment purchased. Its judgments in analyzing fixed assets for impairment include whether events and circumstances are significant

enough to warrant an impairment analysis and its selection of financial data used in calculating the effects of external variables.

Management's judgment as to the recoverability of capitalized amounts is closely tied to management's impairment analysis. A significant difference arises in determining the economic viability of a project, in which case management relies on internal and contracted experts. As of the date of this MD&A, the economic viability of the Company's only mineral asset has not been determined by way of a BFS.

Outlook and Accomplishments

Management's objectives include the following items, each to be completed as efficiently as possible given timing, regulatory and financial conditions:

- Complete a PFS in the second quarter of 2012. This will facilitate fundraising and completion of a BFS. A BFS will be completed using expected metal prices, which are currently favorable but may change due to factors out of management's control; and
- Complete a BFS for the Project during 2012. This document is critical for the Company's ability to complete capital development of the Project and to complete the Company's earn-in to Project rights; and
- Strategically deploy capital, which includes limiting or deferring expenditures where necessary, in order to meet primary objectives and balance the cost-benefit of extended exploration programs and social development efforts, among other concerns.

Management has adopted an aggressive schedule to complete a PFS and a BFS in 2012 in order to complete earn-in and bring the Project into production in a timely and efficient manner. Management has implemented practices to employ a competent and skilled team at corporate and foreign offices and sites; the team's accomplishments during the three months ended March 31, 2012 included the following:

- Registration of a Declaration of Mining Project Feasibility with the Philippine Department of Environment and Natural Resources, which was finalized and submitted prior to May 6, 2012;
- Substantial progress on a new road which facilitates local and Company travel at the proposed mine site;
- Continued progress on work related to the PFS;
- Approval of permits for a test pit program from Local Government Units and the Philippine Mines and Geosciences Bureau; and
- Completion of an EIS and submission to the Philippine Department of Environment and Natural Resources for eventual issuance of an Environmental Compliance Certificate.