St. Augustine

GOLD & COPPER

Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in United States Dollars)

Three and nine months ended September 30, 2011

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St. Augustine Gold and Copper Limited
Consolidated Statements of Financial Position
(Balances at September 30, 2011 are interim)
(Unaudited, expressed in U.S. dollars)

	Notes	September 30, 2011	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents		19,263,165	583,602
Prepaid expenses		252,669	-
Travel advances		24,453	18,000
Restricted cash	5	893,697	-
Accounts receivable		50,426	98,316
Total current assets		20,484,410	699,918
Non-current assets			
Advances receivable	5	-	7,028,295
Notes receivable	4	929,340	-
Goodwill	4	18,346,736	-
Investment in related party		-	125,737
Investment in mining property	7	57,932,927	18,745,044
Property and equipment	6	631,096	-
Total Non-Current Assets		77,840,099	25,899,076
Total assets		**98,324,509**	**26,598,994**
Shareholders' equity and liabilities			
Current liabilities			
Accounts payable		3,130,625	775,000
Due to related parties	8	26,477	3,642,731
Loan payable	10	-	11,694,601
Total current liabilities		3,157,102	16,112,332
Non-current liabilities			
Long-term debt	12	-	8,467,389
Shareholders' equity			
Share capital	11	88,579,739	2,069,664
Warrants	4	-	1,739,000
Share option reserves	11	8,653,482	-
Shares to be issued	4	5,310,925	-
Accumulated deficit		(7,376,740)	(1,789,391)
Total shareholders' equity		95,167,406	2,019,273
Total shareholders' equity and liabilities		**98,324,509**	**26,598,994**
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The accompanying notes are an integral part of these condensed interim consolidated financial statements

These condensed consolidated interim financial statements were authorized for issue and approved by the Board of Directors on November 10, 2011. They are signed on the Company's behalf by:

"Andrew Russell"
Director

"Terry Krepiakevich"
Director

St. Augustine Gold and Copper Limited

Consolidated Interim Statements of Comprehensive Loss
(Unaudited, expressed in U.S. dollars except for per share data)

		Three months ended September 30		Nine months ended September 30	
	Notes	2011	2010	2011	2010
Operating expenses					
Stock compensation expense	11	380,548	-	5,508,482	-
Consulting fees - share and option based	11	-	1,622,000	-	1,939,000
Stock listing and transfer fees		7,320	-	316,279	-
General and administrative costs		242,459	-	389,865	2,553
Total operating expenses		630,327	1,622,000	6,214,626	1,941,553
Other income and expense					
Interest income		252,892	-	634,379	-
Foreign exchange loss		(7,102)	-	(7,102)	-
Total other income and expenses		245,790	-	627,277	-
Total comprehensive loss		**384,537**	**1,622,000**	**5,587,349**	**1,941,553**
Net loss per common share, basic and diluted		-	0.16	0.02	0.19
Weighted average common shares outstanding, basic and diluted		295,783,334	10,000,001	288,557,783	10,000,001

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

St. Augustine Gold and Copper Limited
Consolidated Interim Statements of Cash Flows
(Unaudited, expressed in U.S. dollars)

	Notes	Nine months ended September 30, 2011	2010
Cash flows from operating activities			
Total comprehensive loss		(5,587,349)	(1,941,553)
Stock compensation expense	11	5,508,482	1,939,000
Depreciation expense		80,386	-
Foreign currency translation		7,102	-
Changes in assets and liabilities:			
Increase in travel advances and prepaid expenses		(259,122)	-
Decrease in accounts receivable		56,835	-
Increase in related party accounts payable		(112,408)	2,553
Net cash used by operating activities		(306,074)	-
Cash flows from investment activities			
Increase in investment in mining property		(38,484,881)	-
Increase in restricted cash		(893,697)	-
Deposits returned from subsidiaries		125,737	-
Purchase of property and equipment	6	(817,590)	-
Disposal of equipment	6	106,109	-
Net cash used by investing activities		(39,964,322)	-
Cash flows from financing acitvities			
Net cash from reverse acquisition and recapitalization	4	7,210,251	-
Repayments to related parties	4	(2,000,000)	-
Proceeds attributed to common stock	4	53,739,708	-
Net cash provided by financing activities		58,949,959	-
Net increase in cash and cash equivalents		18,679,563	-
Cash and cash equivalents, beginning of period		583,602	-
Cash and cash equivalents, end of period		**19,263,165**	**-**
Comprised of:			
Cash		734,837	-
Money market instruments		18,528,328	-
Total cash and cash equivalents, end of period		**19,263,165**	**-**

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

St. Augustine Gold and Copper Limited

Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited, expressed in U.S. dollars)

	Notes	Shares	Share Capital	Warrants	Shares to be issued	Share option reserves	Accumulated Deficit	Total
Balance, Inception (March 31, 2010)		1	1	-	-	-	-	1
Shares and warrants issued for contributed								-
capital and finders agreement		10,000,000	2,069,663	1,739,000	-	-	-	3,808,663
Total comprehensive loss for the period from Inception through September 30, 2010		-	-	-	-	-	(1,941,553)	(1,941,553)
Balance, September 30, 2010		10,000,001	2,069,664	1,739,000	-	-	(1,941,553)	1,867,111

		Shares	Share Capital	Warrants	Shares to be issued	Share option reserves	Accumulated Deficit	Total
Balance, January 1, 2011		10,000,001	2,069,664	1,739,000	-	-	(1,789,391)	2,019,273
Ratel shares outstanding upon recapitalization	11(a)(ii)	90,000,000	-	-	-	-	-	-
Prior outstanding shares/warrants eliminated	11(a)(i)	(10,000,001)	-	-	-	-	-	-
Cancellation of warrants	4	-	1,739,000	(1,739,000)	-	-	-	-
Shares issued on recapitalization	4	80,000,000	5,665,014	-	-	14,450,000	-	20,115,014
Shares to be issued	4	-	-	-	5,310,925	-	-	5,310,925
Additional capital contributed	11(iii)	-	1,462,593	-	-	-	-	1,462,593
Shares issued for notes receivable	11(a)(iv)	3,000,000	904,159	-	-	-	-	904,159
Options exercised concurrent with recpitalization	11(a)(v)	4,700,000	8,910,735	-	-	(7,990,000)	-	920,735
Private placement concurrent with recapitalization	11(a)(vi)	83,333,334	25,196,041	-	-	-	-	25,196,041
Additional private placement	11(a)(vii)	32,800,000	38,918,800	-	-	-	-	38,918,800
Exercise of share options	11(a)(viii)	1,950,000	3,713,733	-	-	(3,315,000)	-	398,733
Share based compensation charged to operations	11(c)	-	-	-	-	5,508,482	-	5,508,482
Total comprehensive loss for the nine months ended September 30, 2011		-	-	-	-	-	(5,587,349)	(5,587,349)
		295,783,334	88,579,739	-	5,310,925	8,653,482	(7,376,740)	95,167,406

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

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

St. Augustine Gold and Copper Limited (“SAGC” or the “Company”) is the successor to and sole owner of St. Augustine Mining, Inc. (“SAMI”), which was incorporated on March 31, 2010, under the laws of British Columbia, Canada. The Company also wholly owns St. Augustine Mining Ltd. (“SAML”), which is incorporated under the laws of the Cayman Islands, and MDC America, Inc., a company incorporated in the United States (Washington state). A complete listing of subsidiaries can be found at Note 9. The address of SAGC’s corporate office is 400 S. Jefferson St., Suite 202, Spokane, Washington USA 99204. SAGC was originally incorporated as Ratel Gold Limited (“Ratel”), a British Virgin Islands corporation. As part of the recapitalization (Note 4), Russell Mining and Minerals, Inc.’s (“RMMI”) 50% ownership and control of Strato International Holdings, Ltd. (“Strato”) was transferred to the consolidated group.

The Company has earned no revenues since the recapitalization and is currently focusing its efforts on the acquisition, development and exploration of mineral properties. The Company and Nationwide Development Corporation (“NADECOR”), an arm’s-length Philippine corporation, entered into a Letter of Understanding dated November 10, 2009, and executed a Memorandum of Understanding (“MOU”) on April 27, 2010. Under these agreements and subsequent amendments and related agreements, the Company became responsible for providing technical assistance in respect of operations and acquired the right to earn-in an aggregate 60% equity position in the King-king Joint Venture (“KKJV”) envisioned in the MOU. Its earn-in is based on expenditures made to benefit the King-king copper gold project (the “Project”) in the Philippines. The Project is a copper-gold project located at Sitio Gumayan, Barangay King-king, Municipality of Pantukan, Province of Compostela Valley, on Mindanao Island, Philippines. The Project is advanced with several years of exploration, including drilling and baseline studies, having been completed by Benguet Corporation (“Benguet”), the party which held an interest in the King-king Project with NADECOR prior to September 2011 (Note 12).

Due to the timing of the Company’s formation in 2010 and the recapitalization in January of 2011 (Note 4), there is limited comparative financial information. The recapitalization was considered a reverse acquisition within the meaning ascribed by International Financial Reporting Standards (“IFRS”); therefore, the comparative financial statements for prior periods reflect the consolidated operations and financial position of SAMI prior to the recapitalization.

SAGC and its consolidated subsidiaries’ year-ends are December 31st.

2. GOING CONCERN

These condensed consolidated interim financial statements (“Financial Statements”) have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As shown in the accompanying consolidated financial statements, the Company has had no operating revenues and has incurred an accumulated loss of $7,376,740 through September 30, 2011.

The ability of the Company to continue as a going concern is dependent upon its ability to obtain additional financing. Such financing is needed to complete a Bankable Feasibility Study (“BFS”), development of the mine site, and fund operations. Management is actively targeting sources of additional financing. While the Company has been successful in raising funds from related parties and other private parties in the past, there can be no assurance that it will be able to do so in the future. There is no certainty of continuing support from related parties, which has been essential for the Company’s development. As part of the recapitalization (Note 4) and additional subsequent share issuances, the Company raised over fifty million dollars. The Company has spending plans in place which will fully utilize these resources.

These Financial Statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Company's Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting for the period ending December 31, 2011. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2010. Accordingly, accounting policies applied are the same as those applied in the Company's annual financial statements which are filed under the Company's profile on SEDAR at www.sedar.com. When policies have changed from the prior annual financial statements, the policies are discussed below.

The Financial Statements are prepared as at and for the three and nine months ended September 30, 2011, which is part of the period to be covered by the Company's annual financial statements for the year ending December 31, 2011.

(b) Basis of presentation

The consolidated financial statements have been prepared under the historical cost convention.

(c) Basis of consolidation

These Financial Statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The operations of the subsidiaries included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated. A listing of subsidiaries can be found at Note 9.

(d) Segment reporting

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

(e) Significant accounting estimates and judgments

The preparation of these 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 calculation of share-based payments; property, plant and equipment, including depreciation; and impairment testing.

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.

From time to time, management may identify immaterial classification errors on the face of the statement of financial position for prior periods which do not change net assets. Where such changes are noted, management will present the corrected reclassified caption on the comparative statement of financial position.

(f) Functional and presentation currency

The Company's functional and presentation currency is the U.S. dollar ("$").

(g) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment is related to the actual costs and expenses associated with placing the property in service. Any equipment with a life of two years or less is expensed upon acquisition. When parts of an item of property and equipment have different useful lives, they are accounted for as separate components. The gain or loss on disposal of any item of property is determined by comparing the proceeds from disposal with the carrying amount of the property. The gain or loss is recognized on the consolidated interim Statement of Comprehensive Loss.

(h) Goodwill

Goodwill that arises from the acquisition of subsidiaries is recorded separately from intangible assets. The measurement of goodwill is at cost less any accumulated impairment losses. Goodwill arising from a business combination is measured at the fair value of the consideration recognized in the transaction. All of the goodwill recognized in the reverse acquisition transaction with Ratel (Note 4) in the nine month period ended September 30, 2011, was not currently subject to an impairment test due to a lack of indications of impairment.

Goodwill is reviewed for impairment annually or more frequently if there are indications that impairment may have occurred. Goodwill impairment is tested at the cash generating unit ("CGU") level and is determined based upon the amount of future discounted cash flows generated by each CGU compared to the CGU's respective carrying amount. The Company currently only has one CGU. The recoverable amount is the greater of the fair value less cost to sell ("FVLCS") or value in use ("VIU"). VIU is generally determined using the discounted cash flow method. If the impairment loss exceeds the carrying amount of goodwill, the goodwill is written off completely. Any impairment loss is allocated to the remaining assets of the CGU.

Purchase price allocation adjustments are permitted, but are limited to the measurement period, which is the earlier of the date on which all facts and circumstances that existed at the date of acquisition are known or are determined to not be obtainable, and one year from the date of acquisition.

(i) Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2011 or later periods. The standards impacted that are applicable to the Company are as follows:

- IFRS 9, 'Financial Instruments' was issued in November 2009, as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting.

- IFRS 10, 'Consolidated Financial Statements' was issued in May 2011, and will supersede the consolidation requirements in SIC-12 'Consolidation – Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 11, 'Joint Arrangements' was issued in May 2011, and will supersede existing IAS 31, 'Joint Ventures' effective for annual period beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method.

- IFRS 12, 'Disclosure of Interests in Other Entities' was issued in May 2011, and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

- IFRS 13, 'Fair Value Measurement' was issued in May 2011, and sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.
- In May 2011, the IASB published IAS 28, 'Investments in Associates and Joint Ventures,' which are effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. Amendments to IAS 28 provide additional guidance applicable to accounting for interests in joint ventures or associates when a portion of an interest is classified as held for sale or when the Corporation ceases to have joint control or significant influence over an associate or joint venture. When joint control or significant influence over an associate or joint venture ceases, the Corporation will no longer be required to re-measure the investment at that date. When a portion of an interest in a joint venture or associate is classified as held for sale, the portion not classified as held for sale shall be accounted for using the equity method of accounting until the sale is completed at which time the interest is reassessed for prospective accounting treatment.

- In June 2011, the IASB issued IAS 1, 'Presentation of Items of OCI: Amendments to IAS 1 Presentation of Financial Statements.' The amendments stipulate the presentation of net earnings and OCI and also require the Corporation to group items within OCI based on whether the items may be subsequently reclassified to profit or loss. Amendments to IAS 1 are effective for the Corporation beginning on January 1, 2012, with retrospective application and early adoption permitted.

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

The application of these standards, amendments and interpretations are not anticipated to have a material impact on the results and financial position of the Company.

4. RECAPITALIZATION

On September 30, 2010, SAMI entered into a Letter of Intent ("LOI") agreement with Ratel Gold Limited ("Ratel"), a company traded on the Toronto Stock Exchange ("TSX") pursuant to which Ratel acquired all of the issued and outstanding shares of SAMI through a share exchange. Upon completion of the share exchange, RMMI, the parent of the Company's controlling shareholder, received $2,000,000 in repayment of advances made to the Company. Additionally, RMMI designated individuals to serve as directors such that RMMI controls the Board of Directors of the Company. The shareholders of Ratel approved the transaction in December 2010, and the effective date of the share exchange and the change of control was January 7, 2011. The original 10,000,001 in stock issued and outstanding in SAMI was converted into 80,000,000 shares of the recapitalized entity and an additional 75,000,000 shares are contingently owed to RMMI upon the completion of the Bankable Feasibility Study ("BFS") on the Project, or any subsequent change of control. These shares comprise the $5,310,925 balance of shares to be issued on the statement of financial position at September 30, 2011.

Upon completion of the acquisition of SAMI by Ratel in January 2011, Ratel changed its name to St. Augustine Gold & Copper Ltd. Ratel had disposed of all of its operating subsidiaries in anticipation of the completion of the merger with SAMI. SAMI was deemed the surviving operating company for accounting purposes. Ratel provided substantial financial assets, but no continuing operating activities to the combined companies.

The following table summarizes the net assets acquired from Ratel as part of the recapitalization:

Cash	$	7,210,251
Receivables		8,945
Payables		(126,814)
Foreign exchange loss		(13,179)
Net Assets Acquired	**$**	**7,079,203**

The following table summarizes the consideration transferred to Ratel as part of the recapitalization:

	Number		Value
Shares (i)	5,807,375	$	10,975,939
Replacement Options (ii)	8,500,000		14,450,000
Total consideration transferred		**$**	**25,425,939**

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

i. The value of the shares is calculated as the number of shares of the Company which Ratel would have to issue to maintain its percentage ownership in the post-combination entity at the market value of Ratel on the date of the transaction.

ii. The replacement awards were valued based on the portion of the award which was attributable to the vested value of the awards in Ratel prior to the combination.

The resulting goodwill on the transaction of $18,346,736 was calculated as the difference between the fair value of the net assets received and the fair value of the equity consideration transferred.

At the time of the transaction, Ratel had 8,500,000 share options outstanding, which continued to be available for conversion under their original terms. Of these options, 4,700,000 were exercised concurrent with the recapitalization, resulting in additional proceeds of $920,735. As part of the restructuring and recapitalization, RMMI was required to cancel certain rights and obligations under various agreements (Note 12), which included the cancellation of 10,000,000 warrants in SAMI which had been previously valued at $1,739,000. The restructuring also included the transfer of RMMI's 50% ownership of Strato, which resulted in an additional amount of $126,341 in net equity in the combined companies.

Concurrent with the January 7, 2011, transaction, 3,000,000 shares were issued to certain prior officers of Ratel with a total value of $904,159 in exchange for non-interest bearing notes of $CAD 900,000. The value of these notes at September 30, 2011, was $929,340, representing 100% of the Company's notes receivable. The notes become collectible to the Company upon the sale of the holders' shares, or on December 23, 2015.

5. TRANSACTIONS WITH NADECOR

(a) Advances Receivable

Advances receivable are comprised of amounts owing from or paid on behalf of NADECOR as follows:

	September 30, 2011		December 31, 2010
NADECOR's share of Note payable (i)	-	$	4,233,694
Payments on behalf of NADECOR for Benguet debt (ii)	-		2,794,601
Totals	**-**	**$**	**7,028,295**

i. NADECOR shared in the liabilities to Benguet under the "Heads of Terms" agreement for the acquisition of the Benguet debts (Note 12). This included its share of the payments remaining to be made under the agreement which was, at its discounted value, $4,233,694 as of December 31, 2010 against a face amount of $7,525,000.

ii. The Company effectively advanced $2,794,601 to NADECOR to settle the debts acquired from Benguet's creditors using funds available from the CGA Mining Limited ("CGA") credit facility (Note 10). Monies advanced to NADECOR during 2010 for the repurchased Benguet debt were eliminated in the consolidation of Strato and related allocation to the Project.

(b) Restricted Cash

In May 2011, the Company advanced $Php 30,000,000 (approximately $700,000) to NADECOR to fund future operating expenses. The amount is due on demand and non-interest bearing. It is presented on the statement of financial position at September 30, 2011, as restricted cash at the September 30, 2011, translated value of $693,697. In addition to this deposit, the Company reports $200,000 held as a security deposit against the Company's credit card account, which together with the aforementioned NADECOR deposit, comprises the $893,697 balance of restricted cash at September 30, 2011. This security deposit earns a nominal amount of interest (.15% per annum). The security deposit is not related to a NADECOR transaction.

(c) Other Agreements

On June 28, 2011, the Company executed the third amendment to the MOU which required the Company to advance NADECOR for expenditures of $981,000. This payment was made to NADECOR on August 3, 2011.

On June 28, 2011, the Company executed the Community Relations and Security Agreement with NADECOR. Under the agreement, NADECOR agreed to provide specific community relations services in the Philippines and to provide for security at the Project site for $200,000 per month. The term of the agreement is through the earlier of completion of the Company's Capital Expenditure ("CapEx") commitment pursuant to the MOU, the date of incorporation of the joint venture mining company, or termination through performance defaults. Through September 30, 2011, $1.8 million had been paid against the agreement, which included payments made prior to the execution of the agreement made in good faith by the Company. $200,000 was due pursuant to the agreement at the same date. Amounts paid pursuant to this agreement are capitalized to the Company's investment in mining property.

On June 28, 2011, the Company executed the Joint Venture Coordinating Committee Agreement with NADECOR. The agreement acts to compensate NADECOR's Joint Venture Committee Members $50,000 per month for their services in the planning and establishment on the joint venture contemplated in the MOU. The term of the agreement is the earlier of the completion of the Committee Charter objectives or the date on which the Company's CapEx expenditure commitment pursuant to the MOU is satisfied. Through September 30, 2011, $400,000 had been paid to NADECOR pursuant to the agreement, which included a one-time initial payment of $200,000. No amount was due pursuant to this agreement at September 30, 2011. Amounts paid pursuant to this agreement are capitalized to the Company's investment in mining property.

Note 7 discusses the Company's progress against the Company's CapEx commitment.

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

6. PROPERTY AND EQUIPMENT

		Vehicles	Equipment	Total
Cost				
Balance, January 1, 2011	$	-	-	-
Acquisitions		613,129	204,461	817,590
Disposals		-	(106,108)	(106,108)
Balance, September 30, 2011	$	613,129	98,353	711,482
Accumulated depreciation				
Balance, January 1, 2011	$	-	-	-
Disposals		-	(5,123)	(5,123)
Depreciation expense		68,345	17,164	85,509
Balance, September 30, 2011	$	68,345	12,041	80,386
Net book value, September 30, 2011	$	544,784	86,312	631,096

There were no circumstances requiring impairment loss to be recognized during the nine months ended September 30, 2011.

7. INVESTMENT IN MINING PROPERTY

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 and expending funds for project development, BFS expenses, and CapEx as follows:

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

	Amount	Description (estimated date of payment)	Earn-in %	Cumulative Earn-in %
$	400,000	Exclusivity payment (i)	0.57%	0.57%
	3,100,000	Initial NADECOR payment (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	NADECOR payment (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 Preferred Shares Investment Agreement ("PSIA").

iv. Direct project expenditures after the fulfillment of the $30 million required to be expended after 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 pursuant to the third amendment to the MOU, and the balance is expected to be made in 2012.

vi. Due within 90 days of the execution of the Joint Venture Agreement, which is expected to occur in 2012.

The Company has committed to spend $43.5 million to complete a BFS for the Project, for which the Company earns an aggregate 45% interest in the Project. An additional 6% can be earned through interim payments to NADECOR and an additional 9% can be earned by funding a minimum of $32 million in capital development expenditures. The $32 million capital development expenditures are subject to adjustment according to outcomes contemplated in the MOU. To earn the full 60% interest in the Project, the Company will spend, or pay to NADECOR, a total of $83,000,000, as outlined by the agreement summarized above and subject to adjustments for outcomes contemplated in the MOU. The Company also incurs costs related to the project which do not qualify for progress towards the earn-in.

As of December 31, 2010, the $400,000 exclusivity payment, $3,000,000 of the $3,100,000 initial NADECOR payment and approximately $10.5 million of additional BFS expenditures had been expended by the Company or a related party. In addition, Strato had expended approximately $6 million towards BFS expenditures, prior to consolidation upon recapitalization in January 2011. During the nine months ended September 30, 2011, the Company incurred approximately $38 million on BFS and CapEx requirements in addition to the aforementioned $10.5 million.

Capital contributions into Strato which qualified for earn-in as of December 31, 2010, are included in Investment in mining property at and since that date. No further capital contributions into Strato have been made as of September 30, 2011, nor are further contributions anticipated.

The Company reached $30,000,000 in earn-in expenditures during the quarter ended June 30, 2011, the maximum amount assured to the Company under the PSIA, under which the Company earned one preferred share of NADECOR for each dollar expended. Amounts beyond $30,000,000 will earn-in pursuant to the Interim Funding Agreement executed August 5, 2011, as those expenditures relate to expenditures contemplated in the MOU. During the same quarter, NADECOR confirmed the Company's investment of the $30 million expended against the PSIA. Accordingly, the Company has accrued rights to preferred shares of NADECOR which are to be put into escrow pending fulfillment of certain administrative steps. These preferred shares will translate into an interest in KKJV to be formed, which will hold the Mineral Production Sharing Agreement for the Project.

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

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

Reconciliation of Investment in mining property to earn-in	September 30, 2011	December 31, 2010
Earn-in balance (i)	57,326,553	19,067,340
Depreciable property (earn-in in full on purchase)	(631,096)	-
Qualifying fundraising costs	(1,282,125)	-
Expenses pending qualification	(169,677)	219,673
Amortized portion of Benguet debt advanced to Nadecor	-	4,233,695
Disallowed/reserved expenses	1,924,228	1,180,054
Qualifying expenses incurred by Strato	-	(6,024,718)
Accrued expenses	765,044	69,000
Investment in mining property	**57,932,927**	**18,745,044**

i. Pursuant to MOU terms, all expenditures reported by the Company against earn-in are subject to audit, at NADECOR's discretion, to determine the final amount which qualifies against earn-in. NADECOR has elected to audit all expenditures through September 30, 2011. The audit of expenditures from July 1, 2011 through September 30, 2011 is in progress at the date of filing of these Financial Statements. $28.8 million of the amount at (i) in the above table at September 30, 2011 has been qualified against earn-in by NADECOR and $28.5 million is currently under audit or subject to audit.

8. RELATED PARTY TRANSACTIONS

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

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

(a) Transactions with Key Management Personnel

The key managers, with the power and responsibility, directly or indirectly, to plan, direct and control the operations of the Company, including directors, include the following:

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

Listing of Key Managers	
Directors	
Robert Russell	Chairman of the Board of Directors
Tom McKiernan	Director
Max Anhoury	Director
Michael Carrick (i)	Director
Andrew Russell	Director
Managers	
Robert Russell	Executive Chairman
Andrew Russell	Chief Executive Officer
Donald Mills (ii)	Chief Financial Officer ("CFO")
Tom Henderson	Chief Operating Officer
Llee Chapman	Interim Chief Financial Officer
James Moore	Vice President, Technical
Kee Ming Chi	General Counsel (Asia)

i. Resigned September 26, 2011

ii. Resigned July 31, 2011

The aggregate value of transactions with key management was as follows:

	Three months ended September 30,		Nine months ended September 30,	
Compensation	2011	2010 i	2011	2010 i
Salaries	$ 695,750	$ -	$ 1,721,903	$ -
Share-based compensation (ii)	34,887	-	4,237,408	-
Total	$ 730,637	$ -	$ 5,959,311	$ -

i. Key management was employed by RMMI on a consulting basis during the three and nine months ended September 30, 2010. The Company compensated RMMI pursuant to a Finder's Agreement, and RMMI ultimately incurred the expense of key managers.

ii. The prior CFO's options were terminated during the quarter ended September 30, 2011, resulting in a reversal of previously recognized option expense of $601,673. Termination benefits paid as a result of the CFO's termination totaled $221,129 ($218,750 in severance pay and $2,379 in insurance benefits). The interim CFO is being compensated on a contract basis which is included in the table above.

(b) Transactions with Other Related Parties

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

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

Transactions	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Services rendered				
Macleod Dixon (i)	$ 5,863	$ -	$ 102,178	$ -
Reimbursement of third party expenses incurred on the Company's behalf				
RMMI (ii)	90,554	786,406	148,001	3,722,753
Equity based compensation				
RMMI (ii)	-	-	317,000	-
Total	$ 96,417	$ 786,406	$ 567,179	$ 3,722,753

Related party balances payable	September 30, 2011	December 31, 2010
Macleod Dixon	$ 5,997	$ 138,885
RMMI	20,480	3,503,846
Total	$ 26,477	$ 3,642,731

i. Macleod Dixon acts as the Company's securities counsel and the partner of the account is also the Corporate Secretary.

ii. RMMI is the parent of the Company's controlling shareholder, Pegasi Holding Ltd. ("Pegasi"), is party to several of the Company's key agreements, has several key managers common to the Company, and incurs general and administrative expenses on the Company's behalf which are reimbursed to RMMI.

(c) Finder's Agreement

On March 31, 2010, the Company signed an agreement with RMMI to assist with the acquisition of the Project. Terms of the agreement, which were cancelled as part of the recapitalization (Note 4), included:

- Issuance of 10,000,001 common shares to RMMI (Note 11(a)(i));
- Grant to RMMI of five year warrants to purchase 10,000,000 shares at a price of $0.25 per share (Note 11(b));
- Payment to RMMI a fee of 4% of all funds raised for the Project, up to a total amount of $3,000,000 (no payments were made under these terms prior to cancellation as part of the recapitalization); and,
- In the event the Company failed to make required payments under agreements related to the Project (Note 7), RMMI had the option to complete the Company's obligations and receive, in exchange, shares of common stock of the Company at the rate of one share for every $0.25 spent by RMMI. No payments were made under this term.

RMMI ultimately became the beneficial majority shareholder of the Company during the recapitalization.

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

(d) Shares Issued and Contingently Issuable to RMMI Pursuant to Recapitalization

RMMI acquired 80 million common shares of the Company during the recapitalization, details of which are described at Note 4. In addition, as part of the recapitalization, there are 75 million shares contingently issuable to RMMI upon completion of a bankable feasibility study or a change in control.

9. SUBSIDIARIES

The Company's subsidiaries at September 30, 2011 are as follows:

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
Mine Development Company	United States of America	100%	Not active
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
Strato International Holdings Ltd	British Virgin Islands	50%	Not active

10. LOAN PAYABLE

On October 18, 2010, the Company and NADCECOR entered into a Facility Agreement with CGA which would provide financing of up to $14,900,000 to SAML and Strato for commitments to settle with Benguet and on operations. This loan bore interest at 12%. The credit facility is no longer available to the Company.

Amounts drawn on the facility were as follows:

Amounts drawn on CGA credit facility		
Advances to NADECOR for its 50% contribution to Strato's settlement with Benguet's creditors	$	2,794,601
Payment to Benguet (Note 12)		6,000,000
Operational expenses		2,900,000
Balance, December 31, 2010		11,694,601
Repayment of loan from capital raised during recapitalization (Note 4)		(11,694,601)
Balance, September 30, 2011	**$**	**-**

At December 31, 2010, accrued interest on the loan payable was $237,209. All of the debt and interest was satisfied as part of the January 2011 funding under the recapitalization (Note 4). This included the payment of the NADECOR advance used for NADECOR'S contribution to the Benguet settlement and the loan of CGA funds directly to Strato of $2,794,601. The total paid on the CGA debt for principal was $14,825,908, comprised of $11,694,601 due from the Company, $2,794,601 paid on behalf of Strato, and accrued interest for both SAML and Strato of $336,706.

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

11. EQUITY

(a) Authorized Share Capital

At September 30, 2011, the authorized share capital was comprised of an unlimited number of common shares without par value.

Common share activity is summarized in the table below.

	Shares		Share Capital
Balance, December 31, 2010	**10,000,001**	**$**	**2,069,664**
Ratel's shares acquired on reverse acquisition (ii)	90,000,000		-
SAMI's shares eliminated (i)	(10,000,001)		-
Cancellation of warrants from SAMI (Note 4)	-		1,739,000
Shares issued on reverse acquisition (Note 4)	80,000,000		5,665,014
Additional capital contributed (iii)	-		1,462,593
Shares issued to ex-officers for notes receivable (iv)	3,000,000		904,159
Options exercised concurrent with reverse acquisition (v)	4,700,000		8,910,735
Private placement concurrent with reverse acquisition (vi)	83,333,334		25,196,041
Additional private placement at $1.22 (CDN) net of share issue costs of $1,282,125 (vii)	32,800,000		38,918,800
Exercise of share options (viii)	1,950,000		3,713,733
Balance, September 30, 2011	**295,783,334**	**$**	**88,579,739**

All references to the recapitalization at i through viii directly below refer to the recapitalization discussed at Note 4.

i. Original Shares

The shares of SAMI are held in RMMI's subsidiary Pegasi. The shares held by Pegasi were exchanged with Ratel on January 7, 2011 (Note 4).

ii. Shares issued upon recapitalization

On January 7, 2011, as part of the recapitalization, 90,000,000 shares outstanding in Ratel were assumed by the combined entity for accounting purposes.

iii. Additional capital contributed

RMMI contributed an additional $1,336,252 in capital contributions to SAMI and SAML and contributed its capital account in Strato in the amount of $126,341.

iv. Shares issued to ex-officers

Concurrent with the recapitalization, 3,000,000 shares were issued to certain prior officers of Ratel with a value of $904,159 in exchange for non-interest bearing notes for $900,000 (CDN). The value of the related notes at September 30, 2011 was $929,340.

v. Options exercised concurrent with the reverse acquisition

On January 7, 2011, 4,700,000 share options originally issued by Ratel in July 2010 were exercised concurrently with the recapitalization of SAMI. This raised an additional $920,735. The value of the options in excess of cash received transferred to share capital was $7,990,000.

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

vi. Private placement concurrent with the recapitalization

In conjunction with the recapitalization, the Company completed a private placement financing of 83,333,334 common shares at $0.30 (CDN) per share. This resulted in net equity being acquired of $25,196,041, which included settlement of the funds advanced by CGA (Note 10).

vii. Additional private placement

In December 2010, the Company announced another private placement of 32,800,000 common shares at a $1.22 (CDN). These funds were released upon the completion of the recapitalization. There were $1,282,125 of share issue costs and commissions associated with the issuance. The funds raised were raised to use for bankable feasibility study costs and other necessary and value added costs directly related to development of the Project.

viii. Stock issued for other options being exercised

During the nine months ended September 30, 2011, 1,950,000 share options with an exercise price of $0.20 (CDN) which originated in Ratel were exercised, providing $398,733 in cash.

(b) Warrants

In 2010, the Company issued 10,000,000 warrants to RMMI allowing RMMI to purchase one share of common stock for each warrant held (Note 8(c)) at an exercise price of $0.25 and a term of five years. The fair value of the warrants was determined using the Black-Scholes valuation method to be $1,739,000, which has been recorded as consulting expense. At the time of issuance, the market value was deemed to be approximately $ 0.21 per share.

The fair value of warrants granted was estimated using the Black-Scholes option pricing model with the following assumptions:

Black Scholes assumptions - warrants	
Risk free interest rate (i)	5%
Expected volatility (ii)	124%
Expected life (years) (iii)	5
Expected dividend yield (iv)	0%

i. Based on five year Treasury Bond rate.

ii. Based on the volatility of five peer companies with similar equity structures.

iii. Based on contract terms.

iv. Based on management's expectations over the next three to five years.

All warrants were unexercised when cancelled as part of the recapitalization on January 7, 2011 (Note 4).

(c) Share option reserves

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

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

The issued and outstanding options as of September 30, 2011 were as follows:

	Number of options		Weighted average exercise price		Share option reserves
Balance at December 31, 2010	-		-		-
Share options acquired from Ratel (Note 4), (ii)	8,500,000	$	0.20	$	14,450,000
Share options exercised concurrent with Ratel transaction	(4,700,000)		0.20		(7,990,000)
Exercise of options	(1,950,000)		0.20		(3,315,000)
Share options granted to officers, directors and employees	17,950,000		1.41		6,268,221
Share options forfeited by officers, directors, and employees (i)	(3,866,666)		1.52		(759,739)
Balance at September 30, 2011	15,933,334	$	1.24	$	8,653,482
Options exercisable at September 30, 2011	6,666,669	$	1.07	$	5,802,527

i. In addition to the former CFO's terminated options described at Note 8, other terminations resulted in reversals of stock compensation expense totaling $158,066.

ii. The share options that originated with Ratel were valued based upon the relative value of the allocation of fair value in the reverse acquisition under IFRS 3 – Business Combinations. The fair value of the Ratel options was estimated using the Black-Scholes option pricing model with the following assumptions:

Black Scholes assumptions - share options originated in Ratel		
Market price	$	1.89
Exercise price	$	0.20
Risk free interest rate (i)		2.00%
Expected volatility (ii)		90%
Expected life, years (iii)		1.5
Expected dividend yield (v)		0%

i. Based on the Bank of Canada's published bond yields.

ii. Based on the volatility of 10 peer companies with similar equity structures.

iii. Based on contract terms.

iv. Based on management's expectations over the next three to five years.

In January 2011, subsequent to the recapitalization described at Note 4, the Company issued 11,175,000 incentive share options to directors, officers, employees and consultants. These options will vest over the next two years with one-third of the options vested upon issuance and the other two-thirds at each of the next two years anniversary dates. The options have an exercise price of $1.54 and a five year term. In the nine month period ending September 30, 2011, the Company issued an additional 6,575,000 share options under similar terms. The total expense recognized for the nine month period ended September 30, 2011 was $5,508,482 for the portion of the awards which vested during the period or provided a compensation benefit and nil for the comparative period in 2010.

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

The fair value of options granted during the period ended September 30, 2011 was estimated using the Black-Scholes option pricing model with the following assumptions:

Black Scholes assumptions - share options issued during three and nine month periods ended September 30, 2011	
Risk free interest rate (i)	1.83%
Expected volatility (ii)	90%
Expected life, years (iii)	3
Expected forfeiture rate (iv)	5%
Expected dividend yield (v)	0%

i. Based on the Bank of Canada's published bond yields.

ii. Based on the volatility of 10 peer companies with similar equity structures.

iii. Based on contract terms.

iv. Management's estimate given limited history of grants.

v. Based on management's expectations over the next three to five years.

The following share options were outstanding and exercisable as of September 30, 2011:

Exercise Price	Number Outstanding	Weighted Average Life (Years)	Number Exercisable	Weighted Average Exercise Price
0.20	1,850,000	0.75	1,850,000	$ 0.20
0.64	500,000	4.74	-	0.64
0.66	200,000	4.76	66,667	0.66
0.68	200,000	4.70	66,667	0.68
0.73	200,000	4.68	66,667	0.73
0.80	125,000	4.56	41,667	0.80
0.98	2,166,667	4.52	766,667	0.98
1.54	10,691,667	4.37	3,808,334	1.54
	15,933,334	**4.08**	**6,666,669**	**$ 1.07**

12. COMMITMENTS AND CONTINGENCIES

(a) Long-term debt – Benguet

The Company and NADECOR negotiated with Benguet to have Benguet relinquish all of its rights to the King-king project through the Heads of Terms agreement. In exchange for surrendering its rights to the Project, the Company and NADECOR were to share equally in the following payments to Benguet:

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

Summary of Benguet Debt		
Due date		Amount Due to Benguet
October 17, 2010	$	8,000,000
October 17, 2012		5,000,000
October 17, 2015		4,000,000
October 17, 2016		4,000,000
October 17, 2017		4,000,000
Total payments due	**$**	25,000,000

During 2010, Strato acquired certain outstanding debt due from Benguet to unrelated third parties in order to negotiate the Company's acquisition of Benguet's interest in the Project. The debts acquired by Strato were sold to Benguet at a discounted value of $3,950,000. Upon execution of the Heads of Terms, the Company was effectively a creditor of Benguet in the amount of $3,950,000 and debtor in the undiscounted amount of $25,000,000. Because the Company was effectively a net debtor to Strato, the Heads of Terms prearranged settlement of the amount Benguet owed the Company by way of two credit notes of $2,000,000 and $1,950,000 to be applied against the amount the Company owed Benguet.

In conjunction with the CGA funding discussed in Note 10 and under the terms of the Heads of Terms, the Company issued the $2,000,000 credit note to Benguet and also made a cash payment of $6,000,000 to settle the first $8 million payment due to Benguet on October 17, 2010. The second credit note of $1,950,000 was applied against the full settlement described below.

The Company fully settled the payments due to Benguet in September 2011, pursuant to the terms of the First Amendment to the Heads of Terms agreement executed between the Company and Benguet. The agreement settled the full amount due to Benguet with a payment of $10,250,000 and issuance of the $1,950,000 credit note to Benguet. This settlement qualified as an earn-in expenditure for the Company pursuant to the Fourth Amendment to the MOU executed between the Company and NADECOR.

Summary of Benguet Debt Settlement		
Date	Cash Paid to Benguet	Credit Notes Issued to Benguet (i)
October 17, 2010	6,000,000	2,000,000
September 12, 2011	10,250,000	1,950,000
Total payments made	16,250,000	3,950,000

i. Due to the creditor and debtor relationship of the Company to Benguet, credit notes were issued against the Company's effective net debt due to Benguet.

Because the amounts payable to Benguet had no stated rate of interest, prior to settlement in September 2011, the Company reported the debt at its discounted value, using a 12% discount rate, which was the rate of funds available to the Company based on historical experience. The amortized value of the note at the settlement date was $9,218,814 (December 31, 2010 - $8,467,389). The settlement payments above reduced the note payable to zero, and the difference between the amortized value of the note and the settlement payments was charged to the Company's investment in mining property. The value of the credit notes had been charged to the investment in mining property through Strato's activity at December 31, 2010.

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

(b) NADECOR

The Company's commitments to NADECOR are described at Notes 5 and 7.

(c) Rental agreement

The Company currently operates under a month-to-month rental agreement for office space shared with RMMI. Amounts paid to and due to RMMI are described at Note 8.

(d) Shares contingently issuable to RMMI

Pursuant to the recapitalization (Note 4), 75 million shares are issuable to RMMI contingent upon completion of a bankable feasibility study on the Project or a change in control.

(e) Other

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

13. CAPITAL MANAGEMENT

The following table summarizes the assets under the Company's capital management program as of September 30, 2011:

	September 30, 2011	December 31, 2010
Cash and cash equivalents	$ 19,263,165	$ 583,602
Accounts receivable	50,426	98,316
Restricted cash	893,697	-
Advances receivable	-	7,028,295
Travel advances	24,453	18,000
Notes receivable	929,340	-

Prior to the recapitalization described in Note 4, the Company was dependent on the contribution of capital and other interim funding from related parties. The Company's objectives and continued financing of its commitments under its agreements with NADECOR (Note 5) are dependent on the ability to raise funds until mineral production commences. The Company is currently developing plans to address future liquidity and capital management risks (Note 2).

14. EARNINGS PER SHARE ("EPS")

(a) Basic EPS

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

(b) Diluted EPS

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

The Company reported net losses for the three and nine month periods ended September 30, 2011, and 2010; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of comprehensive loss. Diluted loss per share per share did not include the effect of 15,933,334 share purchase options as they were anti-dilutive (10,000,000 warrants in 2010).

15. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. At September 30, 2011, the Company's financial instruments include cash and cash equivalents, travel advances and accounts receivable, as well as accounts payable and accrued liabilities and due to related parties for which there are no differences in the carrying values and fair values, due to their short-term nature. The type of risk exposures are detailed below.

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

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are measured using Level 1 inputs.

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

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

(a) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company maintains the majority of its cash and cash equivalents in financial institutions located in the United States of America and which are insured by the Federal Deposit Insurance Corporation up to certain limits. The amounts in accounts receivable are tax refunds collectible from the Canadian government and are considered to be low credit risk.

(b) Liquidity risk

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

(Unaudited, financial information expressed in U.S. dollars unless otherwise noted)

At September 30, 2011		Less than 1 year		1 to 3 years		Greater than 3 years		Total
Accounts payable and accruals	$	3,130,625	$	-	$	-	$	3,130,625
Due to related parties		26,477		-		-		26,477
Totals	**$**	**3,157,102**	**$**	**-**	**$**	**-**	**$**	**3,157,102**

(c) Foreign exchange risk

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

Foreign Currency Assets		At September 30, 2011			At December 31, 2010		
		Foreign Amount		USD Amount		Foreign Amount	USD Amount
Cash accounts							
Philippine pesos	₱	23,762,505		552,616		-	-
Euro	€	18,812		27,575		-	-
GST receivable	C$	32,893		31,855		-	-
Total foreign currency assets			**$**	**612,046**		**$**	**-**

Foreign Currency Liabilities		At September 30, 2011			At December 31, 2010		
		Foreign Amount		USD Amount		Foreign Amount	USD Amount
Accounts payable & accrued liabilities							
Canadian dollars	C$	31,118	$	30,897	C$	31,500	31,292
Philippine pesos	₱	2,651,014		62,003		-	-
Euros	€	3,074		4,149		-	-
Australian dollars	A$	31,379		31,688		-	-
British pounds	£	6,363		9,946		-	-
Total foreign currency liabilities			**$**	**138,683**		**$**	**31,292**

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

The Company is dealing with transactions in foreign countries, and while exchange rates are anticipated to remain stable, certain activities and expenditures will be subject to market fluctuations. The Company will be establishing policies to monitor and minimize risk concerning currency issues between the United States, Canada and the Philippines. Currently the Company and its subsidiary treat all currency exchange transactions as measurement gains and losses upon the exchange and no accounting records are maintained in other than the functional currencies of the companies.

Based on the above net exposures and assuming that all other variables remain constant, a 10% depreciation of the U.S. dollar against all of the above currencies would result in an increase in net loss in the period of approximately $17,000 (2010 – $3,100). This sensitivity analysis includes only outstanding foreign currency denominated monetary items.

(d) Commodity price risk

While the value of the Company's core mineral resource is related to the price of gold and copper, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities.

Gold and copper prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

Adverse movements in the prices of gold and copper may also negatively impact the Company's ability to raise capital and meets its financial commitments.

16. SUBSEQUENT EVENTS

(a) Private Placement

On November 8th, subject to TSX approval, the Company announced a non-brokered private placement offering for gross proceeds of CDN$10,000,000 to CDN$12,000,000 (the "Unit Offering") pursuant to the issue of up to 30,000,000 units of the Company ("Units") at a price of $0.40 per Unit. Each Unit will be comprised of one common share in the capital of the Company (each a "Common Share") and one half of one Common Share purchase warrant (the "Warrants"). Each whole Warrant will entitle the holder thereof to acquire one Common Share for one year following closing of the Unit Offering (the "Closing") for an exercise price of $0.75 per Common Share.