St. Augustine Gold and Copper Limited

Condensed Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2014 and 2013
Unaudited and presented in U.S. dollars

Dated as of November 12, 2014

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St. Augustine Gold and Copper Limited
Unaudited interim condensed consolidated statements of financial position
As at September 30, 2014 and December 31, 2013
(Presented in U.S. dollars)

	Notes	September 30, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents		$ 367,671	$ 6,293,357
Restricted cash	5.B	4,053,126	250,100
Prepaids and other current assets		125,368	370,948
Total current assets		4,546,165	6,914,405
Non-current assets			
Investment in mineral property	4	$ 51,975,457	$ 48,045,958
Investment in NADECOR	5.D	39,972,533	40,487,609
Note receivable from NADECOR	5.C	5,011,579	350,194
Investments in joint ventures	6	811,619	811,619
Advances to joint ventures	6.B	453,917	62,567
Note receivable from joint venture	6.B	7,006,300	-
Notes receivable	7	802,980	846,180
Property and equipment	8	436,537	543,526
Other non-current assets		939,878	937,078
Total non-current assets		$ 107,410,800	$ 92,084,731
Total assets		**$ 111,956,965**	**$ 98,999,136**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued wages		$ 1,272,866	$ 2,643,026
Due to related parties	9.B	28,185	27,267
Total current liabilities		$ 1,301,051	$ 2,670,293
Shareholders' equity			
Share capital	10.A	$ 123,776,256	$ 106,693,756
Share option reserves	10.B	11,528,497	10,990,066
Accumulated deficit		(20,135,223)	(17,593,396)
Accumulated other comprehensive loss		(4,513,616)	(3,761,583)
Total shareholders' equity		$ 110,655,914	$ 96,328,843
Total liabilities and shareholders' equity		**$ 111,956,965**	**$ 98,999,136**

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

Approved on behalf of the Board of Directors:

"SIGNED"
Anacordita McGee
Director

"SIGNED"
Tom McKeirnan
Director

(Presented in U.S. dollars)

	Notes	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Operating expenses					
Wages and share-based payments	10.B	$ 353,611	$ 512,109	$ 413,967	$ 1,705,739
General and administrative costs		218,289	264,353	1,273,971	1,032,963
Total operating expenses		$ 571,900	$ 776,462	$ 1,687,938	$ 2,738,702
Other income and expense					
Interest income		$ 10,763	$ 16,044	$ 22,501	$ 25,644
Change in fair value of warrant liability		-	-	-	755,509
Foreign exchange gain (loss)		(71,036)	47,472	(69,624)	(35,969)
Loss on share forward contract	5.C	(726,190)	-	(726,190)	-
Total other income (loss)		$ (786,463)	$ 63,516	$ (773,313)	$ 745,184
Loss from investment in Nadecor	5.D	11,983	25,000	11,983	25,000
Loss from investments in joint ventures	6	-	24,000	-	24,000
Net loss before income tax expense		**$ (1,370,346)**	**$ (761,946)**	**$(2,473,234)**	**$ (2,042,518)**
Income tax expense		38,593	16,000	68,593	106,000
Net loss		**$ (1,408,939)**	**$ (777,946)**	**$(2,541,827)**	**$ (2,148,518)**
Foreign exchange translation loss		(1,419,953)	(320,153)	(752,033)	(454,364)
Total comprehensive income (loss)		**$ (2,828,892)**	**$ (1,098,099)**	**$(3,293,860)**	**$ (2,602,882)**
Net loss per common share, basic and diluted		$ 0.00	$ 0.00	$ 0.00	$ 0.00
Weighted average common shares outstanding, basic and diluted		642,230,861	487,758,334	539,438,481	457,105,760

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

(Presented in U.S. dollars)

	Notes	Nine months ended September 30, 2014	2013
Cash flows from operating activities			
Net loss		$ (2,541,827)	$ (2,148,518)
Share-based compensation expense, net of capitalized amounts	10.B	324,048	535,367
Loss on forward contract	5.C	726,190	-
Non-cash fair value adjustment of warrant liability		-	(755,509)
Effects of foreign currency changes		(189,402)	53,291
Deduct interest income (reported under investing activities)		(22,501)	(25,644)
Reversal of bonus accrual, net of amount capitalized		(730,081)	-
Loss from investment in Nadecor	5.D	11,983	25,000
Loss from investments in joint ventures	6	-	24,000
Changes in assets and liabilities			
Decrease (increase) in prepaids and other current assets		162,582	(298,268)
Increase in other non-current assets		(2,800)	(385,172)
Income tax payments		(29,195)	(50,000)
Net cash used by operating activities		$ (2,291,003)	$ (3,025,453)
Cash flows from investment activities			
Increase in investment in mining property	4	$ (4,661,863)	$ (7,060,927)
Investment in NADECOR	5.A	-	(33,525,165)
Reimbursement of invested amounts	5.A	-	33,525,165
Advances to joint ventures	6	(391,350)	(33,478)
Increase in investment in KGCMI		-	(56,913)
Note receivable from NADECOR	5.C	(2,442,575)	-
Note receivable from KMC	6	(7,000,000)	-
Purchase of property and equipment		-	(11,523)
Proceeds from sale of property and equipment		30,500	-
Changes in non-cash investing working capital		567,820	212,991
Interest income		16,201	25,644
Increase in restricted cash		(3,803,026)	(100)
Net cash used by investing activities		$ (17,684,293)	$ (6,924,306)
Cash flows from financing activities			
Proceeds from common stock and warrants, net of issuance costs	10.A	14,137,500	12,599,194
Net cash provided by financing activities		$ 14,137,500	$ 12,599,194
Net (decrease) increase in cash and cash equivalents		$ (5,837,796)	$ 2,649,435
Effect of exchange rate changes on cash		(87,890)	(427,726)
Cash and cash equivalents, beginning of period		6,293,357	7,117,302
Cash and cash equivalents, end of period		**$ 367,671**	**$ 9,339,011**
Comprised of:			
Cash		$ 183,500	$ 8,804,441
Cash equivalents		184,171	534,570
Total cash and cash equivalents, end of period		**$ 367,671**	**$ 9,339,011**

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

(Presented in U.S. dollars)

	Notes	Shares	Share capital	Share option reserves	Warrant reserves	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2013		425,258,334	$ 92,399,045	$ 9,921,503	$ 1,695,517	$ (14,321,960)	$ 47,919	$ 89,742,024
Warrant exercise		7,500,000	3,569,711	-	(1,695,517)	-	-	1,874,194
Share-based compensation		-	-	956,274	-	-	-	956,274
Private placement of shares		55,000,000	10,725,000	-	-	-	-	10,725,000
Foreign exchange translation loss		-	-	-	-	-	(454,364)	(454,364)
Net loss		-	-	-	-	(2,148,518)	-	(2,148,518)
Balance, September 30, 2013		487,758,334	$ 106,693,756	$ 10,877,777	$ -	$ (16,470,478)	$ (406,445)	$ 100,694,610
Balance, January 1, 2014		487,758,334	$ 106,693,756	$ 10,990,066	$ -	$ (17,593,396)	$ (3,761,583)	$ 96,328,843
Private placement of shares	10.A	145,000,000	14,137,500	-	-	-	-	14,137,500
Issuance of shares for note receivable	10.A	19,000,000	2,945,000	-	-	-	-	2,945,000
Share-based compensation	10.B	-	-	538,431	-	-	-	538,431
Foreign exchange translation loss		-	-	-	-	-	(752,033)	(752,033)
Net loss		-	-	-	-	(2,541,827)	-	(2,541,827)
Balance, September 30, 2014		651,758,334	$ 123,776,256	$ 11,528,497	$ -	$ (20,135,223)	$ (4,513,616)	$ 110,655,914

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

1. Organization and description of business

St. Augustine Gold and Copper Limited (the "Company" or "SAGC") was incorporated on January 27, 2010, in the British Virgin Islands. The address of the Company's corporate office is 601 West Main Avenue, Suite 600, Spokane, Washington 99201. The registered address of the Company in the British Virgin Islands is Jayla Place, Wickham's Cay 1, Road Town, Tortola VG 1110, British Virgin Islands.

The Company has earned no revenues since its recapitalization in 2011 and is focused on the acquisition, development and exploration of mineral properties. The Company (through a related party company, prior to the Company's incorporation) and Nationwide Development Corporation ("NADECOR"), a Philippine corporation, entered into a Letter of Intent dated November 10, 2009, and executed a Memorandum of Understanding ("MOU") on April 27, 2010. Under these agreements, subsequent amendments and related agreements, the Company became responsible for providing technical assistance for operations and acquired the right to earn-in an aggregate 60% equity position, through direct and indirect investments, in the King-king Joint Venture envisioned in the MOU. The earn-in is based on expenditures made to benefit the King-king copper gold project (the "Project") as well as direct payments to NADECOR. The MOU will be superseded following fulfillment of the terms of an amended agreement executed during 2013 and amended in August 2014 (Note 5.B).

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

An updated Environmental Impact Statement ("EIS") is in the final stages of review with the Environmental Management Bureau ("EMB"). An EIS is an important precedent to the issuance of an Environmental Compliance Certificate for the Project.

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

These consolidated financial statements ("Financial Statements") were authorized for issue by the Board of Directors on November 12, 2014.

2. Going concern

These Financial Statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business. The Company earns no operating revenues and has incurred an accumulated deficit of over $20 million through September 30, 2014 (December 31, 2013- $17.6 million). Excluding restricted cash of approximately $4 million, the Company had a working capital deficit of approximately $800,000 at September 30, 2014 (December 31, 2013 – working capital of $4.3 million). The Company has $2 million available under a credit facility (Note 5.B); however, additional funds must be raised in order to further develop the Project and ultimately realize a positive economic return. These and other factors represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon obtaining necessary financing to complete permitting activities and placement of the mineral property into commercial production. There can be no assurance that it will be able to complete additional financing. The Financial Statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

3. Significant accounting policies

A. Statement of compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting period ending December 31, 2014. 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, 2013. Accounting policies applied are the same as those applied in the Company's annual financial statements which are filed under the Company's profile on SEDAR at www.sedar.com, with the exception of new and revised accounting standards outlined in Note 3.G. The Financial Statements are prepared as at and for the three and nine months ended September 30, 2014, which is part of the period to be covered by the Company's annual financial statements for the year ending December 31, 2014.

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

B. Basis of presentation

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

Certain prior period information has been conformed to current presentation.

C. Basis of consolidation

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

D. Segment reporting

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

E. Significant accounting estimates, judgments and assumptions

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

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

There were no changes in key estimates, judgments or assumptions since the year ended December 31, 2013.

F. New or revised pronouncements and amendments

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

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Pronouncement	Effective date	Adoption date	Summary of impact
IFRS 15 Revenue from Contracts with Customers The standard replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of sales of some non-financial assets including disposals of property, equipment and intangible assets.	Annual periods beginning on or after January 1, 2017		No material impact

G. Application of new and revised accounting standards

Pronouncement	Effective date	Adoption date	Summary of impact
International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 21 - Levies In May 2013, the IASB issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.	Annual periods beginning on or after January 1, 2014	January 1, 2014	No material impact
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.	Annual periods beginning on or after January 1, 2014	January 1, 2014	No material impact

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

4. Investment in mineral property

The Company's investment in mineral property is secured under its rights under the MOU. Additionally, the Company owns 25% of NADECOR directly (Note 5.D). Management expects to fulfill the terms of the Project Framework Agreement ("PFA") (Note 5.B), which will supersede the terms of the MOU. However, until the PFA is substantially enacted, the MOU is the current contract in force underlying this asset at September 30, 2014.

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

Item	Earn-in amount	September 30, 2014	December 31, 2013
Exclusivity payment to NADECOR (i)	$ 400,000	$ 400,000	$ 400,000
Initial payment to NADECOR (ii)	3,100,000	3,100,000	3,100,000
Initial BFS funding (iii)	30,000,000	30,000,000	30,000,000
Incremental BFS funding (iv)	5,000,000	5,000,000	5,000,000
Incremental BFS funding (iv)	8,500,000	8,500,000	8,500,000
Payments to NADECOR (v)	4,000,000	1,231,000	1,231,000
CapEx funding (vi)	32,000,000	9,223,517	5,621,614
Totals	$ 83,000,000	$ 57,454,517	$ 53,852,614

(i) Direct payment to NADECOR made in 2009;

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

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

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

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

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

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

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

Reconciliation of Investment in mineral property to earn-in	September 30, 2014	December 31, 2013
Investment in mining property	$ 51,975,457	$ 48,045,958
Depreciable property (earn-in in full on purchase)	394,939	500,611
Qualifying fundraising costs	1,788,362	1,788,362
Other (i)	3,295,759	3,517,683
Estimated earn-in balance	**$ 57,454,517**	**$ 53,852,614**

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

NADECOR audited earn-in expenditures and amounts remitted under the Reimbursement Agreement (Note 5.A) prior to the execution of the PFA (Note 5.B). The provisions of the Reimbursement Agreement and the PFA included NADECOR's recognition of a minimum of $47,000,000 of the Company's expenditures as valid and NADECOR's waiver and/or expiration of its right to further expenditure audits thereon. In addition, only those expenditures made by the Company following the signing of the PFA could be subject to further audit by NADECOR, should the terms of the PFA not be fulfilled.

There were no indicators of impairment identified and no impairment loss recognized during the nine months ended September 30, 2014, or the year ended December 31, 2013, with respect to the investment in mineral property.

5. Transactions with Nationwide Development Corporation ("NADECOR")

A. Reimbursement Agreement

In April 2013, the Company and NADECOR executed an agreement (the "Reimbursement Agreement") whereby NADECOR would reduce the Company's earned-in amounts classified as CapEx expenditures which were made by the Company in advance of or in excess of the schedule contemplated in the MOU for approximately $40.7 million. The agreement terms have been fulfilled.

B. Project Framework Agreement ("PFA")

On October 3, 2013, the Company, NADECOR and Queensberry Mining & Development Corp. ("Queensberry, Note 9.C) executed the PFA, which was amended in August 2014. In November 2013, NADECOR's shareholders ratified the execution and implementation of the PFA. The Company received shareholder approval and conditional Toronto Stock Exchange approval in December 2013. The Company received shareholder approval and conditional TSX approval in July 2014 for the PFA amendment. Nadecor shareholders approved the PFA amendment in June 2014. The PFA amendment was executed on August 8, 2014. The amended PFA's purpose is to restructure and align NADECOR and the Company's financial interests in the Project. Upon completion of the amended PFA's terms, it will supersede the MOU and related agreements. The primary terms of this agreement, as amended, include the following completed items:

- NADECOR established a mining company (King-king Mining Corporation; "KMC") which is 60% owned by NADECOR and 40% by the Company (in accordance with Philippine nationality requirements). NADECOR is required to transfer the Mineral Production Sharing Agreement ("MPSA") to KMC (Note 6.B);
- The Company extended a credit facility to NADECOR of up to ₱860 million (approximately $20 million), subject to available funds (Note 5.C);
  - During the three months ended September 30, 2014, the Company settled NADECOR debts of $2,442,575 and $2,218,810 in exchange for additions to the receivable from the credit facility (Note 5.C);
- NADECOR reimbursed $2.8 million in Project expenditures to the Company under terms similar to the terms of the Reimbursement Agreement (Note 5.A); and

- NADECOR acknowledged that the Company has earned-in to a 50% economic interest in the Project, which is held through direct and indirect interests compliant with Philippine laws, and this interest remains in effect whether or not the other terms of the PFA are not entirely fulfilled.

The primary terms of the agreement pending completion include:

- The Company's acquisition of 100% of a newly created milling company (King-king Milling Corporation; "MillingCo") from NADECOR by issuing debt payable to NADECOR (MillingCo was incorporated February 7, 2014), and provision of funds to build the mill facility;
- NADECOR's shareholders will acquire the receivable from the Company as a dividend;
- The Company will settle its payable to NADECOR's shareholders in exchange for cash or Company shares from treasury (cash or share settlement is at NADECOR shareholders' discretion), up to a maximum issuance of 185,000,000 shares;
- The execution of an ore sales agreement between MillingCo and KMC, making MillingCo the exclusive buyer of KMC's ore;
- MillingCo's provision of loaned funds for KMC to build mining operation facilities;
- Queensberry will acquire a 20% interest in KMC from Nadecor at cost and certain deadlines in the PFA were amended; and
- A secondary public listing of the Company's shares on the Philippine Stock Exchange.

A credit facility with Queensberry has been arranged, allowing the Company to borrow up to a total of $2 million for general working capital, as needed. This credit facility matures December 31, 2015, and has an interest rate of 10% per annum. No amounts were drawn at September 30, 2014, nor were funds drawn at the date of these Financial Statements.

KMC (Note 6.B) will be loaned $11 million under a credit facility which has been committed to secure land acquisitions ($10 Million) and to compensate Queensberry for certain services provided ($1 million). The Queensberry service contract contains milestone payments related to permitting and transfer of the MPSA to KMC, the Project joint venture. The Company has advanced some of the facility to KMC, and has $4,003,238 of $4,053,126 total restricted cash reserved for local Project expenditures.

C. Note receivable from NADECOR

At September 30, 2014, the Company is owed $5,011,579 under the terms of the facility established by the amended PFA (Note 5.B) (December 31, 2013 – $350,194). The balance includes $2,442,575 (₱110 million) advanced in cash to settle NADECOR's debt to Queensberry and Company shares issued against other NADECOR debts, valued at $2,218,810 (Note 10.A), as well as other advances totaling $350,194. The note matures October 3, 2023, at which time a single installment for principal and accrued interest is due. The maturity date can be extended an additional fifteen years at NADECOR's option. The note accrues interest at one-year LIBOR per annum until the date of commercial production of the Project, at which time interest will accrue at one-year LIBOR plus 2%. The note may be prepaid at any time without premium or penalty, and the maturity date may be extended by 15 years at NADECOR's option.

The Company reported a loss of $726,190 as a result of the issuance of 19 million shares (Note 10.A) in exchange for an addition to the note receivable from NADECOR of $2,218,810. The contract to issue shares created an obligation to issue a fixed amount of shares for a variable financial asset, as the receivable from NADECOR is denominated in Philippine Pesos, different to the functional currency of the Company of US dollars. Therefore, the Company recognized the fair value of a financial liability to issue shares up to the date of the obligation to the date of settlement, which resulted in the recorded loss.

D. Investment in NADECOR

On March 15, 2013, the Company executed an agreement with NADECOR (the "NADECOR Subscription") whereby the Company acquired 25% of NADECOR's common shares for ₱1.8 billion (approximately $43.5

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

million; amount invested at June 30, 2013 - $33,525,165). The terms of this agreement were fully executed in 2013 and the Company holds 25% of NADECOR's issued and outstanding common stock.

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

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

Below is the summarized financial information of NADECOR for the period ended September 30, 2014, acknowledging fair value adjustments made at the date of the acquisition.

Item	September 30, 2014		December 31, 2013	
Current assets	$	250,025	$	503,366
Non-current assets		165,179,909		167,052,892
Current liabilities		(2,755,076)		(2,786,038)
Non-current liabilities		(5,011,579)		(2,819,786)
Net assets	$	157,663,279	$	161,950,434
Share of net assets		25%		25%
Carrying amount on statement of financial position	$	39,415,820	$	40,487,609
Net loss	$	(47,934)	$	(200,000)
Foreign exchange translation loss		(2,012,368)		(11,931,194)
Comprehensive income loss	$	(2,060,302)	$	(12,131,194)
Share of comprehensive loss		25%		25%
Proportionate share of net income loss	$	(11,983)	$	(50,000)
Proportionate share of comprehensive income loss	$	(503,092)	$	(2,982,800)

6. Investments in joint ventures

The Company is invested in two joint ventures.

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

The Company has invested cash totaling $752,913 in KGCMI through September 30, 2014 (December 31, 2013 - $752,913), in exchange for 40% of KGCMI's voting common shares. The Company has also appointed 2 of 6 board seats of KGCMI.

KGCMI was incorporated to become the joint venture entity which will hold the rights to develop and operate the Project. However, NADECOR is arranging for a new entity, King-king Mining Corporation (Note 6.B), to hold the rights to develop and operate the Project. The assets and liabilities of KGCMI will be distributed to the newly formed entity. The Company accounts for this investment using the equity method; accordingly, the investment will be adjusted for the Company's share of profit and loss at each reporting period. As a Project site operating entity, KGCMI's expenses are capitalized, and the Company did not report loss attributable to KGCMI in the Financial Statements.

At September 30, 2014, KGCMI had approximately $14,000 in cash and approximately $210,000 in liabilities.

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

KMC was incorporated on October 30, 2013, to take KGCMI's (Note 5.A) role as the entity which will hold the rights to develop and operate the Project. The Company had invested $58,706 in KMC through September 30, 2014 (December 31, 2013 - $58,706).

KMC is the primary joint venture entity, through which most expenditures are capitalized.

The Company continues to advance funds to KMC for joint venture operations, such as tenement security. The total amount receivable from KGCMI and KMC at September 30, 2014 was $453,917 (December 31, 2013 - $62,567).

KMC had non-current assets of approximately $8 million at September 30, 2014, which included approximately $7 million in capitalized land acquisition costs.

At September 30, 2014, KMC owed the Company $7,006,300 ($7,000,000 for principal and $6,300 for accrued interest) under the credit facility established concurrent with amended PFA (Note 5.B). The credit facility to KMC (Note 5.B) charges interest at the one year LIBOR rate per annum until the date of commercial production, at which time the rate is one year LIBOR plus 2%. The facility is due in one payment in August 2024 and can be paid before maturity without penalty.

7. Notes receivable

The Company holds notes receivable from former employees of the Company (under prior management), which were exchanged for two million shares of the Company. The notes are denominated in Canadian dollars and are reported at the translated U.S. dollar amount of $802,980 (2013 - $846,180). The notes are non-interest bearing and payable to the Company upon the earlier of the sale of the shares by the debtor or December 23, 2015.

8. Property and equipment

	Vehicles	Furniture and fixtures	Equipment	Buildings and leasehold improvements	Totals
Cost balance, January 1, 2013	$ 637,383	$ 141,221	$ 335,030	$ 130,256	$ 1,243,890
Additions	-	-	11,242	-	11,242
Disposals	-	(1,930)	(23,720)	(44,514)	(70,164)
Balance, December 31, 2013	$ 637,383	$ 139,291	$ 322,552	$ 85,742	$ 1,184,968
Additions	-	40,192	13,157	-	53,349
Disposals	(60,649)	-	(8,696)	-	(69,345)
Balance, September 30, 2014	$ 576,734	$ 179,483	$ 327,013	$ 85,742	$ 1,168,972
Accumulated depreciation, January 1, 2013	$ 206,679	$ 21,226	$ 131,745	$ 35,699	$ 395,349
Additions	112,291	43,353	105,033	26,908	287,585
Disposals	-	(892)	(20,847)	(19,753)	(41,492)
Balance, December 31, 2013	$ 318,970	$ 63,687	$ 215,931	$ 42,854	$ 641,442
Additions	44,283	22,616	61,901	13,337	142,137
Disposals	(42,448)	-	(8,696)	-	(51,144)
Balance, September 30, 2014	$ 320,805	$ 86,303	$ 269,136	$ 56,191	$ 732,435
Net book value, December 31, 2013	**$ 318,413**	**$ 75,604**	**$ 106,621**	**$ 42,888**	**$ 543,526**
Net book value, September 30, 2014	**$ 255,929**	**$ 93,180**	**$ 57,877**	**$ 29,551**	**$ 436,537**

There were no indicators of impairment identified and no impairment loss recognized during the nine months ended September 30, 2014, or the year ended December 31, 2013, with respect to property and equipment.

9. Related party transactions

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

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

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

A. Transactions with officers and directors

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

	Three months ended September 30,		Nine months ended September 30,	
Compensation	**2014**	**2013**	**2014**	**2013**
Officer salaries and director compensation	$ 296,250	$ 724,733	$ 1,243,375	$ 2,267,375
Share-based compensation	228,482	225,134	503,224	885,815
Total	**$ 524,732**	**$ 949,867**	**$ 1,746,599**	**$ 3,153,190**

B. Transactions with Other Related Parties

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

	Three months ended September 30,		Nine months ended September 30,	
Transactions	**2014**	**2013**	**2014**	**2013**
Services rendered:				
Norton Rose Canada LLP (i)	$ 28,606	$ 43,931	$ 91,641	$ 112,050
Reimbursement of third party expenses incurred on the Company's behalf:				
Russell Mining Corporation (ii), (iii)	46,754	48,064	147,334	139,567
Total	**$ 75,360**	**$ 91,995**	**$ 238,975**	**$ 251,617**

	Three months ended September 30,		Nine months ended September 30,	
Transactions	**2014**	**2013**	**2014**	**2013**
Charges for reimbursement from:				
Russell Mining Corporation (ii), (iii)	$ 36,417	$ 23,322	$ 95,169	$ 166,089
Josephine Mining Corp. (iii)	-	2,427	9,271	44,384
Casa Grande Resources LLC (iii)	-	74,613	21,052	174,700
Total	**$ 36,417**	**$ 100,362**	**$ 125,492**	**$ 385,173**

Related party receivable	**September 30, 2014**	**December 31, 2013**
Josephine Mining Corp. (iii)	$ -	$ 173,577
Russell Mining Corporation (ii), (iii)	-	21,033
Total	**$ -**	**$ 194,610**

Related party balances payable	**September 30, 2014**	**December 31, 2013**
Norton Rose Canada LLP (i)	$ 24,549	$ 27,267
Russell Mining Corporation (ii), (iii)	3,636	-
Total	**$ 28,185**	**$ 27,267**

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

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

(ii) Russell Mining Corporation ("RMC") is a large shareholder (owning over 10% of issued and outstanding shares) and is party to several of the Company's agreements and has key managers in common with the Company. The Company is a sub-lessee to RMC's office lease, and has effectively prepaid its remaining lease obligation (Note 13.C).

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

C. Queensberry

The Company and Queensberry are party to agreements described in Notes 5 and Note 10. Queensberry's Chief Executive Officer ("CEO"), Manuel Paolo A. Villar, is also the CEO of the Company and Chairman of the Board of Directors of the Company. Queensberry is the Company's largest shareholder.

10. Shareholders' equity

A. Share capital

In January 2013, the warrant holder from the Company's common share unit issuance in October 2012, Queensberry, exercised 3,750,000 whole warrants at $0.2563 per share for proceeds to the Company of $937,098, net of issue costs of $24,027.

In April 2013, the Company issued 3,750,000 shares pursuant to a warrant exercise by Queensberry for gross proceeds of $937,098, net of issue costs of $24,027.

In May 2013, the Company and Queensberry executed an agreement whereby Queensberry increased its investment in the Company by subscribing for 55,000,000 treasury shares at $0.20 per share, for gross proceeds of $11,000,000; the related issuance costs were $275,000. Net proceeds from share capital transactions during the six months ended June 30, 2013, totaled $12,623,222.

In July 2014, the Company closed a private placement with Queensberry. The placement was for 145,000,000 shares at a subscription price of $0.10 per share, for a total investment of $14.5 million. After related fees of $362,500, net proceeds were $14,137,500.

Under the terms of the amended PFA (Note 5.B), the Company issued 19,000,000 shares to settle certain Nadecor debts, which increased the Company's note receivable from Nadecor. The shares were valued at $2,218,810, which was the value of the debts settled to the underlying creditors. The Company credited equity for this amount, as well as loss attributable to the change in the fair value of the liability of $726,190 (Note 5.C), for a total of $2,945,000.

B. Share option reserves

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

Share option reserves totalled $11,528,497 at September 30, 2014 (December 31, 2013 - $10,990,066), equalling charges of $538,431 during the nine months ended September 30, 2014 (2013 - $956,274); of this amount, $324,048 was expensed and $214,383 was capitalized to the investment in mineral property (2013 - $535,367 and $420,907 respectively). The portion expensed is included in wages and share-based payments on the statements of comprehensive loss.

On March 11, 2014, 2,780,000 stock options were granted to employees and directors of the Company. One third of the options vested on the grant date, one third will vest on March 11, 2015 and the final third will vest on March 11, 2016. The options are exercisable at CDN$0.20 and expire on March 11, 2019.

On April 2, 2014, 409,500 stock options, with exercise prices of CDN$0.175, were granted to employees of the Company. The options vested one third upon grant, an additional third will vest on April 2, 2015, and the final third will vest on April 2, 2016. These options expire April 2, 2019.

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

In July 2014, the Company issued 2,050,000 incentive options to directors, officers and consultants. These options are exercisable at $0.14 for a period of 5 years. Of these options, 990,000 vested immediately. The remaining 1,060,000 options vested one third immediately, one third on July 1, 2015 and one third on July 1, 2016.

i. Continuity schedule of stock options (dollars in CDN$)

	Exercise price range	Number of options outstanding	Weighted average exercise price
Balance, January 1, 2013	$0.20 - 1.54	27,201,167	$ 0.88
Grants	$0.20 - 0.30	400,000	0.24
Forfeitures	$0.25 - 1.54	(6,972,333)	1.32
Balance, December 31, 2013	**$0.20 - 1.54**	**20,628,834**	**$ 0.72**
Grants	$0.14 - 0.30	5,239,500	0.17
Forfeitures	$0.40 - 0.42	(1,557,332)	0.71
Balance, September 30, 2014	**$0.14 - 1.54**	**24,311,002**	**$ 0.61**

The fair value of options granted are estimated using the Black-Scholes option pricing model. The assumptions in the table below are based on the weighted average of grants issued during the nine months ended September 30, 2014:

Black Scholes assumptions - share options		
Input	**2014**	**Basis of input**
Risk free interest rate	1.20%	Bank of Canada's published bond yields
Expected volatility	103%	The Company's historical volatility
Expected life, years	3	Contract terms
Expected forfeiture rate	11%	Management's expectation over the remaining term of the options
Expected dividend yield	0%	Management's expectation over the remaining term of the options

ii. Summary of share options outstanding and exercisable at September 30, 2014 (dollars in CDN$)

	Outstanding			Exercisable		
Exercise prices	Number outstanding	Weighted average exercise price	Weighted average remaining years	Number outstanding	Weighted average exercise price	Weighted average remaining years
$0.14 to $0.50	16,286,002	$ 0.30	3.36	11,870,858	$ 0.31	3.17
$0.51 to $0.75	1,500,000	0.57	1.95	1,500,000	0.57	1.95
$0.76 to $1.00	1,975,000	0.97	1.51	1,975,000	0.97	1.51
$1.54	4,550,000	1.54	1.37	4,550,000	1.54	1.37
Totals	**24,311,002**	**$ 0.61**	**2.75**	**19,895,858**	**$ 0.68**	**2.50**

11. 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 include the effects of instruments, such as share options and warrants, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the three and nine months ended September 30, 2014 and 2013; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of comprehensive loss. Diluted loss per share did not include the effect of share purchase options and warrants as they were anti-dilutive.

12. Capital management

The following table summarizes the accounts under the Company's capital management program at September 30, 2014, and December 31, 2013:

	September 30, 2014	December 31, 2013
Cash and cash equivalents	$ 367,671	$ 6,293,357
Restricted cash	4,053,126	250,100
Share capital	123,776,256	106,693,756
Share option reserves	11,528,497	10,990,066

At September 30, 2014, approximately $160,000 (December 31, 2013 - $5.9 million) was held in banks in the Philippines denominated in the Philippine Peso; $4,003,238 in restricted cash (Note 5.B) was held in banks in the Philippines denominated in U.S. dollars. The balance of cash and cash equivalents at September 30, 2014, and December 31, 2013, was held in USA and Canadian banks.

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.

13. Commitments and contingencies

A. NADECOR

i. Commitments related to NADECOR

The Company's commitments to NADECOR are described in Note 4.

ii. NADECOR shareholder dispute

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

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

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

B. Investments in joint ventures

i. KGCMI

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

ii. KMC

King-king Mining Corporation (Note 6.B), the entity to which NADECOR's shareholders have approved the transfer of the MPSA, was incorporated in October 2013.

KMC has a $3 million commitment to complete a land acquisition on final completion of a lands sale and purchase agreement.

C. Office lease agreement

The Company's remaining office lease commitment to RMC (Note 9.B), was settled during the nine months ended September 30, 2014, in exchange for amounts due from JMC, a related party (Note 9.B).

D. Other

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