St. Augustine Gold and Copper Limited

Consolidated Financial Statements

As at and for the years ended December 31, 2014 and 2013
Presented in U.S. dollars

Dated as of March 19, 2015

Management's Responsibility for Financial Statements

In management's opinion, the accompanying consolidated financial statements of St. Augustine Gold and Copper Limited have been prepared within reasonable limits of materiality and in accordance with International Financial Reporting Standards. The determination of many assets and liabilities necessarily involves the use of estimates and approximations. These have been made using careful judgment and with all information available up to March 19, 2015. Management is responsible for all information in the annual report and for the consistency, therewith, of all other financial and operating data presented in this report.

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

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

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

"SIGNED"

Manuel Paolo A. Villar
Chief Executive Officer

"SIGNED"

Maryknoll Zamora
Interim Chief Financial Officer

Makati City, Philippines

March 19, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
St. Augustine Gold and Copper Limited

We have audited the accompanying consolidated financial statements of **St. Augustine Gold and Copper Limited**, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **St. Augustine Gold and Copper Limited** as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Vancouver, Canada
March 19, 2015

Chartered Accountants

Table of contents to the consolidated financial statements

Notes to the unaudited condensed interim consolidated financial statements

St. Augustine Gold and Copper Limited
Consolidated statements of financial position
As at December 31, 2014 and 2013
(Presented in U.S. dollars)

	Notes	December 31, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents		$ 10,385,283	$ 6,293,357
Restricted cash	12	40,000	250,100
Prepaids and other current assets		132,676	370,948
Notes receivable	6	775,800	-
Total current assets		11,333,759	6,914,405
Non-current assets			
Investment in mineral property	3	$ 53,269,409	$ 48,045,958
Investment in NADECOR	4.D	40,113,500	40,487,609
Note receivable from NADECOR	4.C	5,077,120	350,194
Investments in joint ventures	5	764,275	811,619
Advances to joint ventures	5.B	713,572	62,567
Note receivable from joint venture	5.B	7,015,750	-
Notes receivable	6	-	846,180
Property and equipment	7	361,744	543,526
Other non-current assets		939,878	937,078
Total non-current assets		$ 108,255,248	$ 92,084,731
Total assets		**$ 119,589,007**	**$ 98,999,136**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued wages		$ 1,546,601	$ 2,643,026
Due to related parties	8.B	28,504	27,267
Total current liabilities		$ 1,575,105	$ 2,670,293
Shareholders' equity			
Share capital	9.A	$ 129,922,867	$ 106,693,756
Share option reserves	9.B	11,951,374	10,990,066
Warrant reserves	9.C	1,215,488	-
Accumulated deficit		(20,507,249)	(17,593,396)
Accumulated other comprehensive loss		(4,568,578)	(3,761,583)
Total shareholders' equity		$ 118,013,902	$ 96,328,843
Total liabilities and shareholders' equity		**$ 119,589,007**	**$ 98,999,136**
Commitments and contingencies	14		

The accompanying notes are an integral part of these 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	Year ended December 31, 2014	2013
Operating expenses			
Wages and share-based payments	9.B	$ 446,117	$ 2,136,997
General and administrative costs		1,762,903	1,756,382
Total operating expenses		$ 2,209,020	$ 3,893,379
Other income and expense			
Interest income		$ 47,411	$ 35,230
Interest expense		(977)	-
Change in fair value of warrant liability		-	755,509
Foreign exchange gain (loss)		121,358	(68,796)
Loss on share forward contract	4.C	(726,190)	-
Total other income (loss)		$ (558,398)	$ 721,943
Loss from investment in NADECOR	4.D	32,866	50,000
Loss from investments in joint ventures	5.B	44,976	-
Net loss before income tax expense		**$(2,845,260)**	**$ (3,221,436)**
Income tax expense		68,593	50,000
Net loss		**$(2,913,853)**	**$ (3,271,436)**
Foreign exchange translation loss		(806,995)	(3,809,502)
Total comprehensive loss		**$(3,720,848)**	**$ (7,080,938)**
Net loss per common share, basic and diluted		$ (0.01)	$ (0.01)
Weighted average common shares outstanding, basic and diluted		569,681,411	464,853,114

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

St. Augustine Gold and Copper Limited
Consolidated statements of cash flows
For the years ended December 31, 2014 and 2013
(Presented in U.S. dollars)

	Notes	Year ended December 31, 2014	2013
Cash flows from operating activities			
Net loss		$ (2,913,853)	$ (3,271,436)
Share-based compensation expense, net of capitalized amounts	9.B	339,198	607,935
Loss on share forward contract	4.C	726,190	-
Non-cash fair value adjustment of warrant liability		-	(755,509)
Effects of foreign currency changes		(121,358)	(136,016)
Deduct interest income (reported under investing activities)		(47,411)	(35,230)
Reversal of bonus accrual, net of amount capitalized	8.A	(520,081)	-
Loss from investment in NADECOR	4.D	32,866	50,000
Loss from investments in joint ventures	5.B	44,976	-
Changes in assets and liabilities			
Decrease (increase) in prepaids, other current assets and accruals		417,876	(63,462)
Increase in other non-current assets		(2,800)	(437,078)
Income tax payments		(29,195)	(50,000)
Net cash used by operating activities		$ (2,073,592)	$ (4,090,796)
Cash flows from investment activities			
Increase in investment in mineral property	3	$ (5,348,020)	$ (9,042,551)
Investment in NADECOR	4.D	-	(43,520,407)
Reimbursement of invested amounts	4.B	-	43,520,407
Advances to joint ventures	5	(782,750)	(121,274)
Increase in investment in joint ventures		-	(115,619)
Note receivable from NADECOR	4.C	(2,588,101)	(350,194)
Note receivable from joint venture	5.B	(7,000,000)	-
Purchase of property and equipment		-	(11,242)
Proceeds from sale of property and equipment		34,809	-
Changes in non-cash investing working capital		(59,570)	853,623
Interest income		17,169	35,230
Decrease in restricted cash		210,100	-
Net cash used by investing activities		$ (15,516,363)	$ (8,752,027)
Cash flows from financing activities			
Proceeds from common stock and warrants, net of issuance costs	9.A	21,733,127	12,599,194
Net cash provided by financing activities		$ 21,733,127	$ 12,599,194
Net (decrease) increase in cash and cash equivalents		$ 4,143,172	$ (243,629)
Effect of exchange rate changes on cash and cash equivalents		(51,246)	(580,316)
Cash and cash equivalents, beginning of period		6,293,357	7,117,302
Cash and cash equivalents, end of year		**$ 10,385,283**	**$ 6,293,357**
Comprised of:			
Cash		$ 7,065,370	$ 6,006,512
Cash equivalents		3,319,913	286,845
Total cash and cash equivalents, end of year		**$ 10,385,283**	**$ 6,293,357**

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

St. Augustine Gold and Copper Limited
Consolidated statements of changes in shareholders' equity
For the years ended December 31, 2014 and 2013
(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	9.A	7,500,000	3,569,711	-	(1,695,517)	-	-	1,874,194
Share-based compensation	9.B	-	-	1,068,563	-	-	-	1,068,563
Private placement of shares	9.A	55,000,000	10,725,000	-	-	-	-	10,725,000
Foreign exchange translation loss		-	-	-	-	-	(3,809,502)	(3,809,502)
Net loss		-	-	-	-	(3,271,436)	-	(3,271,436)
Balance, December 31, 2013		487,758,334	$ 106,693,756	$ 10,990,066	$ -	$ (17,593,396)	$ (3,761,583)	$ 96,328,843
Private placements of shares	9.A	220,000,000	20,284,111	-	1,215,488	-	-	21,499,599
Issuance of shares for note receivable	9.A	19,000,000	2,945,000	-	-	-	-	2,945,000
Share-based compensation	9.B	-	-	961,308	-	-	-	961,308
Foreign exchange translation loss		-	-	-	-	-	(806,995)	(806,995)
Net loss		-	-	-	-	(2,913,853)	-	(2,913,853)
Balance, December 31, 2014		726,758,334	$ 129,922,867	$ 11,951,374	$ 1,215,488	$ (20,507,249)	$ (4,568,578)	$ 118,013,902

The accompanying notes are an integral part of these 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 in 2013 and amended in August 2014 (Note 4.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 National Instrument 43-101-compliant Preliminary Feasibility Technical Report has been completed and published on SEDAR.

The Philippine Environmental Management Bureau approved the Project Environmental Impact Study and issued the Environmental Compliance Certificate to NADECOR for the King-king Project on February 26, 2015.

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 March 19, 2015.

2. Significant accounting policies

A. Statement of compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting year ended December 31, 2014.

B. Basis of presentation

The Financial Statements have been prepared using historical costs and fair values of certain items. Items 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.

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 Project, is located in the Philippines.

E. Significant accounting estimates, judgments and assumptions

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

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

The most significant judgments and estimates relate to the following:

i. Impairment assessment of investment in mineral property

Management determines at each reporting period whether there are any indicators of impairment. If there are indicators, the carrying value of the investment in mining property is compared to the recoverable amount to calculate the amount of the impairment. If no indicators of impairment are identified, no impairment test is performed. At December 31, 2014 and 2013, the Company determined that there are no indicators of impairment. In making this determination, management believes that the Company and NADECOR have complied with the terms of the Mineral Production Sharing Agreement ("MPSA") agreement with the Philippine government and that the Company and NADECOR will be able to continue to obtain, as needed, the approvals from the government that are required under the MPSA in order to develop and complete the King-king project, including the renewal of the MPSA in 2017.

ii. Determination of cash generating units

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

iii. Depreciation and impairment of property and equipment

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

iv. Significant influence over associates

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

v. Determination of joint control

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

vi. Share-based payments

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

vii. Fair values of warrants

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

viii. Deferred taxes

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; there were none recognized at December 31, 2014 or 2013.

F. Functional and presentation currency

The Company's functional and presentation currency is the U.S. dollar ("$"). The functional currency of one subsidiary with material activity is the Philippine peso, and the functional currency of King-king Mining Corporation ("KMC"), NADECOR and King-king Gold and Copper Mines, Inc. ("KGCMI") is the Philippine peso.

G. Foreign currency

i. Foreign currency transactions

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

ii. Foreign operations

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

H. Income taxes

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

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

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

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

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

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

I. Cash and cash equivalents

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

J. Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment is related to the actual costs and expenses associated with placing the property in service. Property and equipment is classified by type (building or leasehold improvement, vehicle, equipment, and furniture and fixtures) and by useful life (3, 5, or 10 years). All property and equipment has been depreciated on a straight-line basis over the useful life of the asset. When components of an item of property and equipment have different useful lives, they are depreciated separately. The gain or loss on disposal of any item of property is determined by comparing the proceeds from disposal with the carrying amount of the property and any gain or loss is recognized in the statement of comprehensive loss. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each reporting period, and adjusted prospectively, if appropriate.

K. Investment in mineral property

The Company's directed purpose is to develop the Project under an agreement with NADECOR and will ultimately receive up to an aggregate 60% interest in a joint venture based upon certain required expenditures. Those expenditures which are directly allowed under the MOU are included in the investment in mineral property account. Amounts not allowed to earn-in, following NADECOR's audit, are either reported in the investment in mineral property under IFRS 6 – Exploration for and Evaluation of Mineral Resources, or expensed, depending on the character of the expenditure. Under the terms of the MOU, accrued amounts earn-in upon cash settlement and NADECOR's audit. As more fully described in Note 4.B, an agreement was signed in October 2013 and amended in August of 2014, which will supersede the terms of the MOU.

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

L. Impairment of non-financial assets

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

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

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

M. Financial instruments

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

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

Financial instruments are measured at fair value and categorized into one of three hierarchy levels (Note 13).

i. Loans and receivables

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

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

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

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

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

iii. Impairment of financial assets

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

Objective evidence of impairment could include the following:

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

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

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

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

iv. Derecognition of financial assets

A financial asset is derecognized when:

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

v. Equity and financial liabilities

Equity

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

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

Financial liabilities

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

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

N. Share-based payments

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

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

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

O. Loss per share

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

P. Leases as lessee

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

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

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

Q. Provisions

The Company reports provisions when the following conditions are met:

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

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

R. Investments in other entities

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

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

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

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

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

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

S. Application of new and revised accounting standards

i. 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. The standard did not materially impact the Company's financial statements.

ii. IAS 32 - Financial Instruments Offsetting Financial Assets and Financial Liabilities

The amendment provides further clarification on the application of the offsetting requirements. The Company will adopt the amendments to IAS 32 in the financial statements effective January 1, 2014. The standard did not materially impact the Company's financial statements.

iii. IAS 36 Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36

The amendments are effective for annual periods beginning on or after January 1, 2014. The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair valueless costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets within definite useful lives. This requirement has been deleted by the amendment. The standard did not materially impact the Company's financial statements.

iv. Annual improvements 2010-2012 Cycle

These improvements are effective from July 1, 2014, and did not have a material impact on the Company. They include:

IFRS 2 Share-based Payments

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- a performance condition must contain a service condition;
- a performance target must be met while the counterparty is rendering service;
- a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- a performance condition may be a market or non-market condition; and
- if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

v. Annual improvements 2011-2013 Cycle

These improvements are effective from July 1, 2014, and did not have a material impact on the Company. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

T. New or revised pronouncements and amendments

i. IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

ii. IFRS 15 Revenue from Contracts with Customers

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

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date. No material impact is expected upon adoption.

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

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

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

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

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

v. Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments will not have any impact on the Company's consolidated financial statements.

vi. Annual improvements 2012-2014 Cycle

These improvements are effective from January 1, 2016, and are not expected to have a material impact on the Company. They include:

IAS 34 – Interim financial reporting

This improvement is applied retrospectively, and clarifies the requirement to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the Management Discussion and Analysis). Other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

vii. Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)

The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016, with earlier application permitted. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. Upon adoption, these amendments may impact the Company in respect of future sale or contribution of assets with its associates or joint ventures.

Other amendments also clarify the accounting for investment entities. The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

As well, only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 allow the investor, when applying the equity method to an associate or joint venture that is an investment entity, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are not expected to have any impact on the Company.

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

3. Investment in mineral property

The following table summarizes changes to the investment in mineral property for the years ended December 31, 2014 and 2013:

	Year ended December 31,	
	2014	**2013**
Begnning balance	$ 48,045,958	$ 81,347,929
Reimbursements from NADECOR (Note 4.B)	-	(43,520,407)
Additions	5,258,750	10,428,587
Foreign exchange translation effects	(35,299)	(210,151)
Total	**$ 53,269,409**	**$ 48,045,958**

The above table reflects capitalized depreciation of $178,846 (2013 - $287,585) (Note 7), and capitalized share-based payments of $622,110 (2013 – 460,628) (Note 9.B), as well as the reversal of previously capitalized bonus charges of $855,894.

The Company's investment in mineral property is secured under its rights under the MOU. Additionally, the Company owns 25% of NADECOR directly (Note 4.D). Management expects to fulfill the terms of the Project Framework Agreement ("PFA") (Note 4.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 December 31, 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	December 31, 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	10,157,686	5,621,614
Totals	$ 83,000,000	$ 58,388,686	$ 53,852,614

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

(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 capital expenditure (“CapEx”) commitment should the terms of the PFA not be completed.

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

Reconciliation of Investment in mineral property to earn-in	December 31, 2014	December 31, 2013
Investment in mining property	$ 53,269,409	$ 48,045,958
Depreciable property (earn-in in full on purchase)	340,675	500,611
Qualifying fundraising costs	1,788,362	1,788,362
Other (i)	2,990,240	3,517,683
Estimated earn-in balance	$ 58,388,686	$ 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 4.A) prior to the execution of the PFA (Note 4.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 years ended December 31, 2014 and 2013, with respect to the investment in mineral property.

4. Transactions with Nationwide Development Corporation

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 were fulfilled in 2013.

B. Project Framework Agreement (“PFA”)

On October 3, 2013, the Company, NADECOR and Queensberry Mining & Development Corp. (“Queensberry, Note 8.C) executed the PFA, which was amended in August 2014. In November 2013, NADECOR’s shareholders ratified the execution and implementation of the PFA. The Company received shareholder approval and conditional Toronto Stock Exchange (“TSX”) approval in December 2013. The Company received shareholder approval and conditional TSX approval in July 2014 for the PFA amendment. NADECOR shareholders approved the PFA amendment in June 2014. The PFA amendment was executed on August 8,

2014. The amended PFA's purpose is to restructure and align NADECOR and the Company's financial interests in the Project. Upon completion of the amended PFA's terms, it will supersede the MOU and related agreements. The primary terms of this agreement, as amended, include the following completed items:

- 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 5.B);
- The Company extends a credit facility to NADECOR of up to ₱860 million (approximately $20 million), subject to available funds (Note 4.C);
  - During 2014 the Company settled NADECOR debts of ₱110 million (approximately $2.5 million) and $2,218,810 in exchange for additions to the receivable under the credit facility (Note 4.C);
- In 2013 NADECOR reimbursed $2,800,000 million in Project expenditures to the Company under terms similar to the terms of the Reimbursement Agreement (Note 4.A), such that total reimbursements totalled $43,520,407; and
- In 2013 NADECOR acknowledged that the Company has earned-in to a 50% economic interest in the Project, and this interest remains in effect whether or not the other terms of the PFA are not entirely fulfilled.

The primary terms of the agreement pending completion are:

- 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; and
- A secondary public listing of the Company's shares on the Philippine Stock Exchange.

A credit facility with Queensberry was arranged during 2014, allowing the Company to borrow up to a total of $2 million for general working capital, as needed. No amounts were borrowed and the facility was terminated concurrent with the private placement of equity closed in December 2014 (Note 9.A).

KMC (Note 5.B) will be loaned $11 million under a credit facility which has been committed to secure land acquisitions ($10 Million) and to compensate Queensberry (Note 8.C) 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 $7 million of the facility to KMC as at December 31, 2014.

C. Note receivable from NADECOR

At December 31, 2014, NADECOR owed the Company $5,077,120 under the terms of the facility established by the amended PFA (Note 4.B) (December 31, 2013 – $350,194). The balance includes ₱110 million (approximately $2.5 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 9.A), as well as other advances and accrued interest. Cash advanced during 2014 totalled $2,588,101 (2013 - $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.

The Company reported a loss of $726,190 as a result of the issuance of 19 million shares (Note 9.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 ($43,520,407). The terms of this agreement were fully executed in 2013 and the Company holds 25% of NADECOR’s issued and outstanding common stock.

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

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

Below is the summarized financial information of NADECOR prepared under IFRS for the years ended December 31, 2014, and 2013, acknowledging fair value adjustments made at the date of the acquisition.

Item	December 31, 2014	December 31, 2013
Current assets	$ 275,130	$ 503,366
Non-current assets	165,941,118	167,052,892
Current liabilities	(685,129)	(2,786,038)
Non-current liabilities	(5,077,120)	(2,819,786)
Net assets	$ 160,453,999	$ 161,950,434
Share of net assets	25%	25%
Carrying amount on statement of financial position	$ 40,113,500	$ 40,487,609
Net loss	$ (131,465)	$ (200,000)
Foreign exchange translation loss	(1,364,969)	(11,931,194)
Comprehensive loss	$ (1,496,434)	$ (12,131,194)
Share of comprehensive loss	25%	25%
Proportionate share of net loss	$ (32,866)	$ (50,000)
Proportionate share of comprehensive loss	$ (341,242)	$ (2,982,800)

5. Investments in joint ventures

The Company is invested in two joint ventures.

A. King-king Gold and Copper Mines, Inc.

The Company has invested cash totaling $752,913 in KGCMI through December 31, 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. At December 31, 2014, the Company was owed $61,479 for advances made to KGCMI (2013 - $62,567).

KGCMI was incorporated to become the joint venture entity to hold the rights to develop and operate the Project. However, NADECOR is arranging for a new entity, King-king Mining Corporation (Note 5.B), to hold the rights to develop and operate the Project. It is expected that the assets and liabilities of KGCMI will be distributed to 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 December 31, 2014, KGCMI had approximately $12,000 in cash and approximately $21,000 in liabilities.

B. King-king Mining Corporation

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 December 31, 2014 (December 31, 2013 - $58,706).

The Company continues to advance funds to KMC for joint venture operations, such as tenement security. At December 31, 2014, the Company was owed $652,093 for advances made to KMC (2013 - nil). The total amount receivable from KGCMI and KMC at December 31, 2014 was $713,572 (December 31, 2013 - $62,567).

At December 31, 2014, KMC owed the Company $7,015,750 ($7,000,000 for principal and $15,750 for accrued interest) under the credit facility established concurrent with amended PFA (Note 4.B). The credit facility to KMC (Note 4.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.

Below is the summarized financial information of KMC prepared under IFRS for the years ended December 31, 2014 and 2013.

Item	December 31, 2014	December 31, 2013
Current assets	$ 125,980	$ 140,875
Non-current assets	8,108,517	37,356
Current liabilities	(1,298,220)	(31,466)
Non-current liabilities	(6,907,871)	-
Net assets	$ 28,406	$ 146,765
Share of net assets	40%	40%
Carrying amount on statement of financial position	$ 11,362	$ 58,706
Net loss	$ (112,439)	$ -
Foreign exchange translation loss	(5,920)	-
Comprehensive loss	$ (118,359)	$ -
Share of comprehensive loss	40%	40%
Proportionate share of net loss	$ (44,976)	$ -
Proportionate share of comprehensive loss	$ (2,368)	$ -

6. 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 $775,800 (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.

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

7. 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	34,949	-	815	-	35,764
Disposals	(87,352)	(30,955)	(31,904)	-	(150,211)
Balance, December 31, 2014	$ 584,980	$ 108,336	$ 291,463	$ 85,742	$ 1,070,521
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	60,781	30,236	69,922	17,907	178,846
Disposals	(80,803)	(14,155)	(16,553)	-	(111,511)
Balance, December 31, 2014	$ 298,948	$ 79,768	$ 269,300	$ 60,761	$ 708,777
Net book value, December 31, 2013	**$ 318,413**	**$ 75,604**	**$ 106,621**	**$ 42,888**	**$ 543,526**
Net book value, December 31, 2014	**$ 286,032**	**$ 28,568**	**$ 22,163**	**$ 24,981**	**$ 361,744**

There were no indicators of impairment identified and no impairment loss recognized during the year ended December 31, 2014 or 2013 with respect to property and equipment. Depreciation capitalized into the mineral asset during 2014 was $178,846 (2013 - $287,585).

8. Related party transactions

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

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

A. Transactions with officers and directors

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

	Year ended December 31,	
Compensation	**2014**	**2013**
Officer salaries and director compensation	$ 1,577,566	$ 3,004,648
Share-based compensation	932,014	1,000,990
Total	**$ 2,509,580**	**$ 4,005,638**

During 2014, the Company reversed bonuses of $1,375,975 which were accrued at December 31, 2013. Approximately $1 million of this amount was attributable to officers and directors; this amount is excluded from the compensation in 2014 presented directly above. Of the total bonus reversal, $520,081 was attributed to expenses during 2014.

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

B. Transactions with Other Related Parties

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

	Year ended December 31,	
Transactions	**2014**	**2013**
Services rendered:		
Norton Rose Canada LLP (i)	$ 101,299	$ 217,361
Reimbursement of third party expenses incurred on the Company's behalf:		
Russell Mining Corporation (ii), (iii)	188,072	188,123
Total	**$ 289,371**	**$ 405,484**

	Year ended December 31,	
Transactions	**2014**	**2013**
Charges for reimbursement from:		
Russell Mining Corporation (ii), (iii)	$ 116,384	$ 332,443
Josephine Mining Corp. (iii)	9,271	44,384
Casa Grande Resources LLC (iii)	21,052	485,245
Total	**$ 146,707**	**$ 862,072**

Related party receivable	**December 31, 2014**	**December 31, 2013**
Josephine Mining Corp. (iii)	$ -	$ 173,577
Russell Mining Corporation (ii), (iii)	21,276	21,033
Queensberry (Note 8.C)	55,358	-
NADECOR (Note 4.C)	5,077,120	350,194
KMC note receivable (Note 5.B)	7,015,750	-
KMC advances receivable (Note 5.B)	652,093	-
KGCMI advances receivable (Note 5.A)	61,479	62,567
Total	**$ 12,883,076**	**$ 607,371**

Related party balances payable	**December 31, 2014**	**December 31, 2013**
Norton Rose Canada LLP (i)	$ 24,868	$ 27,267
Russell Mining Corporation (ii), (iii)	3,636	-
Total	**$ 28,504**	**$ 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 14.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 4 and Note 9. 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.

9. Shareholders' equity

A. Share capital

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

In 2013 Queensberry exercised 7,500,000 whole warrants at $0.2563 per share for proceeds to the Company of $1,874,194, net of issue costs of $48,056. Warrant reserves of $1,695,517 were recorded into share capital upon exercise of the warrants.

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, for net proceeds of $10,725,000.

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 4.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 4.C), for a total of $2,945,000.

In December 2014, the Company closed a private placement of 75,000,000 equity units ("Units") to Queensberry and other parties. Each Unit, priced at $0.10 per, was comprised of one common share and half of a warrant (a "Warrant"), each whole Warrant entitling the holder to subscribe for a common share for $0.15. After related fees of $137,901, net proceeds were $7,362,099. The warrant component of the Units was valued at $1,215,488 and was reported in warrant reserves (Note 9.C); accordingly, a net charge of $6,146,611 was recorded in share capital due to this private placement. This private placement replaced a credit facility previously available from Queensberry (Note 4.B).

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 $11,951,374 at December 31, 2014 (December 31, 2013 - $10,990,066), equalling charges of $961,308 during the year ended December 31, 2014 (2013 - $1,068,563); of this amount, $339,198 was expensed and $622,110 was capitalized to the investment in mineral property (2013 - $607,935 and $460,628 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.

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

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.

In July 2014, the Company issued 2,050,000 incentive options to directors, officers and consultants. These options are exercisable at CDN$0.14 for a period of five 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.

In November 2014, the Company issued 150,000 incentive options to employees. These options are exercisable at CDN$0.10 for a period of five years. Of these options, 100,000 vested on November 12, 2014, and 50,000 will vest on March 31, 2015.

In December 2014, the Company issued 5,800,000 incentive options to consultants and officers. These options are exercisable at CDN$0.13 for a period of five years. These options vested on December 30, 2014.

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
Expired	$0.25 - 1.54	(6,972,333)	1.32
Balance, December 31, 2013	**$0.20 - 1.54**	**20,628,834**	**$ 0.72**
Grants	$0.10 - 0.20	11,189,500	0.15
Expired	$0.14 - 1.54	(4,050,666)	0.58
Balance, December 31, 2014	**$0.14 - 1.54**	**27,767,668**	**$ 0.51**

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 year ended December 31, 2014:

Black Scholes assumptions - share options		
Input	**2014**	**Basis of input**
Risk free interest rate	1.12%	Bank of Canada's published bond yields
Expected volatility	105%	The Company's historical volatility
Expected life, years	3	Contract terms
Expected forfeiture rate	13%	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 December 31, 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**
$0.10 to $0.50	20,417,668	$ 0.26	3.68	18,302,018	$ 0.27	3.61
$0.51 to $0.75	1,300,000	0.55	1.74	1,300,000	0.55	1.74
$0.76 to $1.00	1,850,000	0.98	1.26	1,850,000	0.98	1.26
$1.54	4,200,000	1.54	1.12	4,200,000	1.54	1.12
Totals	**27,767,668**	**$ 0.51**	**3.04**	**25,652,018**	**$ 0.54**	**2.94**

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

C. Warrant reserves

i. Warrants outstanding and exercisable

At December 31, 2014, 37,500,000 warrants were outstanding and exercisable at $0.15 until December 22, 2016.

ii. Valuation of grants during 2014

The 37,500,000 warrants issued in 2014 as part of the Unit placement described at Note 9(a) were valued at $1,215,488, on the date of issuance using the following assumptions:

Black Scholes assumptions - warrants		
Input	**2014**	**Basis of input**
Risk free interest rate	1.02%	Bank of Canada's published bond yields
Expected volatility	100%	The Company's historical volatility
Expected life, years	1	Contract terms
Expected dividend yield	0%	Management's expectation over the remaining term of the options

10. Income taxes

A. Current income taxes

The major components of income tax expense for the years ended December 31, 2014 and 2013 are:

	December 31,	
	2014	**2013**
Current tax expense	$ 68,593	$ 50,000
Deferred tax expense	-	-
Income tax expense	$ 68,593	$ 50,000

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

A reconciliation between tax expense and the accounting loss multiplied by the Company's domestic tax rate for the years ended December 31, 2014 and 2013 is as follows:

	December 31,	
	2014	**2013**
Expected tax benefit at statutory income tax rate of 0%	$ -	$ -
Tax rate differential	(6,333)	(182,238)
Permanent differences	(40,830)	62,373
Deferred tax asset not recognized	77,326	200,862
Other	38,430	(30,997)
Tax Expense	$ 68,593	$ 50,000

B. Unrecognized tax losses / unrecognized deductible temporary differences

As of December 31, 2014, the Company has estimated non-capital losses for foreign income tax purposes that may be carried forward to reduce taxable income derived in future years, totaling approximately $1,600,000 for which no deferred tax asset was recognized. The majority of the operating losses were incurred in the Philippines, $1,165,000 and begin expiring in 2015. The remaining operating losses of $400,000 incurred in the Netherlands and $35,000 in Canada begin expiring in 2020. The Company had net operating loss carryforwards of approximately $260,000 (₱11,590,000) which expired unused during the year ended December 31, 2014.

11. Earnings per share ("EPS")

A. Basic EPS

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

B. Diluted EPS

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

The Company reported net losses for the years ended December 31, 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 December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Cash and cash equivalents	$ 10,385,283	$ 6,293,357
Restricted cash	40,000	250,100
Share capital	129,922,867	106,693,756
Share option reserves	11,951,374	10,990,066

At December 31, 2014, approximately $41,000 (December 31, 2013 - $5.9 million) was held in banks in the Philippines denominated in the Philippine Peso and approximately $7 million in cash was held in banks in the Philippines denominated in U.S. dollars. The balance of cash and cash equivalents at December 31, 2014, and December 31, 2013, was held in USA and Canadian banks. At December 31, 2014, the Company reported $40,000 in restricted cash which secures a $40,000 line of credit (2013 - $250,010).

The Company's objectives and continued financing of its commitments under its agreements with NADECOR (Note 4) are dependent on the ability to raise funds until mineral production commences.

13. Financial instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks. At December 31, 2014, the Company's financial instruments include cash and cash equivalents, advances to joint ventures, notes receivable and accounts payable and due to related party for which there are no differences in the carrying values and fair values, due to their short-term nature. The types of risk exposures are detailed below.

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

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

Cash and cash equivalents are measured using Level 1 inputs.

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 significant amounts of cash and cash equivalents in financial institutions located in the Philippines and in North America. The Company carries credit risk through its long-term receivables from NADECOR (Note 4C) and KMC (Note 4.B, Note 5.B). The Company's receivable from NADECOR is secured by a 30% interest in KMC, and the Company is a common shareholder in both NADECOR and KMC. The Company also carries credit risk through its notes receivable (Note 6), advances to joint ventures (Note 5) and other current and non-current assets. Other current assets include tax refunds collectible and are considered to be low credit risk.

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

B. Liquidity risk

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

Following is a summary of current obligations:

At December 31, 2014	**Less than 1 year**	**1 to 3 years**	**Greater than 3 years**	**Total**
Accounts payable and accrued wages	1,546,601	-	-	$ 1,546,601
Due to related parties	28,504	-	-	28,504
Totals	1,575,105	-	-	1,575,105

C. Foreign exchange risk

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

Foreign Currency Assets		At December 31, 2014			At December 31, 2013		
		Foreign Amount		USD Amount		Foreign Amount		USD Amount
Cash accounts								
Philippine pesos	₱	2,029,023	$	45,299	₱	263,715,587	$	5,938,875
Euros	€	1,157		1,400	€	3,055		4,209
Canadian dollars	C$	-		-	C$	21,831		20,525
Notes receivable	C$	900,000		775,800	C$	900,000		846,180
Total foreign currency assets			**$**	**822,499**			**$**	**6,809,789**

Foreign Currency Liabilities		At December 31, 2014			At December 31, 2013			
		Foreign Amount		USD Amount		Foreign Amount		USD Amount
Accounts payable & accrued liabilities								
Canadian dollars	C$	57,887	$	49,898	C$	35,686	$	33,552
Philippine pesos	₱	6,637,473		148,186	₱	14,684,329		330,691
Euros	€	41,210		49,867	€	36,646		48,334
Hong Kong dollars	HK$	-		-	HK$	125,509		16,191
Total foreign currency liabilities			**$**	**247,951**			**$**	**428,768**

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

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

Based on the above net exposures and assuming that all other variables remain constant, a 10% depreciation of the U.S. dollar against all of the above currencies would result in an increase foreign exchange effects in the period of approximately $65,000 (2013 – $710,000). This sensitivity analysis includes only outstanding foreign currency denominated items.

14. 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 5.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 due upon the finalization of a lands purchase agreement.

C. Office lease agreement

The Company's remaining office lease commitment to RMC (Note 8.B), was settled during 2014 in exchange for amounts due from JMC, a related party (Note 8.B).

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

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.

15. Subsidiaries

A. Listing of subsidiaries consolidated by the Company

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

B. Asset ownership by geographic location

As at December 31, 2014	Philippines	United States	Total
Investment in mining property	$ 53,269,409	$ -	$ 53,269,409
Property and equipment	305,186	56,558	361,744
Totals	$ 53,574,595	$ 56,558	$ 53,631,153
As at December 31, 2013	**Philippines**	**United States**	**Total**
Investment in mining property	$ 48,045,958	$ -	$ 48,045,958
Property and equipment	370,399	173,127	543,526
Totals	$ 48,416,357	$ 173,127	$ 48,589,484

The above table includes non-current assets other than financial instruments.