

**St. Augustine Gold and Copper Limited**

# Annual Information Form

For the year ended December 31, 2016

Dated as of March 29, 2017

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## **Preliminary Notes**

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### **Cautionary Statement Regarding Forward-Looking Information**

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

- Anticipated business activities;
- Future financings
- Planned expenditures;
- Corporate strategies;
- Proposed acquisitions and dispositions of assets;
- Discussions with third parties respecting material agreements;
- Anticipated future production and cash flows; and
- Other statements that are not historical facts.

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

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

### **Date of information**

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In this Annual Information Form, unless the content otherwise requires, references to “our”, “us”, “we”, “its”, “the Company”, or “St. Augustine” means St. Augustine Gold and Copper Limited and its subsidiaries. All of the information contained in this AIF is at December 31, 2016, the last day of the Company’s most recently completed fiscal year, unless otherwise indicated.

### **Documents incorporated by reference**

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This AIF incorporates by reference certain documents filed on the SEDAR system at [www.sedar.com](http://www.sedar.com). Documents incorporated by reference include the NI 43-101 Technical Report Preliminary Feasibility Study titled King-king Copper-Gold Project, with an effective date of February 25, 2013 and filing date of November 1, 2013, (the "Technical Report"), the audited financial statements for the years ended December 31, 2016 and 2015, management's discussion and analysis ("MD&A") for the year ended December 31, 2016, the interim financial statements and MD&A for the three, six and nine month periods ended March 31, 2016, June 30, 2016 and September 30, 2016, respectively, and the information circular dated May 15, 2016.

### **Currency**

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In this AIF, all funds are quoted in United States dollars, unless otherwise indicated. References to "\$" are United States dollars, "CDN\$" are to Canadian dollars, and ₱ refers to Philippine Pesos.

## Glossary of technical terms and abbreviations

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<b>Adit</b>	A type of entrance to an underground mining shaft which is horizontal or nearly horizontal.
<b>Alteration</b>	Changes in the mineral composition of a rock brought about by physical or chemical means, especially the local action of hydrothermal solutions that can be related to mineralization. Common varieties include silicification, (de)carbonatization, oxidation, potassic and argillic alteration.
<b>Assay</b>	To analyze the proportions of metals in mineralized material; to test mineralized material for composition, purity, weight, or other properties of commercial interest.
<b>BFS</b>	A Bankable Feasibility Study determines if it is economically viable to develop the project, operate the facility, and bring the product to market based on: <ul style="list-style-type: none"> <li>• Reasonable forecast market conditions – Current and forecast supply/demand and metal price. This must also consider smelting capacity;</li> <li>• Defined initial capital and sustaining capital cost estimate within +/- 15% accuracy; and</li> <li>• Defined operating cost estimate based on an accuracy of +/-15% forecast.</li> <li>• Reasonable expectation that the project may be permitted.</li> </ul>
<b>Bornite</b>	It is a primary copper sulfide mineral. It is a bronze colored sulfide mineral containing copper and iron that tarnishes rapidly to purple after a freshly broken surface is exposed.
<b>Chalcocite</b>	Generally it is a secondary copper sulfide mineral, though sometimes it is primary. It is a dark lead gray colored sulfide mineral containing copper.
<b>Chalcopyrite</b>	Primary copper sulfide mineral that dominates copper production via concentrate flotation means worldwide. It is a yellow colored sulfide mineral, sometimes confused with gold, containing copper and iron.
<b>Chrysocolla</b>	It is an oxide copper mineral. It is a sky blue to greenish blue and green, often streaked with black oxide mineral containing copper and silica.
<b>Claim</b>	The area that confers mineral exploration/exploitation rights to the registered (mineral/mining) holder under the laws of the governing jurisdiction.
<b>Clastic</b>	A sedimentary rock composed of fragments from pre-existing rock.
<b>Company, the and SAGC</b>	St. Augustine Gold and Copper Limited
<b>Composite</b>	A conceptual whole made up of complicated and related parts; consisting of separate interconnected parts.
<b>Covellite</b>	A secondary sulfide mineral. It is a blue, usually tarnished to purple or black, sulfide mineral containing copper.
<b>CP</b>	Certification Precondition
<b>Cuprite</b>	It is an oxide copper mineral. It is a red to dark red oxide mineral containing copper.
<b>Development</b>	The underground work carried out for the purpose of opening up a mineral deposit and includes shaft sinking, crosscutting, drifting and raising.
<b>Diamond Drilling</b>	Drilling with a hollow bit with a diamond cutting rim, to produce a cylindrical core used for geological study and assays as used in mine exploration.

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<b>Disseminated</b>	The distribution of mineralization usually as small grains randomly distributed throughout the rock mass.
<b>DMPF</b>	Declaration of Mine Project Feasibility
<b>ECC</b>	Environmental Compliance Certificate, which is a document received from the Philippine EMB when the EMB approves the EIS submitted by a company.
<b>EIA</b>	Environmental Impact Assessment
<b>EIS</b>	Environmental Impact Statement
<b>EMB</b>	Philippine Environmental Management Bureau
<b>EY</b>	Ernst and Young LLP
<b>Exploration</b>	Prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore.
<b>Fault</b>	A fracture in a rock along which the adjacent rock surfaces are differentially displaced.
<b>Feasibility stage</b>	An advanced property with Reserves pursuant to either a pre-feasibility or feasibility study but prior to production
<b>Feldspar</b>	A monoclinic or triclinic mineral with the general formula $XZ_4O_8$ where (X= Ba, Ca, K, Na, NH <sub>4</sub> ) and (Z= Al, B, Si); a group containing two high-temperature series, plagioclase and alkali feldspar; colorless or white and clear to translucent where pure; commonly twinned; 90 degrees or near 90 degrees prismatic cleavage; Mohs hardness, Constituting 60% of the Earth's crust, feldspar occurs in all rock types and decomposes to form much of the clay in soil, including kaolinite.
<b>Gabbro</b>	A group of dark-colored, basic intrusive igneous rocks composed principally of basic plagioclase (commonly labradorite or bytownite) and clinopyroxene (augite), with or without olivine and orthopyroxene; also, any member of that group. It is the approximate intrusive equivalent of basalt. Apatite and magnetite or ilmenite are common accessory minerals.
<b>Geochemistry</b>	The study of the distribution and amounts of the chemical elements in minerals, ores, rocks, soils, water, and the atmosphere, and their circulation in nature, on the basis of the properties of their atoms and ions.
<b>Grade</b>	The concentration of an ore metal in a rock sample, given either as weight per cent for base metals (e.g. Cu, Zn, Pb) or in grams per tonne (g/t) or ounces per short ton (oz/t) for gold, silver, and platinum group metals.
<b>Hydrothermal</b>	An adjective applied to hot water, usually from an external source, which interacts with a body of rock, and to the products of that interaction. In some cases hydrothermal fluids interacting with a body of rock produce mineralization.
<b>IFC</b>	International Finance Corporation
<b>I-SEIA</b>	International Social and Environmental Impact Assessment
<b>Lithology</b>	Means the physical character of a rock.
<b>KGCM</b>	King-king Gold and Copper Mines, Inc., a joint venture owned 40% by the Company
<b>King-king Property</b>	This refers to the property located in Mindanao, Philippines, which contains the mineral interests being developed. Also referred to as the "King-king Project" or "the Project".
<b>King-king Technical Report</b>	The technical report dated October 12, 2010, prepared in accordance with national instrument 43-101 of the Canadian Securities Administrators. This report is available at <a href="http://www.sagcmining.com">www.sagcmining.com</a> .
<b>KMC</b>	King-king Mining Corporation, a joint venture owned 40% by the Company

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<b>NADECOR</b>	Nationwide Development Corp., a Philippine corporation with rights to develop the King-king Property
<b>Mafic</b>	Pertaining to or composed dominantly of the ferromagnesian rock forming silicates; said of some igneous rocks and their constituent minerals.
<b>Malachite</b>	A carbonate copper mineral. It is a light to dark green carbonate mineral containing copper.
<b>Mineralization</b>	Commonly used to describe minerals of potential value occurring in rocks.
<b>Mill</b>	A plant where ore is ground fine and undergoes physical or chemical treatment to extract the valuable metals.
<b>MillingCo</b>	King-king Milling Corporation, an entity planned to operating milling operations
<b>MGB</b>	Mines and Geoscience Bureau of the Philippines
<b>MOA</b>	Memorandum of Agreement
<b>MOU</b>	Memorandum of Understanding between NADECOR, RMMU and the Company
<b>MPSA</b>	Mineral Production Sharing Agreement #009-92-XI, as approved and amended by the Government of the Philippines
<b>NCIP</b>	National Commission on Indigenous People
<b>NI 43-101</b>	National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i> of the Canadian Securities Administrators.
<b>Olivine</b>	A mineral group including fayalite, forsterite, liebenbergite, and tephroite, orthorhombic; olive green, grayish green, brown, or black; members intermediate in the forsterite-fayalite crystal solution series are common rock-forming minerals in gabbros, basalts, peridotites, and dunites; alters hydrothermally to serpentine. Fayalite occurs in some granites and syenites, forsterite in thermally metamorphosed dolomites, and tephroite in iron manganese ore deposits and their associated skarns.
<b>Outcrop</b>	Exposure of bedrock at the earth's surface.
<b>Peridotite</b>	Coarse-grained plutonic rock composed chiefly of olivine with or without other mafic minerals such as pyroxenes, amphiboles, or micas, and containing little or no feldspar. Accessory minerals of the spinel group are commonly present. Peridotite is commonly altered to serpentinite.
<b>PFS</b>	Preliminary Feasibility Study
<b>Preliminary Feasibility Study</b>	A comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and an effective method of mineral processing has been determined. This study includes a financial analysis based on a reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve. In order to be in compliance with Canadian National Instrument 43-101 standards, the mine plan, mine statistics and costs must be within +/-25% accuracy.
<b>Qualified person</b>	An individual who: (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation, or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project; and (c) is a member in good standing of a professional association as defined by NI 43-101.
<b>Queensberry</b>	Queensberry Mining & Development Corp., the largest shareholder of the Company

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<b>Recapitalization</b>	The transaction effected on January 7, 2011, whereby the Company acquired all of the issued and outstanding shares of St. Augustine Minerals, Inc. through a share exchange.
<b>RMC</b>	Russell Mining Corporation, the parent company of RMMU.
<b>RMMU</b>	Russell Mining and Minerals, ULC, a British Columbia company with an office in Spokane, Washington. RMMU was formerly Russell Mining and Minerals, Inc. ("RMMI").
<b>Serpentinite</b>	Rock consisting almost wholly of serpentine-group minerals, e.g., antigorite and chrysotile or lizardite, derived from the alteration of ferromagnesian silicate minerals, such as olivine and pyroxene. Accessory chlorite, talc, and magnetite may be present.
<b>Shear</b>	Deformation resulting from stresses that cause or tend to cause contiguous parts of a body to slide relatively to each other in a direction parallel to their plane of contact. It is the mode of failure of a body or mass whereby the portion of the mass on one side of a plane or surface slides past the portion on the opposite side. In geological literature the term refers almost invariably to strain rather than to stress. It is also used to refer to surfaces and zones of failure by shear, and to surfaces along which differential movement has taken place.
<b>Shaft</b>	Vertical passageway to an underground mine for moving personnel, equipment, supplies and material including ore and waste rock.
<b>Spinel</b>	Isometric mineral, crystallizes as octahedra; colorless to pale tints; Mohs hardness, 7.5 to 8; in high temperature metamorphic rocks, contact metamorphosed limestones, serpentinites, and ultramafic rocks; may be of gem quality.
<b>TSX</b>	Toronto Stock Exchange.
<b>Vein</b>	Tabular mineral deposit formed in or adjacent to faults or fractures by the deposition of minerals from hydrothermal fluids.



## Corporate structure

### Name, address and incorporation

The Company was incorporated as Ratel Gold Limited ("Ratel") in the British Virgin Islands pursuant to the BVI Business Companies Act on January 27, 2010. On January 7, 2011, Ratel acquired St. Augustine Mining, Inc. ("SAMI"), which was incorporated on March 31, 2010, pursuant to the Business Corporations Act of British Columbia, Canada. Upon completion of the acquisition of SAMI on January 7, 2011, Ratel changed its name to St. Augustine Gold and Copper Limited. SAMI was dissolved in 2012 without affecting the Company's interests in the Project. MDCI and MDCA were dissolved in 2016 without affecting the Company's interests in the Project.

The Company's corporate office is 28/F, AIA Central No.1, Connaught Road, Central, Hong Kong. An office is also maintained at 5<sup>th</sup> floor Pryce Tower, Pryce Business Park, J.P. Laurel Avenue, Davao City, Philippines.

### Inter-corporate relationships

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

Name	Country of Incorporation	Ownership Interest	Principal Activity
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

\*Dissolved on January 21, 2016

\*\*Dissolved on May 24, 2016

The Company also has equity interests in the following entities:

Name	Country of Incorporation	Ownership Interest	Principal Activity
Nationwide Development Corporation	Philippines	25%	Holding company
King-king Mining Corporation	Philippines	40%	Mining operations
King-king Gold and Copper Mines, Inc.	Philippines	40%	Not active

## General development of the business

### Overview

The Company is an international mineral exploration company. Currently, the Company is engaged in the exploration and evaluation of the King-king Project in the Philippines. In April 2010, NADECOR, RMMU, and the Company entered into the MOU, which was subsequently amended, to develop the King-king Property. The MOU and amendments (collectively the MOU) addresses the formation of a joint venture, the terms of the Company's earn-in and the future development and operational responsibilities for the Project.

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

On October 3, 2013, the Company, NADECOR and Queensberry Mining and Development Corp. (“Queensberry”) executed a Project Framework Agreement (“PFA”). The PFA was amended on August 8, 2014. The PFA’s purpose is to restructure and align NADECOR and the Company’s financial interests in the Project. Upon completion of the PFA’s terms, it will supersede the MOU and related agreements.

The King-king tenement comprises 184 mining claims that are owned by NADECOR under the MPSA, which was approved by the Government of the Philippines on May 27, 1992 and amended December 11, 2002. The MPSA grants NADECOR the exclusive right to explore develop and exploit minerals within the area comprising the King-king deposit.

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

## Three year history

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### 2014

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In July 2014, the Company appointed a new CEO, Manuel Paolo A. Villar, who has been a director of the Company since 2012. Concurrently, Andrew Russell resigned as CEO, but remained with the Company as an Executive Director. In addition, the following directors resigned: Robert Russell, Max Anhoury and Terry Krepiakevich; and the following directors were appointed: Anacordita McGee and Yolanda L. Coronel-Armenta.

On July 17, 2014, the Company closed a private placement with Queensberry for 145,000,000 shares at a subscription price of US\$0.10 per share, for net proceeds of \$14,137,500 after fees of \$362,500. A portion of the proceeds, \$3.5 million, was reserved and used for general working capital purposes and payments to Queensberry on NADECOR’s behalf. The remaining amount was remitted to an account of the Company’s wholly owned Philippine subsidiary, and these funds were set aside for land acquisition and permitting through a Project joint venture, KMC, which will access the funds through a credit facility from the Company. KMC drew \$7 million during 2014. In addition, a line of credit facility with Queensberry was executed, allowing the Company to make drawdowns of up to \$2 million for general working capital, which was subsequently cancelled as part of the December 2014 private placement described below. This credit facility was to mature December 31, 2015, and charge interest at 10% per annum. Finally, approximately \$1 million will be paid to Queensberry for the completion of a permitting milestone and the transfer of the MPSA to KMC.

On August 8, 2014, the Company executed Amended PFA, the terms of which are summarized in the 2013 section of the three year history.

On December 22, 2014, the Company closed a private placement of equity units (“Units”) to Queensberry and other shareholders. The Units were priced at \$0.10 for 75 million Units, which raised gross proceeds of \$7,500,000. The Units included 37,500,000 whole warrants exercisable for once common share at \$0.15 until December 22, 2016. A line of credit facility of up to \$2 million, available from Queensberry, was cancelled as part of this private placement. No funds had been drawn on the facility before cancellation. This transaction increased Queensberry holdings to 290,718,500 common shares, or 40% of total outstanding shares, and it remains the Company’s largest shareholder.

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Additional metallurgical studies on King-king ores were conducted during 2014. The most important study was that on lock cycle flotation of King-king ores containing lower grades of gold (0.1-0.3 g/t Au). This work brought the flotation modeling to the feasibility level for all types of ores at King-king.

### 2015

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Work on revisions to the Environmental Impact Study submitted in 2012 continued during 2014, and the Environmental Management Bureau approved the EIS and issued the Environmental Compliance Certificate to NADECOR for the King-king Project February 26, 2015.

In July 2015, the Company announced the execution of a Memorandum of Agreement dated May 28, 2015 executed between NADECOR, the Mansaka Indigenous Cultural Communities/Indigenous Peoples ("IPs") and the National Commission on Indigenous Peoples ("NCIP"). The MOA is effective for a period of twenty five years. The key features of the agreement are the commitment by NADECOR to pay a royalty fee of one percent of the Project's gross revenues and to provide employment priority to members of the IPs, and the IPs will provide their Free and Prior Informed Consent certificate with respect to the MPSA. The MOA was approved at the Central Office of the NCIP on January 14, 2016 upon issuance of the Certification Precondition ("CP") to NADECOR.

### 2016

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The DMPF (a major project permit) was approved in late December 2015 by the Department of Environment and Natural Resources ("DENR") with the official order of notice to proceed with the project coming January 4, 2016. The King-king Project can proceed with its DENR approved 3 Year Work Plan as soon as the Company is ready to do so.

In April 2016, the Supreme Court of the Philippines issued a Notice of Judgment dated March 9, 2016 on the intra-corporate dispute involving the Company's joint venture partner, NADECOR, and dismissing the petition filed by the Ricafort group which was questioning the legitimacy of the NADECOR Board headed by Mr. Conrado T. Calalang and upholding the decision of the Court of Appeals in finding that the Calalang Board is the legitimate Board. A Motion for Reconsideration was filed by the Ricafort group and remains pending before the Supreme Court.

The DMPF approved by the DENR in December 2015 was amended with the Integrated King-king Copper-Gold Project document in March 2016. This permit amendment to the DMPF was approved by the DENR in May 2016. The Integrated Project basically implements the Original Project in two (2) stages within the same area of the same facilities. The Stage 1 portion of the Project would probably mine and process 1.1 million TPY of high grade mixed copper oxide-sulfide ore by sulfide flotation and agitation tailing leach-SXEW. Stage 2 would be almost the same project originally described in the December 2015 approved DMPF and would follow Stage 1.

In June 2016, the MGB issued an order approving the assignment of the MPSA to Kingking Mining Corporation ("KMC") pursuant to the deeds of assignment dated October 22, 2010 and November 25, 2013.

On August 8, 2016, the Company announced that DENR through MGB has approved the renewal of the amended MPSA for another 25 years term.

The King-king project lands were approved for re-classification to heavy industrial use by the Municipal Planning and Development Office ("MPDO") in August 2016. These are lands that will have project facilities on them, some examples are the processing and tailing-storage sites.

On February 22, 2017, KMC received show cause order from the DENR directing KMC to explain why the MPSA should not be cancelled for being located within watershed areas.

On February 27, 2017, management of KMC responded to the show cause order stating that there are no grounds to validly cancel, terminate or suspend the MPSA.

## **Business description**

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### **General**

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#### **Summary**

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

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

Based on the current status of the Project, as more fully described in the NI 43-101 Technical Report Preliminary Feasibility Study titled King-king Copper and Gold Project, the Company can project mineral production and resultant financial returns. Through this technical report, effective in February 2013 and filed on Sedar on November 1, 2013, a portion of the King-king resource (981 million tonnes) qualifies as a mineral reserve (618 million tonnes). A Mineral Reserve is defined as those parts of Mineral Resources which, after the application of all mining factors, result in an estimated tonnage and grade which, in the opinion of the Qualified Person(s) making the estimates, is the basis of an economically viable project after taking account of all relevant processing, metallurgical, economic, marketing, legal, environment, socio-economic and government factors. Tables 1 and 2 below illustrate projected metal production and after tax project economics. Also presented below, at Table 3, is a summary of the first five years of operating results, which are the primary drivers of the PFS economic results.

The results of the PFS show that the Project will generate an estimated after-tax net present value of \$1.8 billion and an estimated after tax internal rate of return of 24.0% using \$3.00 per pound of copper and \$1,250 per ounce of gold, and a discount rate of 8%.

**Table 1 – Projected metal production**

Year	Concentrator						Heap Leach
	Flotation				Agitated Leach	Gravity Gold	Cathode Copper
	Recovered Concentrate	Recovered Copper	Recovered Gold	Recovered Silver	Cathode Copper	Gold Bullion	
	kt	klbs	kozs	kozs	klbs	kozs	
-1	-	-	-	-	-	-	82,704
1	191	130,051	228	593	173,580	25	96,240
2	157	101,356	310	486	118,427	34	97,410
3	163	97,265	388	507	78,348	43	70,516
4	181	110,358	385	563	44,219	43	34,021
5	225	137,958	310	696	28,404	34	32,039
6	209	127,522	279	649	37,317	31	16,211
7	199	125,372	157	617	31,310	17	18,625
8	157	91,630	240	485	26,559	27	10,923
9	213	130,290	225	660	-	25	8,769
10	192	110,541	252	594	-	28	3,080
11	184	104,676	225	571	-	25	64
12	165	88,446	240	512	-	27	10,149
13	210	122,289	141	651	-	16	-
14	203	116,809	165	630	-	18	-
15	188	103,462	179	583	-	20	-
16	160	81,938	202	497	-	22	-
17	141	70,481	209	436	-	23	-
18	134	68,708	195	415	-	22	-
19	120	57,279	176	373	-	20	-
20	88	36,606	197	274	-	22	-
21	104	44,832	95	322	-	11	-
22	129	62,938	78	399	-	9	-
23	44	23,039	15	138	-	2	-
<b>Total</b>	<b>3,758</b>	<b>2,143,846</b>	<b>4,889</b>	<b>11,650</b>	<b>538,163</b>	<b>543</b>	<b>480,751</b>

**Table 2 - Summary of after-tax Project economics**

Key Financial Results (Life of Mine)	Amount
Revenue	\$ 15.4 billion
Operating Margin	\$ 8.9 billion
Net Income	\$ 5.0 billion
NPV @ 5%	\$ 2.6 billion
NPV @ 8%	\$ 1.8 billion
IRR	24%
Payback	2.4 years
Initial Capital	\$ 2.0 billion

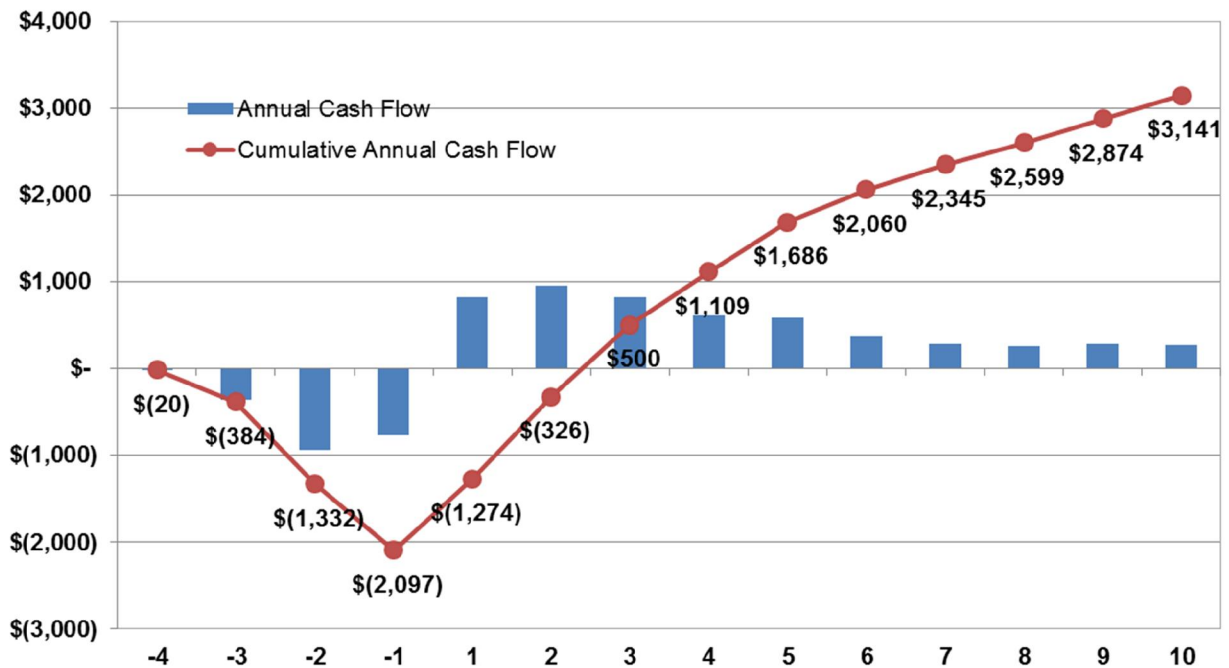
**Table 3 – Summary of first five years of operations**

5 year summary	Year 1	Year 2	Year 3	Year 4	Year 5	5 year total	5 year average
<b>Revenue (\$000,000's)</b>							
Cu/Au/Ag Concentrate	\$ 627	\$ 648	\$ 730	\$ 762	\$ 745	\$ 3,512	\$ 702
Copper Cathode	809	648	447	235	181	2,320	464
Gold Bullion	32	43	54	53	43	225	45
<b>Total Revenue</b>	<b>\$ 1,468</b>	<b>\$ 1,339</b>	<b>\$ 1,231</b>	<b>\$ 1,050</b>	<b>\$ 969</b>	<b>\$ 6,057</b>	<b>\$ 1,211</b>
Operating Margin %	71%	68%	65%	62%	59%	69%	69%
Operating Margin	\$ 1,103	\$ 951	\$ 837	\$ 6,800	\$ 601	\$ 4,172	\$ 834
Net Income	\$ 913	\$ 764	\$ 653	\$ 496	\$ 420	\$ 3,245	\$ 649
Annual Cash Flow	\$ 823	\$ 949	\$ 826	\$ 608	\$ 577	\$ 3,783	\$ 757

Chart 1, below, presents management’s projection of Project cash flows from the start of construction (year -4) and ten years after construction is complete (year 10).

**Chart 1 – Projected Project cash flows**

**Project Cash Flow (\$, millions) - Year -4 to 10**



Much of 2015's work was directed toward permitting the project, which was completed in 2015 (ECC issued February 26, 2015 and MGB approval on December 29, 2015). The Company's technical staff is managing permitting and engineering activities for the Project.

#### Production

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The Company is evaluating an integrated project approach for developing King-king because of current and projected market conditions for the next few years. An integrated project means the project may be executed in stages rather than the whole project in one step, while still meeting the total production estimates shown above in table 1.

#### Specialized skill and knowledge

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

#### Competitive conditions

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

#### Cycles

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

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

#### Economic dependence and changes to contracts

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

##### *Memorandum of Understanding with NADECOR ("MOU")*

The Company's investment in mineral property is secured under its rights under the MOU. Management expects to fulfill the terms of the PFA, which will supersede the terms of the MOU. However, the MOU is the current contract in force underlying the Company's only significant assets at December 31, 2016.

Under the terms of the MOU, the Company can earn an economic interest in the Project by making the following payments and expending funds for project development, bankable feasibility expenses and other capital expenditures as follows:

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

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

- i. Direct payment to NADECOR made in 2009;
- ii. \$3,000,000 was paid in 2010. The remaining \$100,000 was paid during 2012;
- iii. Direct project expenditures made during 2011 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 the \$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 the 2011, \$981,000 was paid, and the balance is expected to be paid if the terms of the PFA are not fulfilled; and
- vi. Total capital expenditures based on planned mine throughput. The minimum commitment is \$32,000,000, and is subject to adjustment depending on the planned throughput of the mine. PFS results indicate throughput would increase the Company's CapEx commitment should the terms of the PFA not be completed.

*Project Framework Agreement*

On October 3, 2013, the Company, NADECOR and Queensberry 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 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:

- In 2013, NADECOR established a mining company KMC which is 60% owned by NADECOR, 40% by the Company, and 20% by Queensberry (in accordance with Philippine nationality requirements). NADECOR is required to transfer the MPSA to KMC;
- The Company extended a credit facility to NADECOR of up to ₱860 million (approximately \$20 million), subject to available funds;
- 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;
- NADECOR reimbursed \$2.8 million in Project expenditures to the Company under terms similar to the terms of the Reimbursement Agreement (described below), such that total reimbursements totaled \$43,520,407;



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- NADECOR acknowledged that the Company has earned-in to a 50% economic interest in the Project, which is held through direct and indirect interests compliant with Philippine laws, and this interest remains in effect whether or not the other terms of the PFA are not entirely fulfilled; and
- In June 2016, MGB approved the assignment of MPSA to KMC.

The primary terms of the agreement pending completion are:

- The Company's acquisition of 100% of MillingCo from NADECOR by issuing debt payable to NADECOR (MillingCo was incorporated on 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.

### *NADECOR Investment*

On March 15, 2013, the Company executed an agreement with NADECOR (the "NADECOR Subscription") whereby the Company acquired 25% of NADECOR's common shares for ₱1.8 billion (approximately \$43.5 million). The Company remitted \$43,520,407 (₱1.8 billion) to NADECOR, and received 3 billion shares of NADECOR, which represents 25% of NADECOR's issued and outstanding common stock.

### *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. NADECOR agreed to remit approximately \$40.7 million, payable in tranches. The agreement terms have been fulfilled.

### *Environmental protection requirements*

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

### *Employees*

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The Company presently has approximately 20 regular employees in the Philippines. Additionally, the Company employs temporary workers in the Philippines, on an as-needed basis.

### *Foreign operations*

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

#### Bankruptcy and similar procedures

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

#### Lending

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The Company has notes receivable and advances receivable from NADECOR, KMC and KGCMI. Cash and other payments and accrued interest have resulted in approximately \$4.9 million receivable from NADECOR at December 31, 2016. Cash loaned and accrued interest have resulted in approximately \$7.8 million receivable from KMC at December 31, 2016. Cash advanced to KMC and KGCMI totaled approximately \$1.5 million at December 31, 2016.

#### Reorganizations

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The Company completed a recapitalization in January 2011.

#### Social or environmental policies

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

As mentioned above, an ECC for the King-king Copper-Gold Project was issued to the joint venture partner, NADECOR, in February 2015. A DMPF document package was submitted to the Region XI MGB in December 2014. These documents were endorsed by Region XI to the Central MGB in January 2015 and subsequently approved and issued to NADECOR in January 2016. The issued ECC along with an approved DMPF would allow the Project to be advance towards production if market conditions are favorable.

In conjunction with these activities, the Company is actively engaging with the local communities in transparent communications regarding the sustainable development of the Project. The Company is also engaged in the free, prior and informed consent ("FPIC") process to obtain the CP from the indigenous people as defined by the Philippine NCIP and IFC. CP was issued to NADECOR in January 2016.

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

### **Risk factors**

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

#### No history of earnings

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The Company has no history of earnings. The Company's property is in the evaluation stage.

#### Development may not result in commercial production of the mineral deposit

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As mentioned above under the “Production” section, the Company is evaluating an integrated approach to development of the project. Work on an integrated project bankable feasibility study may start in 2017, which management expects will confirm the project will be feasible. However, during the bankable feasibility stage certain conditions may change that reduces the project economics and make it less likely to be a successful mine, particularly metal prices for copper and gold. Thus, there is no guarantee that the project will be found to be feasible at the end of the study.

Should the project be determined to be feasible after completion of the bankable feasibility study, the project may advance further in its development and go into the long-lead-time equipment procurement and detailed engineering stages. World copper and gold market factors or capital costs could change during this phase and prevent advancing development into construction and bringing the mine into production.

Even if the development should reach the completion of construction world markets for copper and gold and/or costs of production may change substantially and reduce margins significantly, making the mine unprofitable or extending mine payback to an intolerable length. These conditions may require the mine to delay or indefinitely suspend production and shut down.

Although substantial benefits may be derived from developing the King-king deposit, it may not be possible to fund development on a timely basis.

#### Uninsured or uninsurable risks

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

#### Operating hazards and risks

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

#### Environmental risks, regulations, permits and licenses and other regulatory requirements

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Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, imports and exports, labor standards, waste disposal, taxes and royalties, mine decommissioning and rehabilitation, protection and remediation of the environment, mine safety, toxic substances, transportation safety and other matters.

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

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

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

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

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

With the designation of Ms. Regina Paz Lopez as the DENR secretary, it is recognized that the mining industry is under scrutiny given the anti-mining advocacy espoused by said secretary-designate. The Company is confident that it can withstand procedural and legal examination.

#### Competition for new properties

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

#### Dependence on management

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The Company is largely dependent on the performance of its directors and officers. There is no assurance the Company will be able to maintain the services of its directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse effect on the Company and its prospects. The Company has not advanced a mineral exploration project into production before, and has never operated a mine.

#### Resource estimates may be imprecise

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The estimates of resources disclosed in this AIF, including the anticipated tonnages and grades that will be achieved or the indicated level of recovery that will be realized, are estimates and no assurances can be given as to their accuracy. Such estimates are largely based on interpretations of geological data obtained from drill holes and other sampling techniques and from metallurgical tests performed on drill hole samples. Actual mineralization or formations and metal recoveries may be different from those predicted. It may also take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a deposit may change. Resource estimates are materially dependent on prevailing metal prices and the cost of recovering and processing minerals at the mine site. Market fluctuations in the price of metals or increases in the costs to recover metals from the project may render the mining of ore reserves uneconomical and materially adversely affect the Company's operations.

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

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

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

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

The aggregate effect of these factors on metal prices is not possible to predict. Should prevailing metals prices remain depressed to the point that planned production costs exceed revenues, it may result in a deferral or curtailment of development and exploration activities. The Company would need to assess the impact of any sustained lower metal prices on the quantity of mineral resources that may be economically available. These factors could have an adverse impact on the Company's future cash flows, earnings, operations and financial condition, which may have an adverse impact on the share price.

The following table summarizes copper and gold prices for the past five years and through the date of this AIF through 2017:

<b>Average annual market prices (US\$)</b>		
<b>Year</b>	<b>Copper (lb)</b>	<b>Gold (oz)</b>
2008	3.11	880
2009	2.41	981
2010	3.45	1,233
2011	4.02	1,568
2012	3.63	1,681
2013	3.22	1,394
2014	3.10	1,255
2015	2.50	1,160
2016	2.21	1,248
2017*	2.65	1,208

*Source: Monthly spot prices per London PM Fix – Kitco (Gold) and London Metal Exchange (Copper) and [indexmundi.com](http://indexmundi.com). Copper and gold spot pricing dropped below \$3.00 per pound and \$1,250 per ounce, respectively, in 2016. The Company's PFS uses \$3.00 per pound for copper pricing and \$1,250 per ounce for gold pricing and the resulting project economics. Management's long term expectations for copper prices have not changed based on the short-term decrease and long term forecast.*

*\*Most current data available through the date of this AIF.*

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### Future financing

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

### Future acquisitions

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

### Volatility of share price

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

### Dividends

---

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

### No assurance of consistently producing positive cash flows

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

### Conflicts of interest

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

#### Reliability of historical information

---

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

#### Currency exchange rates

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

#### Current global economics conditions

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

Governmental response to current global economic conditions in developing countries is trending towards nationalism of natural resources. The Company's risk with respect to governmental nationalization of assets or significant changes in the tax structure is in the Philippines. Management currently has no reason to expect the Philippine government to take full or partial control of the Project; however, this is a risk beyond the Company's control. In addition, the Philippine government is undergoing a review of the tax and royalty structure that involves revisions to the mining law.

#### Foreign operations and joint venture risk

---

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

The Company's interest in the Project is held in part by way of agreements and also through a direct interest in NADECOR and a jointly owned mining entity. With respect to the Company's interest by way of agreements, the Company is relying upon its joint venture partner to fulfill its obligations under these agreements. If it should fail to do so, the Company's first level of recourse is through arbitration in Singapore. One of the Company's other recourse options is to the Philippine courts, which may not operate in the same manner as those in Canada and the United States.

#### Service of process

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Certain directors and officers of the Company reside outside of the United States. Therefore, it may be difficult to effect service of process (service of legal proceedings) on such directors and officers.

#### Single property

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

## King-king property

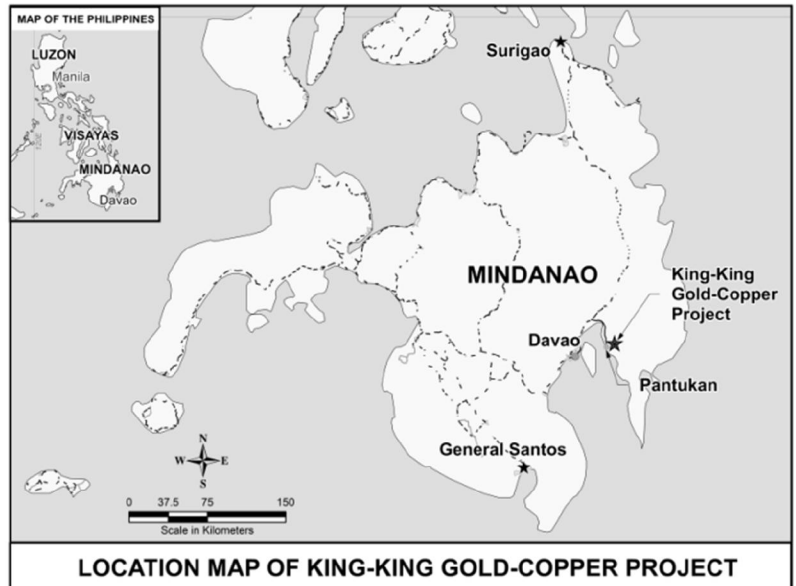
This AIF incorporates by reference the NI 43-101 Technical Report Preliminary Feasibility Study titled King-king Copper-Gold Project, effective February 25, 2013 and filed on November 1, 2013 which is available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com) or on the Company’s website at <http://sagcmining.com/>. The QPs of this report are: Joshua W. Snider, P.E.; Art S. Ibrado, Ph. D., QP Member, MMSA; Michael G. Hester, FAusIMM; Don Earnest, P.Geo., SME Registered Member; John G. Aronson, Certified Senior Ecologist; Ronald J. Roman, P.E., D.Sc.; Charles C. Rehn, P.E., SME Registered Member and Greg J. Harbort, RPEQ, FAusIMM BE (Met), Ph.D.

Other disclosures of a scientific or technical nature in this AIF with respect to the Project were prepared by, or under the supervision of James Moore, P.E., SME Registered Member, the Company’s Consulting Engineer; Mr. Moore is a “qualified person” for the purposes of National Instrument 43-101 of the Canadian Administrators (“NI 43-101”).

### Property description, location and mineral resource

The King-king property is centered at approximate geographical coordinates 7°11’31”N Latitude and 125°58’24”E Longitude on the Philippine Island of Mindanao. The project site is located at Sitio Gumayan, Barangay King-king, Municipality of Pantukan, Province of Compostela Valley, in Mindanao.

The King-king property is one of the largest copper-gold proven and probable mineral reserves in the world. The proven mineral reserves are 99.1 million tonnes at 0.349% total copper, 0.132% soluble copper and 0.514 grams per tonne (g/t) gold. The probable mineral reserves are 518.8 million tonnes at 0.290% total copper, 0.075% soluble copper, and 0.373 grams per tonne (g/t) gold. The proven and probable mineral reserve consists of 4.1 billion pounds (1.9 million tonnes) of contained copper and 7.8 million troy ounces (0.24 million kilograms) of contained gold.





Mineral reserve

Reserve Classification	Ktonnes	Tot Cu (%)	Sol Cu (%)	Gold (g/t)	NSR (US\$)
<b>Proven Mineral Reserve</b>					
Heap Leach Ore	17,791	0.340	0.197	0.132	16.53
Oxide Mill Ore	21,674	0.514	0.328	0.849	45.36
Sulfide Mill Ore	52,942	0.305	0.044	0.543	24.92
Low Grade Mill Ore	6,734	0.184	0.027	0.218	10.80
<b>Total Proven Reserve</b>	<b>99,141</b>	<b>0.349</b>	<b>0.132</b>	<b>0.514</b>	<b>26.92</b>
<b>Probable Mineral Reserve</b>					
Heap Leach Ore	77,373	0.305	0.172	0.145	14.81
Oxide Mill Ore	45,440	0.393	0.259	0.745	35.30
Sulfide Mill Ore	345,715	0.288	0.037	0.398	20.48
Low Grade Mill Ore	50,247	0.191	0.023	0.211	10.93
<b>Total Probable Reserve</b>	<b>518,775</b>	<b>0.290</b>	<b>0.075</b>	<b>0.373</b>	<b>20.01</b>
<b>Proven/Probable Mineral Reserve</b>					
Heap Leach Ore	95,164	0.311	0.177	0.143	15.13
Oxide Mill Ore	67,114	0.432	0.281	0.779	38.55
Sulfide Mill Ore	398,657	0.290	0.038	0.417	21.07
Low Grade Mill Ore	56,981	0.190	0.023	0.212	10.91
<b>Total Prov/Prob Reserve</b>	<b>617,916</b>	<b>0.300</b>	<b>0.084</b>	<b>0.395</b>	<b>21.12</b>

A Mineral Reserve is defined as those parts of Mineral Resources which, after the application of all mining factors, result in an estimated tonnage and grade which, in the opinion of the Qualified Person(s) making the estimates, is the basis of an economically viable project after taking account of all relevant processing, metallurgical, economic, marketing, legal, environment, socio-economic and government factors. The most significant assumptions used in the PFS are metals prices of \$3.00 copper, \$1,250 gold, and an 8% discount rate. The preliminary feasibility study lists all assumptions used, and can be found on Sedar.

Land area and mining claim description

The King-king tenement has a total land area of 1,548 hectares.

All mineral resources within the Republic of the Philippines are owned by the State and, unless otherwise closed, withdrawn or claimed, are open to exploration by way of mining claims, leases or agreements with the Philippine government. The King-king deposit is located within the boundaries of the King-king MPSA, which was approved by the government on May 27, 1992 for an initial term of 25 years and covers approximately 1,656 hectares. The MPSA was amended on December 11, 2002 to bring it in line with Republic Act No. 7942, otherwise known as "The Philippine Mining Act of 1995." The MPSA was renewed for another 25 years on August 8, 2016. The MPSA is in favor of NADECOR as Claim Owner-Leaseholder and Benguet as Operator. It grants to NADECOR (owners) and Benguet the exclusive right to explore, develop, mine and operate minerals within the tenement area, including surface access to exercise such rights. As discussed elsewhere in this AIF, Benguet relinquished all rights, title and interest in the King-king MPSA, as well as a 1981 operating agreement between NADECOR and Benguet Production from Benguet. The MPSA is subject to a government share (royalty) comprised of an excise tax, which are payable in addition to other prescribed taxes and fees.

The King-king MPSA is a conversion of mining leases covering 184 mining claims that are owned by NADECOR, which the MPSA has been assigned to KMC in 2016.

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

#### Environmental liabilities

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There are no known environmental liabilities associated with this property.

#### Environmental and permitting

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An ECC was issued February 26, 2015 for the Project. This milestone represents a significant accomplishment for the Project and reduces Project risk. With the ECC in hand, the other major permits may be pursued; the DMPF, plus several minor permits required to put the project into production may be pursued simultaneously. In addition, on January 4, 2016, the MGB approved the DMPF which authorized NADECOR and the Company to proceed in the development, construction and operation of the King-king Project per approved plans and strategies.

On February 22, 2017, KMC received a show cause order from the DENR directing KMC to explain why the MPSA should not be cancelled for being located within watershed areas.

On February 27, 2017, management of KMC responded to the show cause order stating that there are no grounds to validly cancel, terminate or suspend the MPSA.

In the Company's view, the likelihood of the MPSA being cancelled is remote.

#### Geology

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The King-king deposit is a porphyry copper-gold deposit hosted primarily by porphyritic hornblende diorites, submarine volcanic rocks, and volcanoclastic sediments. The intrusive rocks are believed to be Miocene in age, while the volcanic wall rocks are Cretaceous to early Tertiary. Copper and gold mineralization occurs at or near the apex of the composite diorite intrusive complex within the intrusive rocks and extends well into the surrounding wall rocks.

The majority of the sulfide copper mineralization in the King-king deposit consists of chalcopyrite and bornite, with lesser amounts of chalcocite, digenite, and covellite. Rapid regional uplift and erosion likely caused the nearly complete removal of a classical leached cap and eroded or prevented the development of typically thick oxide and supergene enriched zones such as those found in other major porphyry deposits. Copper mineralization in the oxide zone is observed in silicates and phosphates. Copper silicates are the most abundant oxide mineral group present, with copper silicates minerals containing MgO and FeO being the most prevalent of this group in the oxide zone. Gold is relatively abundant in the oxide zone, in free form formerly in association with the original copper and iron sulfides before they oxidized. Gold also occurs in the sulfide zone of the deposit in free form in close association with bornite and as exsolution intergrowths in other sulfides, particularly pyrite and chalcopyrite. Native gold is occasionally observed on fractures and in quartz veinlets.

In general terms, the King-king gold-copper deposit is consistent in type and form with other bulk-tonnage copper-gold porphyry deposits of the Philippines and elsewhere in the world. The deposit is low in pyrite, averaging less than one percent by volume FeS<sub>2</sub>. This is reflected by the relative absence of a pyrite halo that is commonly developed around many porphyry copper deposits. For process development purposes, two types of mineralization are considered: sulfide and oxide (which includes mixed oxide-sulfide material).

#### Exploration

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Exploration of the King-king deposit has spanned several decades and represents the efforts of numerous companies and individuals. A significant portion of past work focused on drilling to explore, define and confirm the economic potential of the property. The interpretation of the exploration work performed to date indicates that the King-king deposit is a significant copper-gold porphyry system with the potential to become an economically profitable project. The drilling performed through 1998 (Echo Bay period) has also been used to develop an NI 43-101 compliant mineral resource for the deposit as referenced to in the Technical Report.

The exploration data provided by previous owners was validated by SAGC and its contractors. They then used the data to assist with other analyses.

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SAGC and its contractors have drilled 14 holes in the King-king deposit area. Six holes were for geotechnical purposes. Four holes were for hydrogeology purposes. Three holes were for mine and metallurgy purposes and another hole solely for metallurgy purposes. Initial analysis shows new holes information has better grade overall compared to block model.

Hole	No. of Composites	Copper (%)			Gold (g/t)		
		Comp	Block	% Diff	Comp	Block	% Diff
SAG-01	33	0.400	0.273	31.8%	0.318	0.201	36.8%
SAG-02	28	0.200	0.282	-41.0%	0.131	0.141	-7.6%
SAG-03	24	0.218	0.255	-17.0%	0.181	0.102	43.6%
SAH-01	17	0.203	0.317	-56.2%	0.122	0.068	44.3%
SAH-02	11	0.251	0.198	21.1%	0.095	0.102	-7.4%
SAM-01	15	0.861	0.386	55.2%	0.489	0.551	-12.7%
Total	128	0.337	0.284	15.7%	0.226	0.184	18.6%

Three companies completed exploration-level drilling campaigns on the King-king property - Mitsubishi Metal Mining Corp., Benguet Corporation (Benguet), and Echo Bay Mines Ltd. (Echo Bay). The database provided to Independent Mining Consultants (IMC) represents 276 drill holes totaling 89,922 meters of diamond core and reverse circulation (RC) holes. In addition to this historic drilling, SAGC commissioned 14 holes in 2011: three holes (SAG-01 through SAG-03) designed to further evaluate local areas of the deposit for enhancements to mineral resource estimation (and for metallurgical testing), six holes (SAGT-01 through SAGT-06) to gather geotechnical data for pit slope design, one hole to provide samples for further metallurgical testing (SAM-01), and four holes to provide hydrogeologic data for open pit dewatering well design. The total depth of the 14 holes is 5,980 meters.

Estimates of mineralized tonnage and grade for the King-king deposit have historically been based upon assays derived from drilled intercepts. Approximately 33,660 samples were collected over the course of the project and processed by four separate analytical laboratories that include Benguet's in-house laboratories at Dizon and Balatoc, McPhar Laboratory in Manila and Inchcape Laboratories in Manila. The sample preparation was completed by the companies previously working on the project.

Sample preparation and analysis procedures for the Benguet and Echo Bay drilling campaigns were acceptable. Similar procedures for the Mitsubishi drilling program of 1969-1972 were not available for review, nor are the sample security procedures (chain of custody) known for this program. The chain of custody procedures employed by Echo Bay is believed to have been adequate.

### Social acceptance

Project support from the local population was memorialized with the July 2015 MOA executed between NADECOR, the Mansaka Indigenous Cultural Communities/Indigenous Peoples and the National Commission on Indigenous Peoples. The MOA is effective for a period of twenty five years. The key features of the agreement are the commitment by NADECOR to pay a royalty fee of one percent of the Project's gross revenues and to provide employment priority to members of the IPs, and the IPs will provide their Free and Prior Informed Consent certificate with respect to the MPSA, which supported issuance of the DMPF in January 2016.

## Dividends and distributions

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

## Description of capital structure

The authorized capital of the Company consists of an unlimited number of common shares without par value. 726,758,334 common shares are issued and outstanding through the date of this document.

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

## Market for securities

### Trading price and volume

Following is a summary of the trading prices, in CDN\$, and average daily volume on the TSX since January 2016.

Month	Month end close	High	Low	Average close	Average daily volume
January-2016	\$ 0.11	\$ 0.13	\$ 0.10	\$ 0.11	28,575
February-2016	0.11	0.11	0.09	0.11	31,975
March-2016	0.10	0.11	0.09	0.10	98,195
April-2016	0.10	0.10	0.09	0.10	41,619
May-2016	0.12	0.14	0.10	0.11	100,300
June-2016	0.10	0.13	0.10	0.12	44,168
July-2016	0.12	0.12	0.11	0.11	80,920
August-2016	0.10	0.13	0.09	0.11	335,459
September-2016	0.09	0.11	0.07	0.09	135,314
October-2016	0.07	0.08	0.06	0.07	329,470
November-2016	0.05	0.06	0.05	0.05	229,764
December-2016	0.04	0.05	0.04	0.05	89,700
January-2017	0.05	0.06	0.05	0.05	113,529
February-2017	0.03	0.06	0.03	0.05	851,232
March-2017	0.03	0.03	0.02	0.03	1,163,360

### Prior sales of equity securities

There were no securities issued during the past year.

### Escrowed securities and securities subject to contractual restriction on transfer

The Company has no shares in escrow as of December 31, 2016.

## Directors and officers

### Name, occupation and security holding of directors and officers

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

Name and Municipality of Residence	Positions Held With the Company	Principal Occupation During Past 5 Years	Percentage of Common Shares held
Manuel Paolo A. Villar <sup>(4)</sup> Mandaluyong City Philippines	Director, President and Chief Executive Officer since 2012	Mr. Villar has been CEO of the Company since mid-2014 and a Director of the Company since 2012. Mr. Villar has been the Director, President and Chief Executive Officer of Vista Land and Lifescapes, Inc. as well as a Director of Starmall, Inc., two large Philippine corporations. He was previously Head of Corporate Planning for Crown Asia and a consultant for McKinsey & Co.	40.00%
Yolanda L. Coronel-Armenta <sup>(1)(2)(3)</sup>  San Diego, CA United States	Director since 2014	Accountant of a real estate development company.	nil
Marcelino C. Mendoza  Las Piñas City Philippines	Director since 2015	President of MGS Corporation, a real estate construction company in the Philippines providing residential to high rise condominiums and commercial establishments. He was formerly Chairman of the Board for Vista Land, a publicly listed company in the Philippines from 2007 to 2013.	nil
Dr. Patrick V. Caoile <sup>(1)(2)(3)</sup>  Mandaluyong City Philippines	Director since 2015	Dr. Caoile is a full-time professor at De La Salle University College of Business and a former lecturer/professor at the Ateneo De Manila University and the University of Asia and the Pacific. Dr. Caoile is currently Treasurer of the Phil. Minerals Devel Inst. Foundation Inc. and a Director of the Philippine Chamber of Mines since 1998. He is a former Director and EVP of Vulcan Industrial & Mining Corp, The Energy Corp, and Palawan Granite Corp. He was also the former VP-Finance & Administration of North Davao Mining Corp, former Treasurer of Wealth Mining Corp, and former	nil

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		President of the Phil. Mine Safety & Environment Assn.	
Maryknoll Zamora Dasmariñas City Philippines	Interim Chief Financial Officer (CFO) since 2014	Interim CFO of the Company from October 2014 to present; Head of Finance, Prime Assets Ventures Inc., Feb 2014 to present.	nil
Rebecca D. De Guzman Philippines	General Counsel since 2015	General Counsel since September 2015; Sr. Legal Manager from January 2013 to August 2015; Prior to joining the Company, Sr. Associate Attorney at Fortun Narvasa & Salazar Law Offices.	nil
D. Richard Skeith Calgary, Alberta, Canada	Corporate Secretary since 2011	Partner at Norton Rose Fulbright Canada LLP, Barristers and Solicitors.	nil

Notes: (1) Member of the audit committee

(2) Member of the compensation committee

(3) Member of the corporate governance committee

(4) Manuel Paolo A. Villar is the President and Chief Executive Officer of Queensberry Mining and Development Corporation, which has voting control of 290,500,000 common shares of the Company. Mr. Villar also holds 218,500 shares personally.

As of the date of this AIF, the directors and officers above collectively beneficially owned, or controlled or directed, directly or indirectly, 290,718,500 common shares representing 40.0% of the issued and outstanding common shares.

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

**Audit committee**

Pursuant to the provisions of National Instrument 52-110 Audit Committees (“NI 52-110”), reporting issuers are required to provide disclosure with respect to its audit committee, including the text of the audit committee’s charter, composition of the committee, and the fees paid to the external auditor.

Relevant education and experience

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

Yolanda L. Coronel-Armenta  Independent Financially Literate	Ms. Coronel-Armenta is an accountant of a real estate development company. She obtained her BSc in Business Administration and Accountancy from the University of the Philippines in 1978, and is qualified as a CPA in both the Philippines and Texas.
Dr. Patrick V. Caoile	Dr. Caoile is a full-time professor at De La Salle University College of Business and a former lecturer/professor at the Ateneo De Manila University and the University of Asia and the Pacific. He is currently Treasurer of the Phil. Minerals Devel Inst. Foundation Inc. and a Director of the Philippine Chamber of Mines

Independent Financially Literate	since 1998. He is a former Director and EVP of Vulcan Industrial & Mining Corp, The Energy Corp, and Palawan Granite Corp. He was also the former VP-Finance & Administration of North Davao Mining Corp, former Treasurer of Wealth Mining Corp, and former President of the Phil. Mine Safety & Environment Assn.
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**Audit committee charter**

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

**Audit committee oversight**

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

**Reliance on certain exemptions**

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

**Pre-approval policies and procedures**

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

**External auditor service fees**

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

The engagement fee by the Company to its auditor during the fiscal years ended December 31, 2016 and December 31, 2015, by category, are as follows (fees in \$Cdn):

Year ended	Audit fees	Audit related fees	Tax fees	All other fees
December 31, 2016	\$ 128,000	\$ 12,000	\$ -	\$ -
December 31, 2015	\$ 160,000	\$ 60,000	\$ -	\$ -

**Cease trade orders, bankruptcies, penalties or sanctions**

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

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

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

### Penalties or sanctions

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

### Personal bankruptcies

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

D. Richard was the corporate secretary of Canaf Group Inc. and was subject to a management cease trade order on March 5, 2008, when that company was late with its financial filings. These were subsequently filed and the cease trade order was revoked on June 20, 2008. He was the corporate secretary of MegaWest Energy Corp. when it was subject to a cease trade order from September 7, 2010 until October 22, 2010 for failure to file financial information on a timely basis. Mr. Skeith was a director of Leader Energy Services Ltd. until February 18, 2015. On February 19, 2015, that company filed for creditor protection.

## Conflicts of Interest

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

Manuel Paolo A. Villar is an officer, director and shareholder of Queensberry.

## Promoters

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Andrew J. Russell may be considered to be the promoter of the Company in that he initiated the recapitalization of the Company in 2011. As president of RMC, Mr. Russell exercises control and direction over 119.4 million common shares of the Company, representing approximately 16.43% of the issued and outstanding shares of the Company. Except as disclosed in this AIF, and the documents incorporated by reference, Mr. Russell has not and will not receive from or provide to the Company anything of value, including money, property, contracts or rights of any kind directly or indirectly other than pursuant to his employment contract and incentive option agreements. Mr. Russell separated from the Company in January 2016.



## **Legal proceedings and regulatory actions**

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The Company is not currently a party to any legal proceedings. Management of the Company is currently not aware of any legal proceedings contemplated against the Company. The Company was not party to any legal proceedings during the twelve months previous to the date of this AIF.

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

## **Interest of management and others in material transactions**

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Other than as described above, no insider has any interest in any material transaction the Company has or is contemplating entering into.

## **Transfer agent and registrar**

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

## **Material contracts**

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

## **Names and interests of experts**

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1. The authors of the King-king Copper-Gold Project NI 43-101 Technical report Preliminary Feasibility Study are Joshua W. Snider, P.E.; Art S. Ibrado, Ph. D., QP Member, MMSA; Michael G. Hester, FAusIMM; Don Earnest, P.Geo., SME Registered Member; John G. Aronson, Certified Senior Ecologist; Ronald J. Roman, P.E., D.Sc.; Charles C. Rehn, P.E., SME Registered Member and Greg J. Harbort, RPEQ, FAusIMM BE (Met), Ph.D. To the Company's knowledge, none of these individuals own any securities, direct or indirect, of the Company.
2. Davidson & Company LLP ("Davidson") is the auditor who prepared the auditor's report for the Company's annual financial statements for the year ended December 31, 2016. Davidson is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Organization of Chartered Professional Accountants of British Columbia.

## **Additional information**

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Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website at [www.sagcmining.com](http://www.sagcmining.com).

Additional information, including directors' and officers' compensation and indebtedness, principal ownership of securities and securities authorized for issuance under equity compensation plan is contained in the Company's information circular dated May 15, 2016.

Additional financial information is provided in the Company's financial statements and MD&A for the year ended December 31, 2016.

**Schedule A – audit committee charter**

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Schedule A begins on the following page.



## **AUDIT COMMITTEE CHARTER**

(As of March 21, 2014)

### **1 Purpose**

- 1.1 The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of St. Augustine Gold & Copper Limited (the “Company”) to assist the Board in fulfilling its financial management oversight responsibilities. The Committee’s primary duties and responsibilities are to:
  - 1.1.1 Monitor the integrity of the Company’s financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
  - 1.1.2 Identify and monitor the management of the principal risks that could impact the financial reporting of the Company;
  - 1.1.3 Monitor the independence and performance of the Company’s external auditor; and
  - 1.1.4 Provide an avenue of communication among the external auditor, management and the Board.

### **2 Authority**

- 2.1 The Committee has the authority to:
  - 2.1.1 Engage independent counsel and other advisors as it determines necessary to carry out its duties;
  - 2.1.2 Set and pay the compensation for any advisors employed by the Committee; and
  - 2.1.3 Communicate directly with the internal and external auditors.

### **3 Composition**

- 3.1 Committee members shall meet the requirements of the applicable securities regulatory rules and regulations. The Committee shall be comprised of at least three (3) directors, as determined by the Board, each of whom shall be an “independent” director within the meaning of National Instrument 52-110 (“NI 52-110”) promulgated by the Canadian Securities Administrators and shall be free from any relationship that would interfere with the exercise of the director’s independent judgment, provided that, the exemption in Section 3.9 of 52-110 is available for a period of up to one (1) year commencing on the date of the receipt of the prospectus qualifying a distribution of securities that is the initial public offering of the Company. All members of the Committee shall be “financially literate” within the meaning of NI 52-110 and at least one member of the Committee shall have accounting or related financial management expertise.

- 3.2 The members of the Committee shall be appointed by the Board and shall serve until their successors are appointed. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies in it, subject to the Committee continuing to satisfy the composition requirements mentioned above. The Board shall designate one (1) member of the committee as its Chair. If a Chair of the Committee is not designated or present at a meeting, the members of the Committee may designate a Chair for the meeting by majority vote of the Committee membership.

## **4 Meetings**

- 4.1 Except as expressly provided in this Charter or the Articles of the Company, the Committee shall fix its own rules of procedure.
- 4.2 The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee should meet privately in executive session at least annually with management, the external auditor, and as a Committee to discuss any matter that the Committee or each of these groups believes should be discussed. In addition, the Committee should communicate with management quarterly as part of their review of the Company's interim financial statements and management's discussion and analysis.
- 4.3 At all meetings of the Committee, the presence of a majority of the members will constitute a quorum for the transaction of the business and the vote of a majority of the members present shall be the act of the Committee.
- 4.4 The Chair, any member of the Audit Committee, the external auditors, the Chairman of the Board, or the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Audit Committee by notifying the Company's Corporate Secretary who will notify the members of the Audit Committee. The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the chair, the members of the Audit Committee present may appoint a chair from their number for a meeting.
- 4.5 Members of the Committee may participate in a meeting of the Committee by conference telephone or similar communications equipment by means of which all people participating in the meeting can hear each other and participation in such meeting will constitute presence in person at such a meeting.
- 4.6 Any action required or permitted to be taken at any meeting of the committee may be taken without a meeting if all of its members consent in writing to the action and such writing is filed with the records of proceedings of the Committee.
- 4.7 The Committee shall have unrestricted access to the Company's management and employees and the books and records of the Company.
- 4.8 Directors not on the Committee may attend meetings at their discretion. At the invitation of the Chair of the Committee, members of management and outside consultants may attend Committee meetings.

## 5 Responsibilities

### 5.1 Review Procedures

- 5.1.1 The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company, as are in effect from time to time (collectively, the “Applicable Requirements”).
- 5.1.2 Review and update, if applicable or necessary, this Audit Committee Charter annually and submit any amended Audit Committee Charter to the Board for approval.
- 5.1.3 Review the Company’s annual audited financial statements, related management’s discussion and analysis (“MD&A”) and related documents prior to filing or distribution. This review should include discussion with management and the external auditor of significant issues regarding accounting principles, practices, and significant management estimates and judgments.
- 5.1.4 Review with financial management the Company’s quarterly financial results and related documents prior to the release of earnings and/or the Company’s quarterly financial statements, the auditor’s review report thereon, related MD&A and related documents prior to filing or distribution. As part of this review, the Committee should discuss any significant changes to the Company’s accounting principles.
- 5.1.5 Review all filings with government agencies in Canada and assess the compliance of the Company in relation to governmental and stock exchange regulations as they apply to the Company respecting processes and controls.
- 5.1.6 Review all annual and interim earnings press releases before the Company publicly discloses the information.
- 5.1.7 Review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- 5.1.8 Review policies and procedures with respect to directors’ and officers’ expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment.
- 5.1.9 Discuss with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements.
- 5.1.10 Ensure that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements, as well as review any financial information and earnings guidance provided to analysts and rating agencies, and periodically assess the adequacy of those procedures.

### 5.2 External Auditor

- 5.2.1 The external auditor is ultimately accountable to the Committee and the board, as representative of the shareholders. The Committee shall review the independence and

performance of the auditor and annually recommend to the board the appointment of the external auditor or approve any discharge of the external auditor when circumstances warrant.

- 5.2.2 Approve the fees and other significant compensation to be paid to the external auditor.
- 5.2.3 At least annually, the Audit Committee shall review the qualifications and performance of the lead partner(s) of the auditors and determine whether it is appropriate to adopt or continue a policy of rotating lead partners of the external auditors.
- 5.2.4 Obtain annually, a formal written statement from the external auditor setting forth all relationships between the external auditor and the Company.
- 5.2.5 On an annual basis, the Committee should review and discuss with the external auditor all significant relationships the auditor has with the Company that could impair the auditor's independence.
- 5.2.6 Take, or recommend that the Board take, appropriate action to oversee the independence of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- 5.2.7 Review the external auditor's audit plan, discuss and approve audit scope, staffing, locations, reliance upon management and general audit approach.
- 5.2.8 Prior to releasing the year-end financial report, the Committee will discuss the results of the audit with the external auditor. The auditor will review with the Committee any matters required to be communicated to the Audit Committee in accordance with the standards established by the Canadian Institute of Chartered Accountants.
- 5.2.9 At each meeting, where desired, consult with the external auditor, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
- 5.2.10 Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and, if applicable, former external auditor of the Company.
- 5.2.11 Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditor. The authority to pre-approve non-audit services may be delegated by the Committee to one or more independent members of the Committee, provided that such pre-approval must be presented to the Committee's first scheduled meeting following such pre-approval. Pre-approval of non-audit services is satisfied if:
  - 5.2.11.1 Review and pre-approve all non-audit services to be performed by the Company's external auditor in accordance with any applicable regulatory requirements, including but not limited to NI 52-110, the Exchange Act and the requirements of any stock exchange upon which the Company's shares are listed. The Audit Committee may delegate pre-approval authority for non-audit services to one or more independent members of the Audit Committee provided that any such pre-approval decisions must be presented to the full Audit Committee at its next meeting thereafter. The Audit Committee may also satisfy this pre-approval requirement if it first adopts specific policies and procedures respecting same in accordance with NI 52-110 such that the pre-approval policies and procedures are detailed as to the

particular service, the Audit Committee is informed of each such non-audit service, and the procedures do not include delegation of the Audit Committee's responsibilities to management.

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

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

### 5.3 Financial Reporting Processes

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

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

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

5.3.1.3 Any material issues raised by any inquiry or investigation by the Company's regulators;

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

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

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

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

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

- 5.3.5 Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditor and management.
- 5.3.6 Review significant judgments made by management in the preparation of the financial statements and the view of the external auditor as to appropriateness of such judgments.
- 5.3.7 Following completion of the annual audit, review separately with management and the external auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work to access to required information.
- 5.3.8 Review any significant disagreement among management and the external auditor in connection with the preparation of the financial statements.
- 5.3.9 Review with the external auditor and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- 5.3.10 Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- 5.3.11 Review the financial disclosures certification process.
- 5.3.12 Establish procedure for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters or any material violation of securities laws or other laws, rules or regulations applicable to the Company and the operation of its business. Any such complaints or concerns that are received shall be reviewed by the Audit Committee and, if the Audit Committee determines that the matter requires further investigation, it will direct the Chair of the Audit Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the general counsel to reach a satisfactory conclusion.

#### 5.4 Other Committee Responsibilities

- 5.4.1 Annually assess the effectiveness of the Committee against this Audit Committee Charter and report the results of the assessment to the Board.
- 5.4.2 The Audit Committee shall review and discuss with management the appointment of key financial executive and recommend qualified candidates to the Board, as appropriate.
- 5.4.3 As required under Securities Rules, prepare and disclose a summary of the Audit Committee Charter in applicable continuous disclosure documents.
- 5.4.4 Perform any other activities consistent with this Audit Committee Charter, the Company's articles, and governing law, as the Committee or the Board deems necessary or appropriate.
- 5.4.5 Maintain minutes of meetings and report to the Board on significant matters arising at Committee meetings at the next scheduled meeting of the Board.

#### 5.5 Other Duties

- 5.5.1 Periodically conduct a self-assessment of Committee performance.
- 5.5.2 Review financial and accounting personnel succession planning within the Company.



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

## **6 No Rights Created**

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

## **7 Charter Review**

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

**Amended and approved by the St. Augustine Board of Directors on March 21, 2014**