

**St. Augustine Gold and Copper Limited**

# Condensed Interim Consolidated Financial Statements

As at and for the three months ended March 31, 2018 and 2017  
Presented in U.S. dollars

Dated as of May 9, 2018

# **ST. AUGUSTINE GOLD AND COPPER LIMITED**

**28/F., AIA Central No.1, Connaught Road,  
Central, Hong Kong**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying condensed interim consolidated financial statements for St. Augustine Gold and Copper Limited (the "Company") as at and for the three months ended March 31, 2018, have been prepared by management in accordance with the International Accounting Standards, which include International Financial Reporting Standards ("IFRS"). These financial statements are the responsibility of management and have not been reviewed by the auditors. The most significant accounting principles have been set out in the December 31, 2017 audited consolidated financial statements. There have been no changes in accounting policies from the latest completed financial year end. These financial statements have been prepared on a historical cost basis of accounting. A precise determination of many assets and liabilities is dependent on future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

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**St. Augustine Gold and Copper Limited**  
Unaudited interim consolidated statements of financial position  
As at March 31, 2018 and December 31, 2017  
(Presented in U.S. dollars)

	Notes	March 31, 2018	December 31, 2017
<b>Assets</b>			
Current assets			
Cash		\$ 186,070	\$ 169,659
Prepays and other current assets		74,439	125,926
<b>Total current assets</b>		<b>260,509</b>	<b>295,585</b>
Non-current assets			
Investment in mineral property	3	59,108,667	58,859,405
Investment in NADECOR	4.C	34,078,283	35,581,269
Note receivable from NADECOR	4.B	4,872,977	5,026,314
Investments in joint ventures	5.A	184,060	184,060
Advances to joint ventures	5.B	1,765,102	1,921,955
Note receivable from joint venture	5.B	7,959,250	7,909,325
Property and equipment	6	117,580	127,307
Other non-current assets		946,280	946,280
<b>Total non-current assets</b>		<b>109,032,199</b>	<b>110,555,915</b>
<b>Total assets</b>		<b>\$ 109,292,708</b>	<b>\$ 110,851,500</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Accounts payable and accrued wages	7.A	\$ 1,653,844	\$ 1,670,296
Due to related parties	7.B	2,422,591	1,905,596
<b>Total current liabilities</b>		<b>4,076,435</b>	<b>3,575,892</b>
<b>Shareholders' equity</b>			
Share capital	8.A	129,272,617	129,272,617
Share option reserves	8.B	12,033,926	12,033,926
Warrant reserves	8.C	1,215,488	1,215,488
Accumulated deficit		(26,320,225)	(25,794,288)
Accumulated other comprehensive loss		(10,985,533)	(9,452,135)
<b>Total equity</b>		<b>105,216,273</b>	<b>107,275,608</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 109,292,708</b>	<b>\$ 110,851,500</b>

Commitments and contingencies 11

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

Approved on behalf of the Board of Directors:

"SIGNED"

**Yolanda L. Coronel-Armenta**  
Director

"SIGNED"

**Dr. Patrick V. Caoile**  
Director

**St. Augustine Gold and Copper Limited**

Unaudited interim consolidated statements of comprehensive loss

For the three months ended March 31, 2018 and 2017

(Presented in U.S. dollars)

	Notes	Three months ended March 31	
		2018	2017
<b>Operating expenses</b>			
Wages expenses	7.A	\$ 50,000	\$ 50,000
General and administrative costs		36,275	114,288
Total operating expenses		(86,275)	(164,288)
Interest income		85,609	57,585
Interest expense		-	(195)
Foreign exchange loss		(87,952)	(38,316)
Total other income		(2,343)	19,074
<b>Loss from investment in NADECOR</b>	4.C	(15,646)	(11,542)
<b>Loss from investments in joint ventures</b>	5.B	(421,673)	(88,719)
<b>Net loss before income tax expense</b>		<b>(525,937)</b>	<b>(245,475)</b>
Income tax expense		-	-
<b>Net loss</b>		<b>(525,937)</b>	<b>(245,475)</b>
Foreign exchange translation loss		(1,533,398)	(500,502)
<b>Total comprehensive loss</b>		<b>\$ (2,059,335)</b>	<b>\$ (745,977)</b>
Net loss per common share, basic and diluted	9	\$ (0.00)	\$ (0.00)
Weighted average common shares outstanding, basic and diluted		726,758,334	726,758,334

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

**St. Augustine Gold and Copper Limited**

Unaudited interim consolidated statements of cash flows  
For the three months ended March 31, 2018 and 2017  
(Presented in U.S. dollars)

	Notes	Three months ended March 31	
		2018	2017
<b>Cash flows from operating activities</b>			
Net loss		\$ (525,937)	\$ (245,475)
Effects of foreign currency changes		88,243	34,220
Interest income		(85,609)	(57,585)
Loss from investment in NADECOR	4.C	15,646	11,542
Loss from investments in joint ventures	5.B	421,673	88,719
Changes in non-cash operating working capital		51,923	1,364
Net cash used by operating activities		(34,063)	(167,215)
<b>Cash flows from investment activities</b>			
Increase in investment in mineral property	3	(239,535)	(269,858)
Advances from related party	7.C	506,210	362,959
Advances to joint ventures	5	(173,184)	(146,022)
Note receivable from NADECOR	4.B	(24,819)	-
Changes in non-cash investing working capital		(7,046)	151,947
Interest income		68	109
Net cash provided by investing activities		61,694	99,135
Net decrease in cash		27,632	(68,080)
Effect of exchange rate changes on cash		(11,222)	27,538
Cash, beginning of period		169,659	236,833
<b>Cash, end of period</b>		<b>\$ 186,070</b>	<b>\$ 196,291</b>

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

**St. Augustine Gold and Copper Limited**

Unaudited interim consolidated statements of changes in shareholders' equity

For the three months ended March 31, 2018 and 2017

(Presented in U.S. dollars)

	Shares	Share capital	Share option reserves	Warrant reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
Balance, January 1, 2017	726,758,334	\$ 129,272,617	\$ 12,033,926	\$ 1,215,488	\$ (24,577,252)	\$ (9,135,524)	\$ 108,809,255
Foreign exchange translation loss	-	-	-	-	-	(500,502)	(500,502)
Net loss	-	-	-	-	(245,475)	-	(245,475)
Balance, March 31, 2017	726,758,334	129,272,617	12,033,926	1,215,488	(24,822,727)	(9,636,026)	108,063,278
Balance, January 1, 2018	726,758,334	129,272,617	12,033,926	1,215,488	(25,794,288)	(9,452,135)	107,275,608
Foreign exchange translation loss	-	-	-	-	-	(1,533,398)	(1,533,398)
Net loss	-	-	-	-	(525,937)	-	(525,937)
Balance, March 31, 2018	726,758,334	\$ 129,272,617	\$ 12,033,926	\$ 1,215,488	\$ (26,320,225)	\$ (10,985,533)	\$ 105,216,273

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

## **St. Augustine Gold and Copper Limited**

Condensed notes to the unaudited interim consolidated financial statements

As at and for the three months ended March 31, 2018

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

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### **1. Organization & description of business and continuance of operations**

St. Augustine Gold and Copper Limited (the "Company" or "SAGC") was incorporated on January 27, 2010, in the British Virgin Islands. The address of the Company's corporate office is 28/F, AIA Central No.1, Connaught Road, Central, Hong Kong. The registered address of the Company is Jayla Place, Wickham's Cay 1, Road Town, Tortola VG 1110, British Virgin Islands.

The Company has earned no revenues since its recapitalization in 2011 and is focused on the exploration and evaluation of its mineral property. The Company (through a related party company, prior to the Company's incorporation) and Nationwide Development Corporation ("NADECOR"), a Philippine corporation, entered into a Letter of Intent dated November 10, 2009, and executed a Memorandum of Understanding ("MOU") on April 27, 2010. Under these agreements, subsequent amendments and related agreements, the Company became responsible for providing technical assistance for operations and acquired the right to earn-in an aggregate 60% equity position, through direct and indirect investments, in the King-king Joint Venture envisioned in the MOU. The earn-in is based on expenditures made to benefit the King-king copper gold project (the "Project") as well as direct payments to NADECOR. The MOU will be superseded following fulfillment of the terms of an amended agreement executed in 2013 and amended in August 2014 (Note 4.A).

The Project is a copper-gold mineral reserve located at Sitio Gumayan, Barangay King-king, Municipality of Pantukan, Province of Compostela Valley, on Mindanao Island, Philippines. Several years of exploration, including drilling and baseline studies have been completed by various parties. A National Instrument 43-101-compliant Preliminary Feasibility Technical Report had been completed and published on SEDAR on November 1, 2013.

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

On January 4, 2016, Mines and Geosciences Bureau ("MGB") approved the Declaration of Mine Project Feasibility ("DMPF") therefore authorizing NADECOR and the Company to proceed in the development, construction and operation of the King-king Project per approved plans and strategies.

In June 2016, 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 Department of Environment and Natural Resources ("DENR") through Mines and Geosciences Bureau ("MGB") has approved the renewal of the amended MPSA for another 25-year term.

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

These unaudited interim consolidated financial statements, prepared as at and for three months ended March 31, 2018 and 2017 (the "Financial Statements") have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business. The Company earns no operating revenues and has incurred an accumulated deficit of \$26,320,225 through March 31, 2018 (December 31, 2017 - \$25,794,288). The Company had a working capital deficit of \$3,815,926 at March 31, 2018 (December 31, 2017 - \$3,280,307); however, the Company has \$3,500,000 in commitments remaining to a joint venture investee (Note 11.B). Further, additional funds must be raised in order to further develop and construct the Project and ultimately realize a positive economic return. This represents a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon obtaining necessary financing to complete permitting activities, engineering design, construction and placement of the mineral property into commercial production. The Financial Statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

These Financial Statements were authorized for issue by the Board of Directors on May 9, 2018.



## St. Augustine Gold and Copper Limited

Condensed notes to the unaudited interim consolidated financial statements

As at and for the three months ended March 31, 2018

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

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## 2. Significant accounting policies

### A. Statement of compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) effective for the Company’s reporting period ending December 31, 2017. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2017. Accounting policies applied are the same as those applied in the Company’s annual financial statements which are filed under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com), with the exception of new and revised accounting standards outlined in Note 2.F. The Financial Statements are prepared as at and for the three months ended March 31, 2018, which is part of the period to be covered by the Company’s annual financial statements for the year ending December 31, 2018.

### B. Basis of presentation

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

### C. Basis of consolidation

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

### D. Segment reporting

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

### E. Significant accounting estimates, judgments and assumptions

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

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

There were no changes in key estimates, judgments or assumptions since the year ended December 31, 2017.

### F. Application of new and revised accounting standards

The Company has adopted the IFRS standard described below as at January 1, 2018.

#### IFRS 9 - Financial Instruments

On July 24, 2014, the IASB issued the completed IFRS 9 - Financial Instruments, (IFRS 9 (2014)) to come into effect on January 1, 2018 with early adoption permitted. IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”) based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: recognition and measurement, for the classification and measurement of financial liabilities.

## St. Augustine Gold and Copper Limited

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The Company adopted IFRS 9 in its Financial Statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- i. It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- ii. Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument of the Company:

Asset or Liability	Original classification under IAS 39	New classification under IFRS 9
Cash	Loans and receivables	Amortized cost
Advances to joint venture	Loans and receivables	Amortized cost
Note receivable	Loans and receivables	Amortized cost
Accounts payable and accrued wages	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

### G. New or revised future accounting pronouncements and amendments

The following accounting policies are effective for future periods:

#### i. IFRS 16 – Leases

This standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 - Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

The Company has no material leases as at March 31, 2018, and therefore the Company believes that IFRS 16 won't have a material effect on the Company's financial statements.

## St. Augustine Gold and Copper Limited

Condensed notes to the unaudited interim consolidated financial statements

As at and for the three months ended March 31, 2018

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### ii. IAS 28 - Investments in associates and joint ventures

This standard is amended to address the inconsistency between IFRS 10 and IAS 28. The main consequence of the amendments is that a full gain or loss is recognized when the transaction involves a business combination, and whereas a partial gain is recognized when the transaction involves assets that do not constitute a business.

The amendment was originally effective for years beginning on/after January 1, 2016. However, the effective date has been deferred indefinitely by the IASB. The Company will apply the standard accordingly when effective.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

### 3. Investment in mineral property

The following table summarizes changes to the investment in mineral property for the three months ended March 31, 2018 and the year ended December 31, 2017:

	March 31, 2018	December 31, 2017
Beginning balance	\$ 58,859,405	\$ 57,619,453
Additions	249,262	1,239,952
<b>Ending balance</b>	<b>\$ 59,108,667</b>	<b>\$ 58,859,405</b>

Additions in the above table for the three months ended March 31, 2018 reflect capitalized depreciation of \$9,727 (2017 –\$11,247) (Note 6).

The Company's investment in mineral property is secured under its rights under the MOU. Additionally, the Company owns 25% of NADECOR directly (Note 4.C). Management expects to fulfill the terms of the Project Framework Agreement ("PFA") (Note 4.A), which will supersede the terms of the MOU. However, until the PFA is substantially completed, the MOU is the current contract in force underlying this asset at March 31, 2018.

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

Item	Earn-in amount	March 31, 2018	December 31, 2017
Exclusivity payment to NADECOR (i)	\$ 400,000	\$ 400,000	\$ 400,000
Initial payment to NADECOR (ii)	3,100,000	3,100,000	3,100,000
Initial BFS funding (iii)	30,000,000	30,000,000	30,000,000
Incremental BFS funding (iv)	5,000,000	5,000,000	5,000,000
Incremental BFS funding (iv)	8,500,000	8,500,000	8,500,000
Payments to NADECOR (v)	4,000,000	1,231,000	1,231,000
CapEx funding (vi)	32,000,000	17,826,228	17,514,673
<b>Totals</b>	<b>\$ 83,000,000</b>	<b>\$ 66,057,228</b>	<b>\$ 65,745,673</b>

## St. Augustine Gold and Copper Limited

Condensed notes to the unaudited interim consolidated financial statements

As at and for the three months ended March 31, 2018

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

- (i) Direct payment to NADECOR made in 2009;
- (ii) \$3,000,000 was paid in 2010. The remaining \$100,000 was paid in 2012;
- (iii) Direct project expenditures made by the Company pursuant to the Preferred Shares Investment Agreement (“PSIA”). The full amount has been expended;
- (iv) Direct project expenditures after the fulfillment of \$30,000,000 required to be expended following the PSIA;
- (v) The timing of direct payments to NADECOR is contingent on events contemplated in the MOU. During 2011, \$981,000 was paid, \$250,000 was paid during 2013, and the balance is expected to be paid if the terms of the PFA are not fulfilled; and
- (vi) Total CapEx 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.

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

<b>Reconciliation of Investment in mineral property to earn-in</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Investment in mineral property	\$ 59,108,667	\$ 58,859,405
Depreciable property (earn-in in full on purchase)	89,661	99,388
Qualifying fundraising costs	1,788,362	1,788,362
Other (i)	5,070,538	4,998,518
Estimated earn-in balance	\$ 66,057,228	\$ 65,745,673

- (i) Other items include earn-in expenditures that do not qualify as direct mineral property expenditures.

## 4. Transactions with Nationwide Development Corporation

### A. Project Framework Agreement (“PFA”)

On October 3, 2013, the Company, NADECOR and Queensberry Mining & Development Corp. (“Queensberry, Note 7.C) executed the PFA, which was amended in August 2014. In November 2013, NADECOR’s shareholders ratified the execution and implementation of the PFA. The Company received shareholder approval and conditional Toronto Stock Exchange (“TSX”) approval in December 2013. The Company received shareholder approval and conditional TSX approval in July 2014 for the PFA amendment. NADECOR shareholders approved the PFA amendment in June 2014. The PFA amendment was executed on August 8, 2014. The amended PFA’s purpose is to restructure and align NADECOR and the Company’s financial interests in the Project. Upon completion of the amended PFA’s terms, it will supersede the MOU and related agreements. The primary terms of this agreement, as amended, include the following completed items:

- In 2013, NADECOR established a mining company (King-king Mining Corporation; “KMC”) which is 40% owned by NADECOR, 40% by the Company, and 20% by Queensberry (in accordance with Philippine nationality requirements). NADECOR is required to transfer the Mineral Production Sharing Agreement (“MPSA”) to KMC (Note 5.B);
- The Company extends a credit facility to NADECOR of up to ₱860,000,000 (approximately \$20,000,000), subject to available funds (Note 4.B);
  - During 2014 the Company settled NADECOR debts of ₱110,000,000 (approximately \$2,500,000) and \$2,218,810 in exchange for additions to the receivable under the credit facility (Note 4.B);
- In 2013 NADECOR reimbursed \$2,800,000 million in Project expenditures to the Company;

## St. Augustine Gold and Copper Limited

Condensed notes to the unaudited interim consolidated financial statements

As at and for the three months ended March 31, 2018

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

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- In 2013 NADECOR acknowledged that the Company has earned-in to a 50% economic interest in the Project, and this interest remains in effect whether or not the other terms of the PFA are 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 a milling company (King-king Milling Corporation; "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 the debt payable (after being dividended 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.

KMC (Note 5.B) will be loaned \$11,000,000 under a credit facility which has been committed to secure land acquisitions (\$10,000,000) and to compensate Queensberry (Note 7.C) for certain services provided (\$1,000,000). The Queensberry service contract contains milestone payments related to permitting and transfer of the MPSA to KMC, the Project joint venture. KMC paid \$500,000 of this amount as payable upon issuance of the ECC in April 2015. The Company had advanced \$7,500,000 of the facility to KMC at March 31, 2018 and December 31, 2017 (Note 5.B).

### B. Note receivable from NADECOR

At March 31, 2018, NADECOR owed the Company \$4,872,977 under the terms of the facility established by the amended PFA (Note 4.A) (December 31, 2017 – \$5,026,314). The balance includes ₱110 million (approximately \$2,500,000) advanced in cash to settle NADECOR's debt to Queensberry and Company shares issued against other NADECOR debts, valued at \$2,218,810, as well as other advances and accrued interest. Cash advanced during the three months ended March 31, 2018 totaled to \$11,403 (December 31, 2017 - \$nil). The note matures October 3, 2023, at which time a single installment for principal and accrued interest is due. The maturity date can be extended an additional fifteen years at NADECOR's option. The note accrues interest at one-year LIBOR per annum until the date of commercial production of the Project, at which time interest will accrue at one-year LIBOR plus 2%. The note may be repaid at any time without premium or penalty.

### C. Investment in NADECOR

On March 15, 2013, the Company executed an agreement with NADECOR (the "NADECOR Subscription") whereby the Company acquired 25% of NADECOR's common shares for ₱1.8 billion (\$43,520,407). The terms of this agreement were fully executed in 2013 and the Company holds 25% of NADECOR's issued and outstanding common stock.

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

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

## St. Augustine Gold and Copper Limited

Condensed notes to the unaudited interim consolidated financial statements

As at and for the three months ended March 31, 2018

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

Below is the summarized financial information of NADECOR prepared under IFRS for the three months ended March 31, 2018 and 2017, acknowledging fair value adjustments made at the date of the acquisition and reconciliation with the carrying amount of the investment in the unaudited condensed interim consolidated financial statements:

Item	March 31, 2018	March 31, 2017
Current assets	\$ 302,698	\$ 259,030
Non-current assets	142,398,571	148,081,065
Current liabilities	(1,515,159)	(772,422)
Non-current liabilities	(4,872,977)	(4,901,745)
Net assets	\$ 136,313,133	\$ 142,665,928
Share of net assets	25%	25%
Carrying amount on statement of financial position	\$ 34,078,283	\$ 35,666,482
Net loss	\$ (62,585)	\$ (46,166)
Foreign exchange translation loss	(5,949,359)	(1,789,990)
Comprehensive loss	\$ (6,011,944)	\$ (1,836,156)
Share of comprehensive loss	25%	25%
Proportionate share of net loss	\$ (15,646)	\$ (11,542)
Proportionate share of total comprehensive loss	\$ (1,502,986)	\$ (459,039)
Proportionate share of translation loss	\$ (1,487,340)	\$ (447,498)

## 5. Investments in joint ventures

The Company is invested in two joint ventures.

### A. Kingking Gold and Copper Mines, Inc. ("KGCM")

The Company has invested cash totaling \$752,913 in KGCM through March 31, 2017 and December 31, 2016, in exchange for 40% of KGCM's voting common shares. At March 31, 2017 and December 31, 2016, the Company was owed \$nil for advances made to KGCM.

KGCM was incorporated to become the joint venture entity to hold the rights to develop and operate the Project in the Philippines. However, NADECOR arranged for a new entity, KMC (Note 5.B), to hold the rights to develop and operate the Project. It is expected that the assets and liabilities of KGCM will be distributed to KMC. The Company accounts for this investment using the equity method; accordingly, the investment will be adjusted for the Company's share of profit and loss at each reporting period. As a Project site operating entity, KGCM's expenses are capitalized, and the Company did not report loss attributable to KGCM in the Financial Statements.

At December 31, 2017 and March 31, 2018, KGCM had current assets of approximately of \$43,000, non-current assets of approximately \$520,000, current liabilities of approximately \$163,000, and non-current liabilities of approximately \$50,000.

### B. Kingking Mining Corporation ("KMC")

KMC was incorporated on October 30, 2013, to take KGCM's (Note 5.A) role as the entity which will hold the rights to develop and operate the Project in the Philippines. The Company had invested \$58,706 in KMC through March 31, 2018 and December 31, 2017.

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The Company continues to advance funds to KMC for joint venture operations, such as tenement security. At March 31, 2018, the Company was owed \$1,765,102 for advances made to KMC (December 31, 2017 – \$1,921,955). During the three months ended March 31, 2018, the amount advanced to KMC was reduced by \$330,038 (2017 – \$104,920) due to losses from the Company's investment in KMC.

At March 31, 2018, KMC owed the Company \$7,959,250, comprised of \$7,500,000 in principal and \$459,250 in accrued interest (December 31, 2017 - \$7,909,325; \$7,500,000 for principal and \$409,325 for accrued interest) under the credit facility established concurrent with amended PFA (Note 4.A). The credit facility to KMC charges interest at the one-year LIBOR rate per annum until the date of commercial production, at which time the rate is one-year LIBOR plus 2%. The facility is due in one payment in August 2024 and can be paid before maturity without penalty.

Below is the summarized financial information of KMC prepared under IFRS for the three months ended March 31, 2018 and 2017 and reconciliation with the carrying amount of the investment on the unaudited condensed interim consolidated statements of financial position:

<b>Item</b>	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Current assets	\$ 270,198	\$ 247,451
Non-current assets	11,526,419	11,191,104
Current liabilities	(7,224,825)	(6,962,128)
Non-current liabilities	(7,490,249)	(7,497,666)
Net liabilities	\$ (2,918,457)	\$ (3,021,239)
Net loss	\$ (1,054,183)	\$ (221,796)
Foreign exchange translation loss	229,089	(40,503)
Comprehensive loss	\$ (825,094)	\$ (262,299)
Share of comprehensive loss	40%	40%
Proportionate share of net loss	\$ (421,673)	\$ (88,719)
Proportionate share of total comprehensive loss	\$ (330,038)	\$ (104,920)
Proportionate share of translation loss	\$ 91,636	\$ (16,201)

The carrying amount of the Company's investments in KMC and KGCMI totaled \$184,060 at March 31, 2018 and December 31, 2017. The Company carries its investment in KMC at \$nil and the Company has reduced its advances to joint ventures for losses in excess of the Company's carrying value investment in KMC. During the three months ended March 31, 2018, the Company's share of KMC's total comprehensive losses were \$330,038 (2017 – \$104,920) which also reduced the Company's advances to joint ventures.

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### 6. Property and equipment

	Furniture and		Buildings and		
	Vehicles	fixtures	Equipment	improvements	Totals
Cost balance, January 1, 2017	\$ 584,980	\$ 48,748	\$ 141,495	\$ 69,160	\$ 844,383
Additions	-	-	-	-	-
Balance, December 31, 2017	584,980	48,748	141,495	69,160	844,383
Additions	-	-	-	-	-
Balance, December 31, 2017	\$ 584,980	\$ 48,748	\$ 141,495	\$ 69,160	\$ 844,383
Accumulated depreciation, January 1, 2017	\$ 415,506	\$ 48,748	\$ 141,495	\$ 69,160	\$ 674,909
Additions	42,167	-	-	-	42,167
Balance, December 31, 2017	457,673	48,748	141,495	69,160	717,076
Additions	9,727	-	-	-	9,727
Balance, March 31, 2018	\$ 467,400	\$ 48,748	\$ 141,495	\$ 69,160	\$ 726,803
<b>Net book value, December 31, 2017</b>	<b>\$ 127,307</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 127,307</b>
<b>Net book value, March 31, 2018</b>	<b>\$ 117,580</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 117,580</b>

There were no impairment losses recognized during the three months ended March 31, 2018 and 2017 with respect to property and equipment. Depreciation capitalized into the mineral asset during the three months ended March 31, 2018 was \$9,727 (2017 - \$11,247).

### 7. Related party transactions

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

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

#### A. Transactions with officers and directors

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

Compensation	Three months ended March 31,	
	2018	2017
Officer salaries and director compensation	\$ 134,166	\$ 125,966
Share-based compensation	-	-
<b>Total</b>	<b>\$ 134,166</b>	<b>\$ 125,966</b>

As at March 31, 2018, a total of \$1,303,556 is owing to key management in relation to salaries and compensation (December 31, 2017 - \$1,186,256). This amount has been included in accounts payable and accrued wages on the consolidated statement of financial position.



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### B. Transactions with Other Related Parties

Transactions	Three months ended March 31,	
	2018	2017
<b>Services rendered:</b>		
Norton Rose Canada LLP (i)	\$ 4,158	\$ 11,178
Prime Asset Ventures, Inc. (Note 7.D)	70,241	252,214
<b>Total</b>	<b>\$ 74,399</b>	<b>\$ 263,392</b>
<b>Related party receivable</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
NADECOR (Note 4.B)	\$ 4,872,977	\$ 5,026,314
KMC note receivable (Note 5.B)	7,959,250	7,909,325
KMC advances receivable (Note 5.B)	1,765,102	1,921,955
<b>Total</b>	<b>\$ 14,597,329</b>	<b>\$ 14,857,594</b>
<b>Related party balances payable</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Norton Rose Canada LLP (i)	\$ 8,993	\$ 9,122
Queensberry (Note 7.C)	1,903,386	1,397,176
Prime Asset Ventures, Inc. (Note 7.D)	510,212	499,298
<b>Total</b>	<b>\$ 2,422,591</b>	<b>\$ 1,905,596</b>

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

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

### C. Queensberry

The Company and Queensberry are party to agreements described in Note 4. Queensberry's Chief Executive Officer ("CEO"), Manuel Paolo A. Villar, is also the CEO of the Company and Chairman of the Board of Directors of the Company. Queensberry is the Company's largest shareholder. The Company and KMC have management services agreements, effective May 2015 and November 2014, to compensate Queensberry ₱800,000 and ₱560,000 per month (approximately \$17,500 and \$12,000), respectively. Queensberry received \$500,000 from KMC as payable upon issuance of the ECC in April 2015 in accordance with the service contract (Note 4.A). As at March 31, 2018, Queensberry advanced to the Company amounting to \$1,903,386 (December 31, 2017 - \$1,397,176).

### D. Prime Asset Ventures Inc. ("PAVI")

In 2016, Queensberry assigned the management services agreement to PAVI, the parent company of Queensberry.

## 8. Shareholders' equity

### A. Share capital

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

Under the terms of the amended PFA (Note 4.A), the Company issued 19,000,000 shares to settle certain NADECOR debts, which increased the Company's note receivable from NADECOR. The shares were valued at \$2,218,810, which was the value of the debts settled to the underlying creditors. The Company credited equity for this amount, as well as loss attributable to the change in the fair value of the liability of \$726,190 (Note 4.B), for a total of \$2,945,000.

No shares were issued during the three months ended March 31, 2018 and 2017.

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### B. Share option reserves

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

Share option reserves totalled \$12,033,926 at March 31, 2018 and December 31, 2017. The portion expensed is included in wages and share-based payments on the consolidated statements of comprehensive loss.

i. Continuity schedule of share options at March 31, 2018 (dollars in CDN\$):

	Exercise price range	Number of options outstanding	Weighted average exercise price
Balance, January 1, 2017	\$0.10 - 0.42	20,182,500	\$ 0.26
Expired	\$0.28 - 0.42	(9,711,500)	0.37
<b>Balance, December 31, 2017</b>	<b>\$0.10 - 0.42</b>	<b>10,471,000</b>	<b>\$ 0.26</b>
Expired	\$0.53 - 1.54	(250,000)	0.26
<b>Balance, March 31, 2018</b>	<b>\$0.10 - 0.15</b>	<b>10,221,000</b>	<b>\$ 0.15</b>

ii. Summary of share options outstanding and exercisable at March 31, 2018 (dollars in CDN\$):

Outstanding				Exercisable		
Exercise prices	Number outstanding	Weighted average exercise price	Weighted average remaining years	Number outstanding	Weighted average exercise price	Weighted average remaining years
\$0.10 to \$0.15	10,221,000	\$ 0.15	1.69	10,221,000	\$ 0.15	1.46
<b>Totals</b>	<b>10,221,000</b>	<b>\$ 0.15</b>	<b>1.69</b>	<b>10,221,000</b>	<b>\$ 0.15</b>	<b>1.46</b>

### C. Warrant reserves

During the three months ended March 31, 2018, the 10,221,000 warrants outstanding as at December 31, 2017 expired unexercised. No new warrants were issued during the three months ended March 31, 2018 and 2017.

## 9. Earnings (loss) per share ("EPS")

### A. Basic EPS

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

### B. Diluted EPS

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

## **St. Augustine Gold and Copper Limited**

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The Company reported net losses for the three months ended March 31, 2018 and 2017; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the consolidated statements of comprehensive loss. Diluted EPS did not include the effect of share options and warrants as they were anti-dilutive.

### **10. Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the continued exploration and evaluation of (and future development of) its Project and to maintain a flexible capital structure which optimizes costs of capital at an acceptable risk.

In the management of capital, the Company considers items included in equity attributable to shareholders to be capital. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture partners.

To facilitate the management of its capital requirements, the Company prepares annual expenditures budgets which are updated as necessary depending on various factors, including general industry conditions. The annual and updated budgets are approved by the Company's Board of Directors.

There were no changes to the Company's approach to managing capital during the three months ended March 31, 2018.

### **11. Commitments and contingencies**

#### **A. NADECOR**

##### **i. Commitments related to NADECOR**

The Company's commitments to NADECOR are described in Note 3.

NADECOR has committed to pay a royalty fee of one percent (1.0%) of the Project's gross production to the Mansaka Indigenous Cultural Communities/Indigenous Peoples. This fee was contemplated at one percent in the Technical Report with an effective date of February 25, 2013 and filed on [www.sedar.com](http://www.sedar.com) on November 1, 2013, and therefore does not change the Company's Project economic disclosures made in other publicly available disclosures.

##### **ii. NADECOR shareholder dispute**

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

Several court actions were lodged by each side of the NADECOR shareholder groups during 2011 and 2012. On February 18, 2013, the Philippine Court of Appeals ruled that the board of directors elected during the August 15, 2011 meeting was validly elected. Therefore, the directors nominated by the NADECOR majority shareholder group constituted a majority of the lawful board of NADECOR. The NADECOR minority shareholder group filed an appeal with the Philippine Supreme Court. On March 9, 2016, the Philippine Supreme Court rendered its Decision dismissing the appeal and upholding the validity of the 2011 annual stockholders' meeting of NADECOR. A Motion of Reconsideration dated May 31, 2016 was lodged by the NADECOR minority shareholder group.

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On March 8, 2017, the Supreme Court issued a Resolution denying the Motion for Reconsideration filed with **finality**. In view thereof, all subsisting contracts between the Company and NADECOR continue to be valid and binding.

### B. Investments in joint ventures

#### i. KGCMI

The Company has subscribed to 40% of KGCMI, while the remaining 60% is owned by NADECOR. A new entity has been incorporated to take the place of KGCMI's business purpose (Note 5.A).

#### ii. KMC

KMC (Note 5.B), the entity to which MPSA has been assigned to in 2016, was incorporated in October 2013.

KMC has a \$3,000,000 payable due upon the finalization of a land purchase agreement and a \$500,000 outstanding milestone payment due to Queensberry (Note 4.A) upon a triggering event, both of which will be financed by the Company as per the note receivable set out in Note 4.A.

### C. Other

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