St. Augustine Gold and Copper Limited

Management's Discussion and Analysis

Three and nine months ended September 30, 2021
Expressed in U.S. dollars

Dated as of November 12, 2021

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The following discussion and analysis should be read in conjunction with the Technical Report with an effective date of February 25, 2013 and filed on www.sedar.com ("Sedar") on November 1, 2013, entitled "King-king Copper-Gold Project, Mindanao, Philippines" (the "Technical Report"), the Annual Information Form ("AIF") for the year ended December 31, 2020, the audited consolidated financial statements of St. Augustine Gold and Copper Limited (the "Company") for the years ended December 31, 2020 and 2019 the unaudited interim financial statements for the three and nine months ended September 30, 2021, and all of the notes, risk factors and information contained therein. These are all available at www.sedar.com.

Introduction

This Management's Discussion and Analysis ("MD&A") is dated November 12, 2021 and is in respect of the three and nine months ended September 30, 2021. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars. References to "CDN$" mean Canadian dollars and "₱" refers to Philippine pesos.

This document contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those described in forward-looking statements because of various factors, including those described under "Forward-Looking Information."

Forward-looking information

This report contains "forward-looking statements" that were based on St. Augustine Gold & Copper Ltd.'s expectations, estimates and projections as of the dates which those statements were made. These forward-looking statements include, among other things, statements with respect to St. Augustine Gold & Copper Ltd.'s business strategy, plans, outlook and shareholder value, projections, targets, and expectations as to reserves, resources, results of exploration (including targets) and related expenses, mine development, mine operations, mine production costs, drilling activity, sampling and other data, recovery improvements, future production levels, capital costs, cost savings, cash and total costs of production of copper and gold, expenditures for environmental matters, reclamation and other post closure obligations and estimated future expenditures for those matters, completion dates for the various development stages of projects, future gold prices (including the long-term estimated prices used in calculating mineral reserves), and currency exchange rates. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "outlook," "anticipate," "project," "target," "believe," "estimate," "expect," "intend," "forecast," "should," and similar expressions. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are inherently subject to known and unknown risks, uncertainties, and other factors that may cause St. Augustine Gold & Copper Ltd.'s actual results, level of activity, performance, or achievements to be materially different from those expressed or implied by such forward-looking statements.

A Preliminary Feasibility NI 43-101 Technical Report has been prepared by M3 Engineering and Technology with assistance from other companies with respect to the Kingking project. This document was made public on SEDAR on November 1, 2013. Therefore, the Kingking deposit is now considered a Mineral Reserve. 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. This Technical Report contains numerous estimates and assumptions that the authors believe to be reasonable but are still subject to all the risks referred to above. This report does not constitute or form part of, and should not be construed as, an offer, invitation, or inducement to purchase or subscribe for any securities nor shall it or any part of it form the basis of, or be relied upon regarding, any contract or commitment whatsoever.

Please also note that references to project quantities and economics contained in this presentation are on a 100% project basis. At present, St. Augustine Gold & Copper Limited has an indirect and direct equity interest of 50% (through local shareholdings) in the project with a 50% economic interest. References to economic interests should be interpreted from a whole of project value chain perspective since such interests will encompass a package of direct minority equity interests in entities subject to nationality laws, a fully owned processing subsidiary which is not so subject and contractual rights and benefits under associated Project agreements. The current equity and economic interests are expected to substantially increase upon fulfilment of all obligations under the existing restructuring/consolidation agreements. Please refer to our previous press releases and financial disclosures in the Investors section of our website for further information.

Overview

Background

St. Augustine Gold and Copper Limited ("SAGC" or "the Company") was incorporated in the British Virgin Islands on January 27, 2010. The Company is engaged in the business of mineral property exploration; currently, its only activity is the continued evaluation of the Kingking copper-gold property ("Kingking" or the "Project"). The Company is in the process of earning an economic interest in the Project from Nationwide Development Corporation ("NADECOR") through a Memorandum of Understanding ("MOU"); however, if the terms of the Project Framework Agreement ("PFA"), as amended in August 2014, are completed, the PFA will supersede this earn-in process. The PFA is envisaged to consolidate partner interests into one corporate vehicle, which is the Company. 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 Memorandum of Understanding and related agreements.

The Company's operating subsidiaries were formed for advancing the Project's large proven and probable mineral reserves containing copper and gold (4.1 billion pounds of contained copper and 7.8 million troy ounces of contained gold, as documented in the Company's NI 43-101 compliant Technical Report). The Company's objective is to bring the Project into commercial production in a timely and cost-effective fashion. The costs of financing are being optimized by de-risking and adding value to the Project. Management believes that due to the past and expected strength in the markets for gold and copper, the Project represents an opportunity to generate a superior return on investment for the Company's shareholders.

Financial condition

At September 30, 2021, the Company reported cash of approximately $180,000. Short term funding needs beyond the Company's cash position are expected to be made primarily through either the issuance of equity or debt. At September 30, 2021, the Company's working capital deficit is approximately $5.9 million.

While the Company holds notes receivable of approximately $13.7 million, these notes do not generate material interest income and were issued to support overall Project development. The Company is invested in joint ventures and in its partner, NADECOR; these investments have historically increased the Company's net loss, which is expected to continue, at a minimum, until commercial operation of the Project.

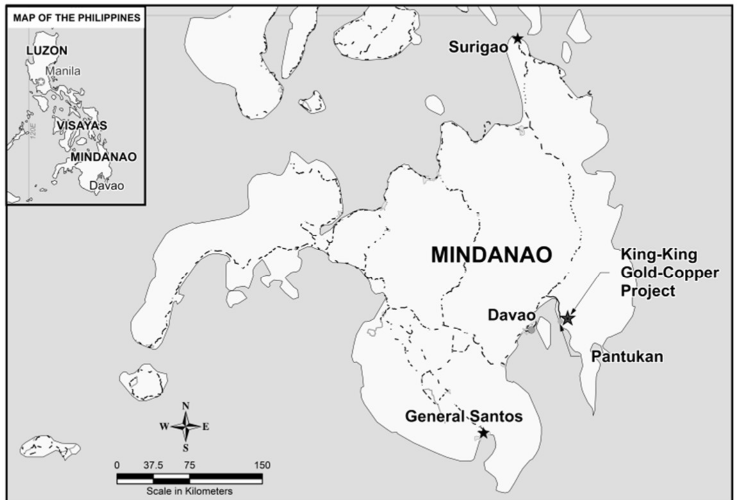
As at and for the three and nine months ended September 30, 2021, the Company's lack of revenue, accumulated deficit and limited free working capital together represented a material uncertainty that cast doubt about the Company's ability to continue as a going concern. As additional funds will be required to continue Project development, management will need to secure sources of debt, equity or partner financing.

The Company has no material long-term debt or other restrictive covenants with respect to its liabilities.

Qualified person

Disclosure of a scientific or technical nature in this MD&A with respect to the Project was prepared and approved by, or under the supervision of James Moore, P.E., Consulting Engineer. Mr. Moore is a "qualified person" for the purposes of National Instrument 43-101 of the Canadian securities administrators ("NI 43-101").

Project



LOCATION MAP OF KING-KING GOLD-COPPER PROJECT

The Kingking 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 mineral reserve is located at Sitio Gumayan, Barangay Kingking, Municipality of Pantukan, Davao de Oro, in Mindanao.

The Kingking property is a large copper-gold proven and probable mineral reserve. 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 include 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 (244 tonnes) of contained gold, as documented in the Company's Technical Report.

<u>History and current developments of the Kingking property</u>

The Kingking tenement comprises 184 mining claims that are owned by NADECOR under Mineral Production Sharing Agreement #009-92-XI (the "MPSA"), which was approved by the Government of the Philippines on May 27, 1992, amended December 11, 2002, and was renewed for another 25 years on May 23, 2016. The MPSA grants NADECOR the exclusive right to explore, develop and exploit minerals within the area comprising the Kingking tenement. The Kingking mineralized material was originally discovered in 1966.

In April 2010, NADECOR, Russell Mining and Minerals, ULC, ("RMMU"; formerly Russell Mining and Minerals Inc. "RMMI"), the Company and shareholders of NADECOR entered into an MOU, which was subsequently amended, (inclusive of amendments) to develop the Kingking property. The MOU addresses the formation of a joint venture to develop the Kingking property.

During 2010 and 2011, the Company settled with other parties which held an interest in the Project, such that only the Company and NADECOR have rights to develop and place the Project into production. Benguet Corp. divested itself all rights under its previous operating agreement with respect to the Project.

The PFA, as amended in August 2014 (the "Amended PFA"), which assures the Company's 50% economic interest in the Project and set out the structure for the future mining and milling operations of the Project. The Amended PFA also established commitments to acquire lands and consolidate Project stakeholders' interests into the Company. The Amended PFA is described in detail in the Current Highlights.

The Company announced in a press release (dated September 18, 2013) the results of its NI 43-101 compliant Preliminary Feasibility Technical Report (effective date of the report February 25, 2013). This Technical report was filed on SEDAR on November 1, 2013. The level of information provided in this report permits the Company to report the Kingking deposit as a mineral reserve. The table directly below presents the mineral reserve for the Kingking Project.

Financial information is presented in U.S. dollars

Mineral Reserve

Reserve Classification	Ktonnes	Tot Cu (%)	Sol Cu (%)	Gold (g/t)	NSR (US$)
Proven Mineral Reserve					
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
Total Proven Reserve	99,141	0.349	0.132	0.514	26.92
Probable Mineral Reserve					
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
Total Probable Reserve	518,775	0.290	0.075	0.373	20.01
Proven/Probable Mineral Reserve					
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
Total Prov/Prob Reserve	617,916	0.300	0.084	0.395	21.12

The Company edited its major permitting documents (Environmental Impact Statement ("EIS") and Declaration of Mine Project Feasibility ("DMPF")) during 2013 and 2014 based on comments received from the Department of Environment and Natural Resources ("DENR") on its earlier permit document submissions in 2012. The revised permit document packages for the EIS and the DMPF were submitted to the DENR for review in 2014 (EIS in May 2014 and the DMPF in December 2014). The EIS was approved by the DENR in February 2015 and an Environmental Compliance Certificate was received from the DENR for the Kingking Copper-Gold Project at that time. The DMPF was approved by the DENR in December 2015 and an order to proceed to the development and operating stages of the project was received from the DENR in January 2016.

The coastal complex land position was purchased (~100 Hectares) in August 2014. This land area is important for the future project regarding port and power plant development that will support the mining project.

In July 2015, the Company announced the execution of a Memorandum of Agreement ("MOA") executed between NADECOR, the Mansaka Indigenous Cultural Communities/Indigenous Peoples ("IPs") and the National Commission on Indigenous Peoples ("NCIP") in May 2015. The MOA is effective for a period of twenty-five (25) 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 and it issued a Certification Precondition ("CP") to NADECOR in January 2016.

The DMPF (a major project permit) approved by the DENR in December 2015 was amended with the Integrated Kingking Copper-Gold Project document in March 2016. The amended DMPF was approved by the DENR in May 2016. The amended DMPF 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 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 of Reconsideration dated May 31, 2016 was lodged by Ricafort group. 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.

In June 2016, the Mines and Geosciences Bureau ("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. A Mineral Processing Permit (MPP) for the Project was also issued by the MGB and the application for the area expansion involving consolidation of APSA No. 026-XI and MPSA No. 009-92-XI AMD was approved.

The Kingking 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 August 8, 2016, the Company announced that the DENR through MGB has approved the renewal of the amended MPSA for another 25-year term.

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 a protected watershed area.

On February 27, 2017, management of KMC responded to the show cause order stating that there are no valid grounds to cancel, terminate or suspend the MPSA. The DENR has yet to render a resolution on the matter, as with other mining companies that received similar show-cause orders.

On April 27, 2017, the DENR issued Administrative Order No. 2017-10 ("DAO No. 2017-10"), banning the open pit method of mining for copper, gold, silver and complex ores in the country. With the change in the leadership of the DENR, all actions of the previous DENR Secretary are being reviewed by the Mining Industry Coordinating Council ("MICC") which is co-chaired by the Secretary of Finance and the DENR Secretary. Subsequently, a joint letter from numerous mining companies, including KMC, requested for the suspension of the implementation pending the review on the legality of DAO 2017-10. In October 2017, the new DENR Secretary, Roy A. Cimatu, announced that during the last meeting of the MICC, a Resolution was issued, whereby a majority of the members thereof voted to recommend changes to DAO No. 2017-10, to the effect that the DENR lifts the ban on open-pit mining.

However, by December 2017, the Company received information that President Duterte wanted a thorough review of mining policies, despite the recommendation of the MICC, and thus did not agree to remove the ban on open pit mining. Eventually, the DENR sent out notices to all mining companies that a forum will be conducted by Secretary Cimatu beginning January 2018, to discuss revisions to existing mining policies. Thus far, four (4) meetings have been held about the proposed revisions, the last of which was in July 2018. Another meeting with the DENR Secretary was scheduled last October 2018, where mining companies, including KMC, provided their inputs to the proposed revisions. KMC will continue to participate in such meetings/forums. Although the meetings with the DENR continued, the ban on open-pit mining remains up to today.

In subsequent meetings, the DENR informed the mining companies about new policies regarding the need for rehabilitation of areas that were disrupted by mining operations, i.e. the need to commence the planting of trees on those areas that, based on the Company's assessment, has no more potential for the extraction of ores. As the Company has not started operations due to the ban, the Company will not be covered by those new policies just yet, as there are no disrupted areas to speak of. However, the Company continues to engage the DENR, through the MGB in discussions regarding this policy.

On another note, the Philippine House of Representatives started discussions on pending bills regarding the adjustment to increase taxes imposable on mining companies. Also discussed was the probability of amending the Mining Law to impose royalty on mining companies that are operating outside areas considered as mineral reserved areas or MRAs. KMC's MPSA area is outside this MRA. To-date, there are no final decisions regarding the pending bills. Moreover, there are no counterpart bills on this matter before the Senate of the Philippines, which is needed for the pending bill to eventually be passed into a law. Since the House bill did not pass muster in the 17th Congress, this matter on imposing taxes on mining companies outside of the MRA is considered by-passed. We will await if a similar bill on the matter will be re-filed in the 18th Congress.

Financial information is presented in U.S. dollars

In December 2017, President Rodrigo R. Duterte signed into law Republic Act No. 10963, also known as the TRAIN Law or the Tax Reform for Acceleration and Inclusion Law. This law took effect on January 1, 2018. Pursuant to Section 48 of the TRAIN law, excise tax for metallic and non-metallic minerals was raised from the previous 2% to 4%. The Bureau of Internal Revenue (BIR) then issued Revenue Regulation No, 1, s. 2018, (effective January 15, 2018), whereby it was stated that the 4% excise tax will be based "on the actual market value of the gross output at the time of removal". A new fiscal regime for the mining industry was discussed in the 17th Congress, which was to be included in the proposed TRAIN 2 law. However, TRAIN 2 also failed to pass, considering the irreconcilable differences between the Senate and House versions of the bill.

Market trends

Average annual prices as well as the 2021 average price through the date of this document, for copper and gold are summarized in the table below:

Average annual market prices (US$)		
Year	Copper (lb)	Gold (oz)
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	2.79	1,257
2018	2.96	1,269
2019	2.72	1,394
2020	2.80	1,770
2021*	4.19	1,798

Source: Monthly spot prices per London PM Fix – KITCO (Gold) and London Metal Exchange (Copper).

* Most current data available through the date of this MD&A.

Current highlights

The Company remains to be International Organization for Standardization ("ISO")-certified to-date, having passed the ISO Surveillance Audit conducted last March 2021. Intertek conducted the surveillance audit, albeit remotely, and found no non-conformities by the Company based on the parameters that were set. Thus, the Company remains to be ISO-certified to-date. In view of the continued threat of COVID-19 in the country, the Company continues to fully abide with health and safety protocols, as mandated by the National and local governments.

The Company continues to review pertinent documents regarding the Project and update the necessary data. It remains fully compliant with all regulatory requirements to-date, with the MGB, as the primary National Government agency regulating the mining industry having issued a Certificate of Compliance in favor of the Company covering the Current Year ("CY") 2021.

On August 2, 2021, the DENR issued Department Administrative Order (DAO) No. 2021-25, which pertains to the Implementing Rules and Regulations (IRR) on Executive Order No. (EO) No. 130 (on the issuance of new mining agreements), which was issued last April 14, 2021. Although it was earlier mentioned by the DENR that the IRR will include a provision on the lifting of the open-pit ban (previously issued under DAO No. 2017-10), the final and released version of the IRR did not contain such a provision. Thus, to-date, the open-pit ban remains. Despite this setback, the Company, together with others in the mining industry that are similarly situated, continue to discuss this matter with the DENR, so that a solution can eventually be reached.

The Company remains compliant with its permits and licenses to-date and continues to comply with regulatory requirements.

Results of operations

The selected financial information below has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee and is expressed in U.S. dollars unless otherwise noted.

The Company's operations and business are not driven by seasonal trends, but by efforts to achieve project milestones. These milestones include various technical, environmental, socio-economic and legal objectives, including obtaining the necessary permits; completion and publishing of a Bankable Feasibility Study ("BFS"); and preparation of engineering designs.

Selected financial information

Balance	September 30, 2021	December 31, 2020	December 31, 2019
Total assets	$ 113,601,422	$ 116,500,354	$ 113,371,820
Total liabilities	6,227,079	7,968,387	6,789,747
Total equity	107,374,343	108,531,967	106,582,073

Total assets decreased at September 30, 2021, from December 31, 2020, due primarily to the Company's ongoing cash outlay and expenses incurred to continue permitting and site care and maintenance, for which a significant driver is the cost of labor and the settlement of the Company's debt to Queensberry through issuance of shares. The Company's total liabilities decrease while equity position increased during the nine months ended September 30, 2021, by approximately $1.2 million; issuance of shares through debt settlement approximately $2.5 million, net loss of approximately $1.4 million for the nine months ended September 30, 2021 and approximately $2.3 million was attributable to foreign exchange translation loss. Foreign exchange translation losses are impacted significantly by changes in the exchange rate between the U.S. dollar (the Company's reporting currency) and the Philippine peso which is driven mainly by the material activity of the Company's Philippine subsidiary which has a functional currency in Philippine peso and the Company's translation in investment in NADECOR which is also denominated in the Philippine peso (₱1.8 billion).

Changes to investment in mineral asset (approximations)

	Nine months ended September 30,	
	2021	2020
Permitting, site costs and other	$ -	$ 30,000
General and administrative and labor	470,000	410,000
Total	**$ 470,000**	**$ 440,000**

The focus of activities during the period of 2021 was mainly care and maintenance. Capitalized general and administrative and labor charges slightly increased due to the escalation in the salaries of the Executives.

Summary of selected quarterly information

Quarterly result	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Total assets	$ 113,601,422	$ 115,319,901	$ 116,266,320	$ 116,500,354	$ 115,765,531	$ 114,445,782	$ 113,524,116	$ 116,500,354
Operating expenses	113,384	127,589	92,753	132,240	86,519	123,346	69,008	202,744
Income (loss)	(325,202)	(961,430)	(117,506)	21,579	54,385	(214,583)	(44,243)	(103,800)
Earnings (loss) per share (i)	0.00	0.00	0.00	0.00	0.00	(0.00)	(0.00)	(0.00)

i. *Per common share; basic and diluted losses per share were equal in all periods presented*

Historical trends and changes in quarterly results

Operating expenses are attributable primarily to wages and share-based payments and general and administrative costs. For the nine months ended September 30, 2021, employee and officer compensation and general and administrative costs are the primary components of net loss. The largest portion of total cash outlay is capitalized into the Company's investment in mineral property. Professional fees and the costs of marketing can also significantly impact operating expenses and net loss; these costs are generally incurred as needed or as management's operating strategies change, and do not follow a cyclical pattern.

Operating expenses during the nine months ended September 30, 2021 increased from same period in 2020 is mostly driven by the increase of the executive salaries.

Three and Nine months ended September 30, 2021 and 2020

General and administrative and wages expenses were the primary drivers of expense for the nine months ended September 30, 2021 and 2020. Wages expenses during the nine months ended September 30, 2021 and 2020 were $165,000 and $150,000, respectively.

General and administrative costs slightly increased during the nine months ended September 30, 2021 (approximately $170,000) as compared to the nine months ended September 30, 2020 (approximately 130,000) due to increase in service fees related to the issuance of additional shares.

Capital resources and liquidity

At September 30, 2021, the Company had cash of approximately $180,000 (December 31, 2020 – approximately $230,000) and a working capital deficit of approximately $5.9 million (December 31, 2020 – $7.6 million).

The Company manages liquidity risk through maintaining sufficient cash or credit terms with its suppliers to meet the operating requirements of the business and investing excess funds in highly liquid short-term cash deposits.

Approximately $470,000 of the cash flows used by investing activities during the nine months ended September 30, 2021 was attributable to the Company's investment in mining property (2020 – approximately $410,000). The amount reflects the limitation on outflows to community development activities during 2020 due to CoVid-19 pandemic.

The Company had no long-term debt at September 30, 2021 and December 31, 2020.

The Company has raised funds primarily through equity issuances, though management will consider all sources of financing reasonably available, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or in part, including mineral property interests, royalties and future production. There can be no assurance of continued access to financings in the future, and an inability to secure such financings may require the Company to substantially curtail and defer its planned exploration and development activities. Management will continue to manage cash outlay carefully to optimize the timing of completion of permitting, a BFS and executing the terms of the PFA.

Financial information is presented in U.S. dollars

Contractual obligations

NADECOR Memorandum of Understanding

Under the terms of the MOU between the Company and NADECOR (which is expected to be superseded by the Amended PFA; see Current Highlights), the Company can earn an economic interest in the Project by making the following payments totaling a minimum of $83,000,000:

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%
$	83,000,000		60.00%

i. Direct payment to NADECOR made in 2009;
ii. $3,000,000 was paid in 2010, pursuant to the first Amendment to the MOU. The remaining $100,000 was paid in 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 $30,000,000 required to be expended under the PSIA; the full amount has been expended;
v. The timing of direct payments to NADECOR is contingent on events contemplated in the MOU. During 2011, $981,000 was paid, $250,000 was paid during 2013, and the balance is expected to be paid if the terms of the PFA are not fulfilled; and
vi. Total capital expenditures based on planned mine throughput. The minimum commitment is $32,000,000, and is subject to adjustment depending on the planned throughput of the mine. Project feasibility study ("PFS") results indicate throughput would increase the Company's Capital Expenditures ("CapEx") commitment should the terms of the Amended PFA not be completed.

The terms of the Amended PFA confirmed the Company's 50% economic interest in the Project, whether or not all terms of the Amended PFA are fulfilled.

The Company has committed to lend up to $11.0 million to KMC, a Project joint venture mining entity, of which the Company owns 40%. At September 30, 2021, the Company had lent $7.5 million. The loan 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, can be paid before maturity without penalty, and can be extended by a further 15 years at the option of KMC. KMC has entered into agreements which will cause KMC to utilize the full amount of the credit facility; these agreements will secure land, and materially advance Project permitting.

Transactions with related parties

Legal services

For the nine months ended September 30, 2021, the Company receives advice from Dentons Canada LLP which is considered a related party as a result of a partner of that firm acting as corporate secretary to the Company. Services rendered during the nine months ended September 30, 2021 totaled approximately $30,000 (2020 – approximately $20,000) and $10,000 was outstanding at September 30, 2021 (December 31, 2020 – $7,000).

Financial information is presented in U.S. dollars

Officers, directors and employees

The aggregate value of transactions with officers and directors during the nine months ended September 30, 2021, including salaries, benefits and other compensation, totaled approximately $500,000 (2020 – approximately $400,000).

Entities with common management

The Company and Queensberry Management and Development Corp. ("Queensberry") are party to the amended PFA. The Company's Chief Executive Officer ("CEO") and Chairman of the Board, Manuel Paolo A. Villar, controls the new parent company of Queensberry, Faithful Holdings, Inc. (FHI). During 2014, the Company paid Queensberry approximately $2.4 million to settle a debt payable by NADECOR to Queensberry. Over the course of the companies' relationship, the Company has issued approximately 291,000,000 shares to Queensberry, making it the Company's largest shareholder. During 2015, Queensberry entered into a management service agreement with the Company. During 2016, Queensberry assigned the management service agreement to Prime Asset Ventures Inc. (PAVI), a company controlled by the CEO and the former parent company of Queensberry. The Company incurred approximately $nil related to management expenses payable to FHI during the nine months ended September 30, 2021 (December 31, 2020 - $nil). The Company has an employment agreement with Mr. Villar pursuant to which he is compensated $33,333 per month. In December 2020, the compensation of Mr. Villar was increased to $36,667 per month. The same agreement includes bonuses should the Company execute a material sale of the Company or its interest in the Project, and calls for stock options to be issued to Mr. Villar in the future.

In addition, KMC has management service agreement with Queensberry of approximately $12,000 per month for the year ended December 31, 2015. During 2016, Queensberry also assigned the management service agreement to PAVI, while in 2019, the said agreement was assigned to FHI. In 2020, the service agreement was not renewed.

In March 2018, the Company entered into a contract for services with Agata Mining Ventures, Inc. ("AMVI") and TVI Resource Development Phils., Inc. ("TVIRD"), affiliates, wherein the Company shall render technical services, legal consultancy and administration services to AMVI and TVIRD for a monthly fee of ₱525,000 and ₱100,000, respectively.

As at September 30, 2021, Queensberry advanced $1,923,429 to the Company (December 31, 2020 - $3,957,030) for operational requirements.

On March 19, 2021, the Company received conditional approval from the TSX to settle $2,554,265 of debt owed to Queensberry through the issuance of 70,176,859 common shares of the Company. After full compliance with documentary requirements required, on April 13, 2021, the TSX gave its final approval to the debt-to-equity transaction between the Company and Queensberry.

Off balance sheet arrangements

As at September 30, 2021, the Company had no material off balance sheet arrangements (December 31, 2020 – none).

Other MD&A requirements

Outstanding share data

At the date of this document, the Company's outstanding equity securities are described as follows:

Outstanding share data at the date of this MD&A		
Securities	**Outstanding**	
Voting securities issued and outstanding	796,935,193	common shares
Securities convertible or exercisable into voting equity securities	-	stock options

Internal controls over financial reporting and disclosure controls and procedures

Multilateral Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings, requires an evaluation of the effectiveness of the Company’s disclosure controls and procedures (“DC&P”) and its internal control over financial reporting (“ICFR”). The CEO and the Chief Financial Officer have overseen the process of designing and implementing DC&P and ICFR. Their conclusions with respect to ICFR and DC&P are described below.

Internal controls over financial reporting

The Company’s management is responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

An effective ICFR design provides reasonable assurance that the Company’s financial information is reliable and that its financial statements have been prepared, for the purpose of publishing financial information, in accordance with applicable reporting requirements. Management believes its system of internal controls over financial reporting was effective as at September 30, 2021.

Disclosure controls and procedures

An effective DC&P system provides reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company’s management so that decisions can be made about timely disclosure of that information. Management believes its disclosure procedures in place at September 30, 2021, were effective.

Corporate Governance Policies

Policies Regarding the Representation of Women on the Board

The Company has not adopted a written policy relating to the identification and nomination of directors, including women directors. The number of women directors on the Board is a factor that the Nominating and Corporate Governance Committee considers when selecting new nominees for the Board. The Board feels that having written policies governing the selection of board nominees could unduly restrict the Board's ability to select the most capable nominees.

Consideration of the Representation of Women in the Director Identification and Selection Process

When considering director nominations, the Nominating and Corporate Governance Committee considers the number of women currently on the Board. The Board includes the gender of a potential candidate as one component in the overall list of factors it considers when selecting candidates.

Consideration Given to the Representation of Women in Executive Officer Appointments

When considering executive officer appointments, the Nominating and Corporate Governance Committee considers the number of women currently employed in senior executive positions. The Chief Executive Officer, when considering the appointment of senior executives, also considers the number of women currently in senior executive positions. As in the director selection process, the gender of a potential candidate is one component in the overall list of factors that the Nominating and Corporate Governance Committee and the Chief Executive Officer consider when selecting candidates.

Issuer's Targets regarding the Representation of Women on the Board and in Executive Officer Positions

The Board has not adopted a target regarding women on the Board or in senior executive positions. The Board feels that adopting such a target could unduly restrict Company's ability to select the most capable nominees. The Board and the Chief Executive Officer do consider the number of women on the Board and in senior executive positions when identifying candidates.

Number of Women on the Board and in Executive Officer Positions

	# of Women	Total # of Board/Officers	%
Board Positions	1	5	20%
Executive Officer Positions	1	3	33%

Risks and uncertainties

In addition to the risk factors listed below, please see the risk factors listed in the Company's AIF (available at www.sedar.com).

Adverse fluctuations in currency exchange rates

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

Competition

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 base and precious metals mining industry is primarily for mineral rich properties which can be developed and produced economically. In addition, businesses compete for the technical expertise to find, develop, and produce such properties, the skilled labor to operate the properties and the capital for 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.

Conflicts of interest

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 regarding potential acquisitions or opportunities where the other interests of these directors and officers may conflict with the interests 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.

Current global economic conditions

Potential market events and conditions, including disruptions in the international credit markets and other financial systems and 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 material adverse effect on the Company's business and its financial condition and results of operations.

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 could result in revisions to the mining law.

Dependence on directors and officers

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.

Dividends

The Company has never paid a dividend on its common shares. It is not anticipated that the Company will pay any dividends to its common shareholders in the foreseeable future.

Environmental risks, health and safety regulations, permits and licenses and other regulatory requirements

Operations will be subject to health, safety and environmental regulations and legislation. The Company must comply with current, new and upcoming laws. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations. 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.

The Company's operations, including development activities and commencement of production on its properties, require permits from various federal, provincial or territorial and local governmental authorities, and such operations are and will be governed by laws, and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

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.

As discussed above, 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. The DENR has yet to render a resolution on the matter, as with other mining companies that received similar show-cause orders.

As discussed above, Administrative Order No. 2017-10 ("DAO No. 2017-10"), banning the open pit method of mining for copper, gold, silver and complex ores in the country is still in effect, which is the preferred method of mining for the Project. Efforts are in progress between the President, DENR and the mining industry to lift this ban. The Company, together with other mining companies, continue to engage the DENR and the MGB in dialogues for the lifting of the said ban.

In subsequent meetings, the DENR informed the mining companies about new policies regarding the need for rehabilitation of areas that were disrupted by mining operations, i.e. the need to commence the planting of trees on those areas that, based on the Company's assessment, has no more potential for the extraction of ores. As the Company has not started operations due to the ban, the Company will not be covered by those new policies just yet, as there are no disrupted areas to speak of. However, the Company continues to engage the DENR, through the MGB in discussions regarding this policy.

Recently, there were news reports that the Government intends to issue an Executive Order ("EO") to ban open-pit mining altogether. However, that EO has not been issued to date. Be that as it may, the Company is hopeful that such an EO will not be issued as it runs counter to the Mining Law, which allows open-pit as a mining method. Should such an EO be issued in the future, the Company will be open to exercise the appropriate legal remedy/ remedies to question such an EO.

On another note, the Philippine House of Representatives started discussions on pending bills regarding the adjustment to increase taxes imposable on mining companies. Also discussed was the probability of amending the Mining Law to impose royalty on mining companies that are operating outside areas considered as mineral reserved areas or MRAs. KMC's MPSA area is outside this MRA. To-date, there are no final decisions regarding the pending bills. Moreover, there are no counterpart bills on this matter before the Senate of the Philippines, which is needed for the pending bill to eventually be passed into a law.

Mine development

Mine development of a mineral reserve is a highly speculative business activity, characterized by a number of significant risks. The marketability of minerals the Company may mine may be affected by numerous factors that are beyond its control and that cannot be accurately predicted, such as market fluctuations, mineral markets, and such other factors as taxation, government regulations, including regulations relating to royalties, allowable production, the import and export of minerals and environmental protection, the combination of such factors may result in the Company not receiving an adequate return of investment capital.

The Kingking property has advanced its studies to the preliminary feasibility level as demonstrated by announcing its PFS results in its September 18, 2013, press release and publishing its Technical Report. This allows the Company to report the Kingking deposit as a mineral reserve. A mineral reserve are those parts of a measured and indicated resource that are the basis of an economically viable project after taking account of all relevant geological, mining, processing, metallurgical, economic, marketing, legal, environment, socio-economic and government factors; based on scientific and engineering interpretations that may turn out to be wrong.

There is no assurance that the Company can complete additional work that may be needed to develop the mineral reserve into an economically operating mine until sufficient capital is raised to perform this work.

Substantial expenditures are required to develop the mining and processing facilities and infrastructure at the sites chosen for mining. No assurance can be given that funds required for development can be obtained on a timely basis.

The Company is required to obtain required permits from various government departments to carry out its additional permitting and engineering work and to begin construction. There is no guarantee all required permits will be granted on terms satisfactory to the Company, or at all. If such permits are not received, the Company may not be able to carry out or complete its business objectives.

Fluctuating mineral prices

The mining industry is heavily dependent upon the market price of metals or minerals being mined. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist at the time of sale. Factors beyond the Company's control may affect the marketability of metals or minerals discovered, if any. Metal prices have fluctuated widely, particularly in recent years, and the Company will be affected by numerous factors beyond the control of the Company. The effect of these factors on the Company's operations cannot be predicted. If mineral prices decline significantly, it could affect the Company's decision to proceed with further exploration and development of its property.

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 may be substantially affected by factors beyond the Company's control, any of which could have a material adverse effect on 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 through a direct interest in NADECOR and KMC. 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 option is to the Philippine courts, which may not operate in the same manner as those in Canada and the United States.

Social and community

The Company's operations and the development of the project will impact local communities, and a portion of communities will need to be resettled or local infrastructure moved. The Project could be delayed without broad local community support, impacting future profit and development costs. There may also be local opposition to mining activities, although formal letters of endorsement have been received by local government units and a memorandum of agreement was approved in May 2015 with the indigenous peoples in the project area (and also approved by the NCIP in January 2016). The Resettlement Action Plan ("RAP") was accepted by the MGB. There is no assurance, regarding the RAP, that an agreement will be reached with the local people to be affected during the future Project development and who will be affected as the mine facilities develop during operation.

Security of energy supplies

Increasing global demand and limited new supplies impacts the price and availability of energy. Many factors that reduce the reliability of energy supply or increase energy prices are beyond the Company's control. These include strong demand from the Asia Pacific region; political, regulatory and economic uncertainties; and costs associated with emissions from fossil fuels. While it will enter into long term supply contracts when beneficial to the Company, the availability of energy supplies may have a material impact to the Company's operations.

Emissions and climate change regulations

The Company operates in a jurisdiction in which legislation to limit or reduce emissions is being considered. Climate change related legislation could lead to increased costs for fossil fuels, electricity and transmission, restricted industrial emissions, the imposition of charges for emissions and increased expenditures on monitoring, reporting and accounting.

Future acquisitions

As part of the Company's business strategy, it may seek to grow by acquiring companies or 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.

Future financing

The Company's continued operation will be dependent upon its ability to procure additional financing and eventually generate revenues. 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 some or all of the Company's properties. If additional financing is raised by the issuance of shares from treasury, 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 the Project, 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.

No history of earnings

The Company has no history of earnings. Additional external financing will be required to develop the Project further. There can be no assurances that the Project will ever produce revenues from mining and milling operations.

Operating hazards and risks

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. Damage to Company property (or contractors' property for which the Company may be financially responsible) due to local insurgents is possible. 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 a materially adverse effect upon the Company's financial condition.

Philippine tax incentives

The Philippine government offers tax incentives, including periods of tax-free operations early in the life of mines, to mining businesses to encourage economic development. These incentives have a significant impact on the financial metrics used to evaluate the Project. Should these incentives be withdrawn or reduced, material changes in Project economics could occur. As of the date of this document, the Philippine government is evaluating its current tax incentive regulations. However, with the passage of the new tax law (Republic Act No. 10963, or the TRAIN law), the Company, considering that it has not commenced operations due to the open-pit ban, continues to monitor its effects and consequences on the mining industry.

Reliability of historical information

The Company has relied, and the Technical Report is based upon historical data compiled by previous parties involved with the Project. To the extent that any of such historical data is inaccurate or incomplete, the Company's development plans may be adversely affected.

Title risks

Although the Company has exercised due diligence with respect to determining title to the properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Until competing interests, if any, in the mineral lands have been determined, the Company can give no assurance as to the validity of title to those lands or the size of such mineral lands.

Uninsured or uninsurable risks

Exploration, development and production of mineral properties is subject to certain risks, and 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 because of high premiums or for other reasons. Should such liabilities arise, they could have a materially 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.

Volatility of share price

In recent years, the securities markets in the United States and Canada 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.

Critical accounting policies and estimates

The Company's significant accounting policies, including critical accounting policies and estimates, are presented in Note 2 to the annual consolidated financial statements for the year ended December 31, 2020. An analysis of the Company's critical accounting policies and estimates follows.

Statement of compliance

The Company's financial statements for the nine months ended September 30, 2021, including comparatives, have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34").

Statement of compliance analysis

Management has implemented internal controls over financial reporting and disclosure controls and procedures which management believes operate effectively. In addition to performing a rigorous period end review of the close and financial reporting process, management analyzes its financial statements and related disclosures in relation to IFRS guidance effective for the reporting year. At September 30, 2021, management determined that the financial statements, notes to the financial statements, and this MD&A are in compliance with IFRS and applicable regulations.

Investment in mineral property

The Company's directed purpose is to develop the Project under an agreement with NADECOR and will ultimately receive up to an aggregate 60% economic interest in a joint venture based upon required expenditures and completion of certain milestones. Those expenditures which are directly allowed under the MOU are included in the investment in mineral property account. Amounts not allowed to earn-in, following NADECOR's audit, are either reported in the investment in mineral property under IFRS 6 – Exploration for and Evaluation of Mineral Resources, or expensed, depending on the character of the expenditure. Under the terms of the MOU, accrued amounts earn-in upon cash settlement and NADECOR has a limited right to audit the underlying expenditure. The MOU will be superseded by the PFA upon fulfillment of the terms of the PFA.

Following the establishment of economic viability by the PFS filed on SEDAR on November 1, 2013, qualifying expenditures will be capitalized in accordance with relevant standards until production commences. Management periodically reviews the recoverability of the capitalized value of the Project, taking into consideration the results of exploration activities, estimated mineral market prices, reports of experts and other relevant information. If the Project is to be abandoned or is determined to be impaired, the investment will be reduced to fair value.

Analysis of investment in mineral property

Management has performed a rigorous review of its contractual commitments and rights and IFRS 6 - *Exploration for and Evaluation of Mineral Resources*. The Company's expenditures included in the Company's investment in mineral property are those which have directly benefited the Project and which management has determined, based on an assessment of whether impairment indicators exist, to be recoverable, and expenses which qualify for shares in its joint venture partner's capital accounts under its contractual arrangements.

The impact of the Company's treatment of capitalized expenses in respect of the Company's financial statements has been to increase the Company's assets and decrease net loss, as compared to a policy which expensed a higher proportion of Project expenditures.

Investments in other entities

The Company accounts for investments below the threshold of having significant influence either at fair value or at amortized cost, depending on the nature of the investment.

If the Company has significant influence over an investee as defined under IAS 28 – Investments in Associates and Joint Ventures, the investment is initially recognized at cost and is adjusted periodically to reflect the Company's portion of the investees' profit or loss.

Analysis of Investments in other entities

The Company's investments in other entities include its investment in NADECOR, Kingking Gold and Copper Mines Inc. ("KGCMI") and KMC.

The investments in NADECOR, KGCMI and KMC were accounted for using the equity method at September 30, 2021. Certain agreements of the Company contain clauses, which if met, could cause the Company's treatment of its investment in KMC to change to proportionate consolidation.

Impairment of non-financial assets

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

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to dispose. Cash generating units are identified at the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This value is held through the Company's investment in mineral property, investment in NADECOR and investments in joint ventures.

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

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

Analysis of impairment of non-financial assets

The Company's non-financial assets or a cash-generating unit include investment in mineral property (described above) and property and equipment. Management's policy is to analyze its investment in mineral property and property and equipment for impairment at each reporting period and as circumstances and events warrant. Management has recognized no impairment losses against property and equipment or investment in mineral property since significant activity began in 2011.

Financial instruments

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of IAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Classification, measurement and reclassification of financial assets in accordance with IFRS 9

Under IFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

All of the Company's financial assets meet these criteria and are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Company's financial assets at amortized cost are presented in the statement of financial position as cash, note receivable from NADECOR, advances to joint ventures, and note receivable from joint venture.

For purposes of cash flows reporting and presentation, cash in banks generally earn interest based on daily bank deposit rates. These are unrestricted and readily available for use in the Company's operations and are subject to insignificant risks of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as part of interest income.

Impairment of financial assets under IFRS 9

The Company assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Company also assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Derecognition of financial assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Equity and financial liabilities

Equity

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

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

Financial liabilities

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

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

Significant accounting estimates, judgments and assumptions

The preparation of consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant estimates relate to the share-based payments, impairment assessment of investment in mineral property and associates, and depreciation and impairment of property and equipment.

The most significant judgments relate to recoverability of capitalized amounts, accounting for long-term investments, accounting for investments in joint ventures and associates and the determination of the economic viability of a project.

Analysis of accounting estimates and judgments

The useful lives of assets are generally determined by a categorical assignment of fixed asset purchases. In general, management uses a 3, 5, or 10-year depreciation life for vehicles and equipment purchased. Its judgments in analyzing fixed assets for impairment include whether events and circumstances are significant enough to warrant an impairment analysis and its selection of financial data used in calculating the effects of external variables.

Management's judgment as to the recoverability of capitalized amounts is closely tied to management's impairment analysis. A significant difference arises in determining the economic viability of a project, in which case management relies on internal and contracted experts. As of the date of this MD&A, the economic viability of the Company's only mineral asset has been determined by way of a PFS, however, a BFS has not been completed.

Management valued its investment in NADECOR at fair value at June 30, 2013, at cost. In August 2013, the Company obtained board representation, requiring the Company to account for its investment in NADECOR using the equity method. Accordingly, the Company recorded its pro-rata share of comprehensive loss for the periods thereafter. The value of the investment will be affected by the future financial performance of NADECOR, which owns 60% of the Project's joint venture mining entity, as well as by changes in the exchange rate of the U.S. dollar and Philippine peso. This value of the investment is the same cash-generating unit as Company's investment in mineral property (described above).

General business commentary, outlook and accomplishments

Management notes the following accomplishment during the nine months ended September 30, 2021:

- The Company remains to be International Organization for Standardization ("ISO")-certified to-date, having passed the ISO Surveillance Audit conducted last March 2021. Intertek conducted the surveillance audit, albeit remotely, and found no non-conformities by the Company based on the parameters that were set. Thus, the Company remains to be ISO-certified to-date. In view of the continued threat of COVID-19 in the country, the Company continues to fully abide with health and safety protocols, as mandated by the National and local governments.
- On August 2, 2021, the DENR issued Department Administrative Order (DAO) No. 2021-25, which pertains to the Implementing Rules and Regulations (IRR) on Executive Order No. (EO) No. 130 (on the issuance of new mining agreements), which was issued last April 14, 2021. Although it was earlier mentioned by the DENR that the IRR will include a provision on the lifting of the open-pit ban (previously issued under DAO No. 2017-10), the final and released version of the IRR did not contain such a provision. Thus, to-date, the open-pit ban remains. Despite this setback, the Company, together with others in the mining industry that are similarly situated, continue to discuss this matter with the DENR, so that a solution can eventually be reached.
- The Company remains compliant with its permits and licenses to-date and continues to comply with regulatory requirements.
- The Company continues to implement the programs pursuant to its approved Care and Maintenance Program (CMP), which includes its Annual Safety and Health Program, Annual Social Development and Management Program, Annual Environmental Protection and Enhancement Program and Annual Development and Utilization Work Program). These programs under the approved CMP have a lower financial cost, similar to the previous year, thereby easing strain on the Company's expenditures. The Company, together with others in the mining industry, will continue to engage with the DENR to resolve the impasse on the open-pit ban, which has "plagued" the industry since 2017.

The Company's important ongoing milestones and targets include the following:

- Structure project financing arrangement(s) through strategic advisors or engagement of major financial institution(s) in coordination with NADECOR;
- ECC validity period considered tolled, reckoned from the issuance of DAO No. 2017-10, as approved by the EMB Central Office, through its Director, Engr. William P. Cuñado, pursuant to the letter of September 14, 2020.
- To pursue the tree cutting permit application for Stage 1 Project, including foreshore lease application, from the DENR, once there is notice on the lifting of DAO No. 2017-10;
- Advance the application for water rights permit from National Water Resource Board;
- Collaborate with the Mining Associations in the Philippines, such as the Chamber of Mines of the Philippines, to convince the national government to lift the ban on open pit mining method issued under DAO 2017-10, taking into consideration the issuance of EO No. 130, allowing the grant of new mining agreements.
- Advance critical work necessary to bring the Project to a more advanced stage, such as completing a feasibility study and geotechnical drilling for the preparation of detailed engineering design of project facilities;
- Advance work necessary to complete the PFA; and
- Continue to follow-up with the DENR regarding its declaration to resolve in favor of mining companies the show-cause order regarding possible cancellation of the MPSA by the DENR. To-date, there had been no resolution issued by the DENR covering this matter for all mining companies.