



KAZAX MINERALS INC.
Condensed Consolidated Interim Financial Statements
For the three and nine months ended
September 30, 2013 and 2012
(Unaudited – Expressed in United States Dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying un-audited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

Vancouver, Canada
November 29, 2013

KAZAX MINERALS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited - Expressed in US Dollars)

	Notes	September 30, 2013	December 31, 2012 (Restated – Note 3)
ASSETS			
Current Assets			
Cash and cash equivalents	4	9,413,610	10,634,460
Receivables and advances	5	171,852	739,227
Amounts due from related party	15	–	493,124
		9,585,462	11,866,811
Non-Current Assets			
Receivables and advances	5	738,134	1,250,752
Property, plant and equipment		100,888	75,576
Deferred acquisition costs		–	289,089
Exploration and evaluation assets	6	41,319,979	–
Other non-current assets		27,027	–
		42,186,028	1,615,417
		51,771,686	13,482,228
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	7, 15	3,367,028	1,335,275
Amounts due to Safin Element GmbH, short-term	8	790,156	–
Short-term financial Liabilities	6	8,662,626	–
		12,819,810	1,335,275
Non-Current Liabilities			
Convertible debentures	6, 13	13,855,583	–
Amounts due to Safin Element GmbH, long-term	8	390,200	–
Long-term financial liabilities	6	1,513,518	–
		15,759,301	–
SHAREHOLDERS' EQUITY			
Share capital	12	36,417,569	25,715,491
Contributed surplus reserve		17,353	17,353
Other reserves	13	5,145,002	–
Foreign currency translation difference		55,519	–
Deficit		(18,443,064)	(13,585,891)
		23,192,379	12,146,953
		51,771,490	13,482,228

Going concern (Note 1), Commitments (Note 6), Subsequent events (Note 16)

Approved on Behalf of the Board of Directors:

"Trevor Campbell Smith" _____ Director
Trevor Campbell Smith

"Mohamad Chafic" _____ Director
Mohamad Chafic

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

KAZAX MINERALS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in US Dollars)

	Note	Three months ended September 30, 2013 (2012 – Restated – Note 3)		Nine months ended September 30, 2013 (2012 – Restated – Note 3)	
		2013	2012	2013	2012
EXPENSES					
Project development expenditures	9	–	2,722,983	2,058,171	8,831,052
Accounting, audit and legal		94,742	49,311	301,109	181,829
Advertising and promotion		–	26,321	60,213	64,970
Amortization		5,476	5,576	16,429	8,144
Consulting fees	10	68,629	27,428	136,265	84,266
Filing and transfer agent fees		26,125	3,850	85,978	34,101
Foreign exchange loss / (gain)	11	(11,522)	145,928	(13,036)	126,943
Management fees	13	513,388		841,109	149,358
Directors fees	13	192,379	11,285	237,056	11,285
General office and administration		212,754	79,447	376,175	202,104
Insurance		–	6,878	23,307	24,482
Staff recruitment costs		32,022		32,022	
Travel and entertainment		273,965	123,703	676,714	289,760
Wages and benefits	10	–	452,009	9,001	458,908
LOSS BEFORE OTHER ITEMS		(1,433,699)	(3,654,719)	(4,866,254)	(10,467,202)
Write-off if mineral property		–	–	–	(449,928)
Interest income		1,414	51,474	9,081	113,715
NET LOSS AND COMPREHENSIVE LOSS		(1,432,285)	(3,603,246)	(4,857,173)	(10,799,416)
Loss per share – basic and diluted		\$(0.008)	\$(0.028)	\$(0.029)	\$(0.144)
Weighted average number of common shares outstanding		178,787,971	127,756,159	164,742,082	74,863,706

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

KAZAX MINERALS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited - Expressed in US Dollars)

	Notes	Nine months ended September 30, 2013	Nine months ended September 30, 2012 (2012 - Restated – Note 3)
OPERATIONS			
Loss for the period		(4,857,173)	(10,799,416)
Items not effecting cash:			
Amortisation		16,429	-
Mineral property written off		-	445,928
		(4,840,744)	(10,353,488)
Changes in non-cash operating working capital items:	5		
Receivables and advances		568,429	(216,189)
Amounts due from related party		493,124	(1,614,349)
Inventories		(1,054)	-
Accounts payable and accrued liabilities		2,031,753	1,270,997
		(1,666,983)	(10,913,029)
INVESTING			
Purchase of property, plant and equipment		(41,741)	(77,000)
Exploration and evaluation assets		(8,246,115)	-
Deferred acquisition costs		-	(289,088)
Acquisition of interest in LLLP, net of cash acquired		(8,480,761)	-
Payments of finder's fee		(1,669,800)	-
Placement of long-term deposits		(27,027)	-
		(18,465,444)	(366,088)
FINANCING			
Proceeds from share issuance		-	24,962,248
Receipts from exercised share purchase warrants		526,501	-
Proceeds from placement of debentures		19,000,585	-
Repayment of borrowings		(534,000)	(97,659)
		18,993,086	24,864,589
Change in cash and cash equivalents		(1,220,850)	13,585,472
Cash and cash equivalents, beginning of period		10,634,460	59,868
Cash and cash equivalents, end of period		9,413,610	13,645,340

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

KAZAX MINERALS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

(Unaudited - Expressed in US Dollars, Number of common shares)

	Number of common shares	Share capital amount	Other reserves	Subscription receipt	Contributed Surplus Reserve	Foreign translation difference	Deficit	Total
As at January 1, 2012	8,350,000	760,560	—	—	69,781	—	(378,465)	451,876
Private placements	64,325,000	12,905,139	—	—	—	—	—	12,905,139
Shares issued as finder's fee	5,000,000	1,003,120	—	—	—	—	—	1,003,120
Subscription receipts	—	—	—	12,057,502	—	—	—	12,057,502
Share issue costs	—	(1,119,935)	—	—	—	—	—	(1,119,935)
Exercise of share warrants	333,333	30,094	—	—	—	—	—	30,094
Exercise of stock options	100,000	16,551	—	—	—	—	—	16,551
Fair value of options exercised	—	52,428	—	—	(52,428)	—	—	—
Net loss for the period	—	—	—	—	—	—	(11,030,845)	(11,030,845)
As at September 30, 2012	78,108,333	13,647,957	—	12,057,502	17,353	—	(11,409,310)	14,313,502
As at January 1, 2013	138,208,333	25,715,491	—	—	17,353	—	(13,585,891)	12,146,953
Shares issued for mineral property payment	36,162,971	10,175,577	—	—	—	—	—	10,175,577
Exercise of share purchase warrants	4,416,667	526,501	—	—	—	—	—	526,501
Recognition of equity element of debentures	—	—	5,145,002	—	—	—	—	5,298,889
Acquisition of subsidiary	—	—	—	—	—	—	—	—
Net loss for the period	—	—	—	—	—	—	(4,857,173)	(4,857,173)
Other comprehensive income	—	—	—	—	—	55,519	—	55,519
As at September 30, 2013	178,787,971	36,417,569	5,145,002	—	17,353	55,519	(18,443,064)	23,192,379

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in US Dollars)

For the three and nine months ended September 30, 2013

1. CORPORATE INFORMATION AND GOING CONCERN

KazaX Minerals Inc. (formerly Newbridge Capital Inc.) (the "Company") was incorporated under the Business Corporations Act of British Columbia on September 12, 2005. The Company's shares are listed for trading on the TSX Venture Exchange under the symbol KZX.

The address of the Company's corporate office and principal place of business is 7th Floor, Arman Business Center, 6 Saryarka Avenue, Astana, Kazakhstan, 010000.

These condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2013 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is primarily involved in the acquisition, exploration and development of mineral properties.

On February 15, 2013, the Company completed the acquisition (the "Acquisition") of a 74.99% interest in Lomonosovskoye Limited Liability Partnership ("LLLP"), a legal entity existing under the laws of the Republic of Kazakhstan from Safin Element GmbH ("Safin"). LLLP holds the exploration and production rights to the Lomonosovskoye iron ore project (the "Lomonosovskoye Project" or "Project") located in the northwest of the Republic of Kazakhstan. The Kazakhstan state agency Tobol has taken a 25% interest in the Project with Safin holding the remaining 0.01%. See Note 6 for details of the Acquisition.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Several adverse conditions exist which may cast significant doubt on the ability of the Group to continue as a going concern. The Group incurred a net loss of \$1,432,285 and \$4,857,173 during the three months and nine months ended September 30, 2013, has negative working capital of \$3,234,348 (December 31, 2012: working capital of \$10,531,536), an accumulated deficit of \$18,443,064 (December 31, 2012: \$13,585,891), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its Project or to complete the significant commitments in respect of its purchase of the Project (see Note 6). [MDA]

The Company does not generate cash flow from operations and has therefore relied principally upon the issuance of securities for financing. During the reporting period, the Company completed the Private Placement of Debentures to existing major shareholders of the Company, for aggregate proceeds of CAD\$19,568,893 (USD\$19,000,585). The Directors expect to be able to obtain further funding for the Group. However, there can be no guarantee that the required funds will be raised within the necessary timeframe. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities and to engage financial institutions for debt financing to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these condensed consolidated interim financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's business, results of operations and financial condition.

The business of resource exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead, and to acquire, explore and maintain its resource property interest. The recoverability of the carrying value of resource properties is dependent on several factors. These include the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production or proceeds from disposition of properties.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in US Dollars)

For the three and nine months ended September 30, 2013

2. BASIS OF PREPARATION

(a) Statement of Compliance:

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the nine months ended December 31, 2012. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

The condensed consolidated interim financial statements were approved by the Board of Directors of the Company on November 29, 2013.

(b) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in USD, which is the Company's functional and presentation currency. The Company changed its functional and presentation currency from Canadian Dollars ("CAD") to USD effective January 1, 2013. The change in functional and presentation currency was based on the Directors' judgement that with the completion of the acquisition of the Lomonosovskoye Project in February 2013, significant balances are denominated in USD and the USD most faithfully represents the economic effects of the underlying transactions, events and conditions of the Group. The change in functional and presentation currency has been performed on a prospective basis with all comparatives amounts translated at the closing rate on January 1, 2013 of USD 1: CAD 0.9967. This change in accounting policy did not have a significant impact on the comparative amounts presented.

(c) Use of Estimates and Judgements

The preparation of the condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In preparing these condensed consolidated interim financial statements significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the nine months ended December 31, 2012, except for the additional judgement related to the acquisition of the 74.99% interest in LLLP during the three and nine months ended September 30, 2013 and determination that the acquisition is an asset acquisition and not a business combination.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in US Dollars)

For the three and nine months ended September 30, 2013

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the nine months ended December 31, 2012. The following change in accounting policy is also expected to be reflected in the Group's consolidated financial statements as at and for the year ending December 31, 2013.

(i) Change in accounting policy

Functional and Presentation Currency

The Company changed its functional and presentation currency from Canadian Dollars ("CAD") to USD effective January 1, 2013. The change in functional and presentation currency was based on the Directors' judgement that with the completion of the acquisition of the Lomonosovskoye Project in February 2013, significant balances are denominated in USD and the USD most faithfully represents the economic effects of the underlying transactions, events and conditions of the Group. The change in functional and presentation currency has been performed on a prospective basis with all comparatives amounts translated at the closing rate on January 1, 2013 of USD 1: CAD 0.9967. This change in accounting policy did not have a significant impact on the comparative amounts presented.

(ii) New Standards and Interpretations

A number of new accounting standards, amendments to standards and interpretations became effective and were adopted by the Group on January 1, 2013. Those which may be relevant to the Group are set out below. None of these new standards had a significant impact on the consolidated financial statements of the Group.

- IFRS 9 *Financial Instruments*
- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- IAS 19 *Employee Benefits*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of:

	September 30, 2013	December, 31 2012
CAD denominated deposits	9,085,689	95,133
USD denominated deposits	215,984	1,019,746
EUR denominated deposits	19,071	(2,034)
KZT denominated	92,866	-
CAD cashable investment certificates	-	9,521,615
Cash and cash equivalents	9,413,610	10,634,460

KAZAX MINERALS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in US Dollars)

For the three and nine months ended September 30, 2013

5. RECEIVABLES AND ADVANCES

	September 30, 2013	December 31, 2012
Current		
Prepayments	164,536	154,922
Interest receivables	-	86,409
Harmonized Sales Taxes ('HST') and other statutory taxes receivable	3,774	24,519
Other receivables	3,542	10,678
Advances to Safin	-	462,699
	171,852	739,227
	September 30, 2013	December 31, 2012
Non-current		
Advances for non-current assets	738,134	1,250,752

Advances for non-current assets mainly represent deposits paid to landowners in the process to acquire a leasehold interest in the licensed area.

Advances to Safin and LLLP represent amounts paid to fund certain exploration activities and related data work prior to the closing of the Acquisition (see Notes 1 and 6). The Safin related balance was settled on February 15, 2013 by netting off the first cash payment of the Acquisition upon closing (see Note 6). The debt of LLLP to Safin was assumed by the Company upon the Acquisition.

6. ACQUISITION OF SUBSIDIARY**Share Purchase Agreement**

On February 15, 2013, the Group completed the acquisition of 74.99% of the authorized capital of LLLP ("the Acquisition"), a legal entity existing under the laws of the Republic of Kazakhstan from Safin ("Seller") pursuant to the share purchase agreement ("SPA"). LLLP holds the exploration and production rights to the Lomonosovskoye Project. Safin holds 0.01% with the remaining 25% interest owned by the Kazakhstan state agency Tobol. The Project is located in the northwest corner of the Republic of Kazakhstan in the Kostanay Region, 618 kms northwest of the country's capital of Astana and 50 kms west-southwest of the regional capital of Kostanay.

On February 15, 2013, the Company completed the acquisition of a 74.99% interest in LLLP from Safin and made the initial SPA payments of \$6,933,784 in cash ("First Instalment Cash") and issued 23,076,000 shares ("First Instalment Shares") equal to \$4,615,200 at a deemed value of \$0.20 per share. Safin retain a 0.01% interest in LLLP.

Under the terms of the SPA, the Company is required to pay Safin's Capital Gains Tax ("CGT") liability on the cash and share consideration to the Kazakhstan tax authorities, without deduction from the consideration payable to Safin. Following the initial cash payment and share issuance in February 2013, the Company made a CGT payment of \$2,038,056 to the Kazakhstan tax authorities in April 2013 in respect of Safin's CGT liability for the First Instalment Cash and First Instalment Shares. Under the terms of the SPA, in the event that an application for refund of this CGT paid on the First Instalment Cash and First Instalment Shares is successful with the Kazakhstan tax authorities, the refund of these CGT funds will be to Safin's benefit. Pursuant to the SPA, all other successful CGT refunds in respect to the consideration payable to Safin, will be to the benefit of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in US Dollars)

For the three and nine months ended September 30, 2013

6. ACQUISITION OF SUBSIDIARY (continued)**Share Purchase Agreement (continued)**

All of the First Instalment Shares issued to Safin are subject to resale restrictions until June 16, 2013. In addition, under the terms of the SPA the parties have agreed that 25% of the First Instalment Shares will have an additional hold period expiring 12 months from issuance, 25% of the First Instalment Shares will have an additional hold period expiring 18 months from issuance and 25% of the First Instalment Shares will have an additional hold period expiring 24 months from issuance.

On May 28, 2013, the Company issued a further 13,086,971 common shares to Safin at a price of CAD\$0.275 per common share pursuant to the terms of the SPA. The calculated CGT liability of US\$630,000 on this share consideration is due to be paid by the Group on Safin's behalf, per the SPA. Following this issue of common shares, Safin has direct ownership and direction or control over 36,162,971 common shares of the Company, representing approximately 20.23% of the 178,787,971 common shares of the Company that were issued and outstanding as at September 30, 2013.

The Second Instalment Shares issued to Safin are subject to resale restrictions until September 29, 2013. In addition, under the terms of the SPA the parties have agreed that 25% of the Second Instalment Shares will have an additional hold period expiring 12 months from issuance, 25% of the Second Instalment Shares will have an additional hold period expiring 18 months from issuance and 25% of the Second Consideration Shares will have an additional hold period expiring 24 months from issuance.

On July 1, 2013, the Group and Safin agreed amendments to the SPA in respect to the consideration payable to Safin. Following these amendments to the SPA, the remaining cash consideration payable to Safin is scheduled as follows:

- i) by 30 September 2013, US\$2,000,000 (first part of Second Instalment Cash)
- ii) by 15 January 2014, US\$10,410,408 (second part of Second Instalment Cash)
- iii) by 31 March 2014, US\$3,102,602 (first part of Third Instalment Cash)
- iv) by 30 June 2014, US\$3,102,602 (second part of Third Instalment Cash)
- v) by 30 September 2014, US\$3,102,602 (third part of Third Instalment Cash)
- vi) by 31 December 2014, US\$3,102,602 (fourth part of Third Instalment Cash)

The Company completed the first part of Second Instalment Cash of US\$2,000,000 on October 2, 2013. The calculated CGT liability of US\$352,941 on this share consideration is due to be paid by the Group on Safin's behalf, per the SPA.

The outstanding third tranche of consideration shares ("Third Instalment Shares") also due to Safin, to a value of US\$3,570,000, will be issued as soon as possible, subject to all Kazakhstan governmental consents and waivers being first obtained. The Third Instalment Shares will be that number of common shares of the Company equal to dividing the sum of \$3,570,000 by 100% of the volume weighted average trading price of the Company's common shares on the TSX-V for the five consecutive trading days ending on the trading day preceding the date the Company issues the shares to Safin.

Under the terms of the SPA, as at September 30, 2013, the future cash and share consideration to be paid to Safin totals \$26,390,816, comprising future cash consideration of \$22,820,816 and outstanding share consideration of \$3,570,000. The calculated future CGT payable by the Group on behalf of Safin in respect of these future consideration payments would be \$4,657,203.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in US Dollars)

For the three and nine months ended September 30, 2013

6. ACQUISITION OF SUBSIDIARY (continued)**Share Purchase Agreement (continued)**

In the event the Company does not complete the Second or Third Instalment cash payments to Safin, in full or in part, in accordance with the terms of the SPA, the Company is required to transfer back to Safin the unpaid portion of its interest in LLLP on a pro rata basis.

In January 2014, the Company is also required to repay US\$404,000 of the outstanding loan from Safin to LLLP.

As announced on July 1, 2013, following the amendment to the SPA, the Group entered into an amendment agreement to pay the second instalment of a finder's fee (the "Finder's Fee") of \$966,000 to an arm's length party in connection with the Acquisition on or before July 31, 2013, which was completed during the reporting period. The third instalment of the Finder's Fee of \$966,000 is due to be paid on or before December 31, 2014.

Acquisition accounting

The Company's acquisition of the controlling shareholding in LLLP on February 15, 2013 has been accounted for as an acquisition of a group of assets and liabilities.

The following summarizes the purchase consideration transferred / payable based on the above payment terms, and the recognized amounts of assets acquired and the liabilities assumed at the acquisition date.

*In US Dollars***Purchase consideration paid / payable:****Paid:**

First Instalment Cash payment	6,479,524
Settlement of existing advances in lieu of first initial cash payment	454,260
First Instalment Shares (23,076,000 common shares) issued	6,576,660
Initial payment of Finder's Fee	703,800
First payment of capital gains taxes on behalf of Safin	2,038,056
Second Instalment Shares (13,086,071 common shares)	3,598,917
Second Finder's Fee instalment	966,000
	<hr/>
	20,817,217

Accrued For:

Third Instalment Shares	3,570,000
Second payment of capital gains taxes on behalf of Safin	2,820,072
Third payment of capital gains taxes on behalf of Safin	2,820,072
Third Finder's Fee instalment	966,000
	<hr/>
	10,176,144

Total	<hr/>
	30,993,361

The fair value of the First Instalment Shares of 23,076,000 common shares was based on the listed share price of the Company at the Acquisition date of \$0.285 per share. The fair value of the Second Instalment Shares of 13,086,071 common shares was based on the listed share price of the Company on issuance date of \$0.275 per share.

KAZAX MINERALS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in US Dollars)

For the three and nine months ended September 30, 2013

6. ACQUISITION OF SUBSIDIARY (continued)**Acquisition accounting (continued)**

The Second Instalment Cash and Third Instalment Cash payments due to the seller aggregating \$24,820,816 described in the payment terms above are not included as part of the purchase consideration as the Company holds the option to transfer back to Safin the unpaid portion of its interest in LLLP on a pro rata basis. This commitment and consideration will be recognized and included in exploration and evaluation assets as paid.

The purchase consideration, which is payable over the next 18 months, is recognized as current and non-current financial liabilities on the statement of financial position. Current and non-current financial liabilities are \$8,662,626 and \$1,513,518 respectively.

In US Dollars

Identifiable assets acquired and liabilities assumed:

Cash and cash equivalents	36,819
Receivables and advances	455,971
Inventory	447
Property, plant and equipment	4,721
Exploration and evaluation assets	33,391,311
Loans and borrowings	(2,773,709)
Accounts payable and accrued liabilities	(122,199)
	<hr/>
	30,993,361

The Company incurred acquisition-related costs of \$481,555 related to external legal fees and due diligence costs. These costs have been included in exploration and evaluation assets.

Details of Exploration and evaluation assets recognized as at September 30, 2013 are as follows:

In US Dollars

Exploration and evaluation assets recognized comprised of:

Identifiable assets acquired in LLLP	33,391,311
Capitalized Project development costs post acquisition	6,975,232
Capitalized management fees and costs relating to Project development post acquisition	471,881
Acquisition costs	481,555
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	41,319,979

Details of capitalized Project development costs post Acquisition to September 30, 2013 are as follows:

In US Dollars

Exploratory Drilling and Engineering	3,993,907
Staff Costs	2,132,230
General and Administration	472,654
Other	376,441
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	6,975,232

KAZAX MINERALS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in US Dollars)

For the three and nine months ended September 30, 2013

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of:

<i>In thousands of US Dollars</i>	September 30, 2013	December, 31 2012
Accounts payable	3,111,835	687,915
Accrued liabilities	255,193	647,360
	3,367,028	1,335,275

Accounts payable and accrued liabilities mainly relate to amounts due for services provided to complete the bankable feasibility study and to progress the development of the Project.

On August 16, 2013, LogiCamms Limited ("LogiCamms") filed a Notice of Civil Claim against the Company and LLLP (together, "Kazax"). The notice of claim asserts that Kazax has failed to pay debts totaling Australian Dollars (AUD)\$2,226,931 (approximately US\$2,036,974) in breach of the agreement for services in place between LogiCamms and Kazax. Pursuant to the Notice of Civil Claim, LogiCamms is also claiming interest expenses and other costs. The Company is taking legal advice on the matter and has made a counter claim against LogiCamms.

The amount of AUD\$2,226,932 is included in accounts payable and accrued liabilities as at September 30, 2013, in respect of the LogiCamms matter.

8. AMOUNTS DUE TO SAFIN ELEMENT GmbH

The Company has assumed LLLP's loan obligations to Safin as part of the acquisition of LLLP (see Note 6). The loan tranches are in drawn in USD and interest bearing at a fixed rate of 5% per annum calculated once per annum at the end of every year. The loan tranches has maturity dates between March 1, 2014 to December 14, 2014 and repayment is in KZT upon maturity of each loan using the exchange rate set by the National Bank of the Republic of Kazakhstan. The total loans and accumulated interest as at September 30, 2013 are \$1,180,356 which is allocated to current and non-current liabilities of \$790,156 (including accrued interest of \$58,186) and \$390,200 respectively.

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For the three and nine months ended September 30, 2013

9. PROJECT DEVELOPMENT EXPENDITURES**Lomonosovskoye Project, Kazakhstan**

Acquisition, exploration and evaluation costs incurred up to that date of acquisition have been expensed prior to the Group acquiring the Project.

Details of the project development expenses which have not been capitalized are as follows:

<i>In thousands of US Dollars</i>	Three months ended September 30 (2012 - Restated – Note 3)		Nine months ended September 30 (2012 - Restated – Note 3)	
	2013	2012	2013	2012
Exploratory Drilling and Engineering	-	477,231	804,200	3,807,387
Staff Costs	-	1,864,814	367,766	2,881,944
General and Administration	-	-	405,905	586,169
Travel	-	380,938	288,046	979,297
Others	-	-	192,254	576,255
	-	2,722,983	2,058,171	8,831,052

10. WAGES AND BENEFITS and CONSULTANCY FEES

In the nine months period ending September 30, 2013, the Group wages and benefits expensed was \$9,001 (2012: \$458,908) and consulting fees expense was \$136,265 (2012: \$84,266). Included in Project development expenses was staff costs of \$367,766 (refer Note 9) (2012: \$2,881,944). Included in capitalized Project development costs post Acquisition to September 30, 2013 are staff costs of \$2,132,230 (refer Note 6) (2012: nil).

11. FOREIGN EXCHANGE LOSS / (GAIN)

In the nine months period ending September 30, 2013 the Company also recorded unrealized foreign exchange gain on its foreign currency denominated financial assets and liabilities for the total amount of \$13,036.

12. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

- (b) In March 2012, the Company completed a private placement financing for gross proceeds of CAD\$24,885,000 by issuing a total of 124,425,000 securities of the Company comprised of 64,325,000 shares issued at CAD\$0.20 per share and 60,100,000 subscription receipts issued at CAD\$0.20 per subscription receipt. The subscription receipts were converted into common shares of the Company on July 16, 2012 on a one for one basis.

A finder's fee of 5,000,000 shares was paid to an arms-length party as consideration for arranging a portion of the private placement.

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12. SHARE CAPITAL (continued)

In February 2013, the Company issued 23,076,000 shares to Safin as part of the first payment as required by the SPA (see Note 6). The fair value based on market prices was CAD\$0.285 per share.

In May 2013, The Company issued 13,086,971 shares to Safin as the First instalment consideration shares as required by the SPA (see Note 6). The fair value based on market prices was CAD\$0.275 per share.

(c) Issued and fully paid

<i>In thousands of US Dollars</i>	Number of common shares	Share Capital Amount
As at December 31, 2011	78,025,000	13,647,958
Subscription receipts converted to shares	60,100,000	12,057,502
Exercise of share purchase warrants	83,333	10,031
As at September 30, 2012	138,208,333	25,715,491
As at December 31, 2012	138,208,333	25,715,491
Issuance of shares to Safin	36,162,971	10,175,577
Exercise of share purchase warrants	4,416,667	526,501
As at September 30, 2013	178,787,971	36,417,569

(d) Share Purchase Warrants

A summary of the Company's share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price (CAD)
Balance, March 31, 2012	4,700,000	\$0.13
Exercised	(83,333)	\$0.12
Balance, December 31, 2012	4,616,667	\$0.13
Exercised	(4,416,667)	\$0.12
Balance, September 30, 2013	200,000	\$0.40

Share purchase warrants outstanding are summarized as follows:

Number of Shares	Exercise Price (CAD)	Expiry Date
200,000	\$0.40	March 12, 2015

13. CONVERTIBLE DEBENTURES

On September 26, 2013, the Company announced the completion of its previously announced non-brokered private placement (the "Private Placement") of convertible unsecured non-interest bearing debentures (the "Debentures") for aggregate proceeds CAD\$19,568,893 (USD\$19,000,585) (the "Aggregate proceeds")

The Debentures will mature and become payable on September 26, 2016 (the "Maturity Date") and are direct, unsecured obligations of the Company, ranking equally with all other unsecured indebtedness of the Company. Upon receipt of all necessary approvals from the Kazakhstan Ministry of Industry and New Technologies of the Republic of Kazakhstan ("MINT") the principal amount of the Debentures will automatically be converted into units of the Company (the "Units") on or before the Maturity Date, at a conversion price of CAD\$0.15 per Unit.

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For the three and nine months ended September 30, 2013

13. CONVERTIBLE DEBENTURES (continued)

Each Unit will be comprised of one common share (a "Share") of the Company, and one-half of one share purchase warrant with each whole Warrant (a "Warrant") exercisable to purchase an additional Share (a "Warrant Share") until September 26, 2016 at an exercise price of CAD\$0.35. In the event that the closing price of the common shares of the Company on TSX Venture Exchange is equal to or exceeds USD 1.00 for a period of 10 consecutive trading days (the "Acceleration Event"), the Warrants will expire on the date which is 90 calendar days after the Company provides notice to the holders of the Warrants that the Acceleration Event has occurred.

The Debentures, and any Shares, Warrants or Warrant Shares issued upon conversion of the Debentures or exercise of the Warrants will be subject to a hold period expiring January 27, 2014.

Of the Aggregate proceeds, CAD\$10,568,893 was received by the Company prior to its announcement of the intended Private Placement and following announcement, the Company received the remaining CAD\$9,000,000. The proceeds of the Private Placement will be used for general working capital purposes.

The Company estimated the equity element of the debenture instrument by discounting future cash flows and recognized related equity item for USD\$5,145,002 in the statement of changes in equity.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT*Financial instruments*

The carrying value of cash and cash equivalents trade and other receivables amounts due from/(to) related parties and accounts payables approximate fair value because of the short-term nature of these instruments. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consists of chequing accounts at reputable financial institutions, from which management believes the risk of loss to be remote. The Company limits its exposure to credit loss for cash and cash equivalents by placing its cash and cash equivalents with high quality financial institutions and for receivables by standard credit checks. The Group's maximum exposure to credit risk consists of cash and cash equivalents and is equal to the carrying amount of \$9,413,610 (December 31, 2012: \$10,634,460).

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has contractual commitments to complete the purchase of the Project (see Note 6). The Group is dependent upon the obtainment of additional financing in order to be able to complete these payments and its exploration and development activities (see Note 1).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in US Dollars)

For the three and nine months ended September 30, 2013

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents and amounts due to related party are exposed to interest rate risk. Management believes that interest rate risk is remote as investments have maturities of three months or less and the Company only has a related party debt (Note 8) which is referenced to the refinancing rate of the National Bank of Kazakhstan. The Company intends to repay the debt in the year. A 1% change in the interest rate on cash held at year end would have a \$94,136 (December 31, 2012: \$106,345) impact on interest income, if the cash is held for one year. A 1% change in interest rate on the related party debt will have a \$11,691 (December 31, 2012: \$nil) impact on interest expense.

Market Risk and Foreign Exchange Rate Risk

The Company's functional currency is the USD, however there are transactions in CAD, EUR and KZT. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility in these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. A 1% change in the foreign exchange rate would have had a \$89,957, \$189 and \$919 (December 31, 2012: \$95,954, \$nil, \$nil) impact on foreign exchange gain or loss for CAD, EUR and KZT respectively on its cash and cash equivalents.

Commodity price risk

The Group is exposed to the effect of fluctuations in the price of iron ore, which is quoted in US dollars on international markets. The Group is not planning to hedge its exposure to the risk of fluctuations in the price of iron ore in the nearest future.

15. RELATED PARTY TRANSACTIONS

The Group has incurred costs with SHCS and companies controlled by it (collectively "Stonehouse") to manage the Project. Stonehouse has officers, directors and shareholders in common with the Company. Pursuant to the Alliance Agreement, a fee of 10% of expenditures incurred on the Project, (the "Fee") has been charged to the Company by Stonehouse. On July 14, 2013, the Group entered into a Termination Deed with SHCS, to terminate the Alliance Agreement and agreed to pay SHCS amounting to \$348,453 in respect of all amounts due to SHCS to June 30, 2013. Stonehouse has charged \$799,602 for the nine months ended September 30, 2013 (nine months ended September 30, 2012: \$891,777) for the Fee.

The Company has provided advances to Stonehouse for the funding of the Project expenditures of \$Nil as at September 30, 2013 (December 31, 2012: \$493,124).

On July 14, 2013, the Group entered into consulting agreement ("Consulting Agreement") with SHCS to provide financial, technical, administrative and other advice with respect to the ongoing development of the Lomonosovskoye Project for a monthly retainer fee of \$120,000 for July and \$70,000 per month thereafter ("Consulting Fees"). The Consulting Agreement was terminated on September 26, 2013. The Consulting Fees charged by SHCS for the 3 months ended September 30, 2013 was \$248,333.

Included in accounts payable and accrued liabilities is \$146,803 as at September 30, 2013 (December 31, 2012: \$973,657) due to Stonehouse. The amounts accrued are the amounts outstanding and billed by Stonehouse during the period.

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For the three and nine months ended September 30, 2013

15. RELATED PARTY TRANSACTIONS (continued)

The services of David Savage (former CEO) and Brian Egan (former CFO), as well as several other personnel were provided to the Group pursuant to the Alliance Agreement.

The key management of the Company comprises of officers and directors with remuneration as follows:

<i>In US Dollars</i>	Three months ended		Nine months ended	
	September 30 2013	2012	September 30 2013	2012
Remuneration and short-term benefits	248,333	287,306	719,741	372,564
Directors fees	192,379	11,285	237,056	11,285
	440,712	298,591	956,797	383,849

The above transactions, occur in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the related parties.

16. SUBSEQUENT EVENTS

On October 2, 2013 the Group paid USD\$2,000,000 to Safin in respect of the first part of the Second Instalment pursuant to the SPA.

David Savage and Tareq Damerji ceased to be directors of the Company as from November 8, 2013.