Management's Discussion and Analysis

First Quarter Report – March 31, 2014

(Expressed in U.S. dollars, unless otherwise noted)

May 30, 2014

For further information on the Company, reference should be made to its public filings on SEDAR at www.sedar.com. Information is also available on the Company's website at www.kazaxmineralsinc.com. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2014 and related notes thereto which have been prepared in accordance with International Accounting Standard 34 using accounting policies in accordance with International Financial Reporting Standards. Readers are encouraged to consult the Company's audited consolidated financial statements for the year ended December 31, 2013 and the corresponding notes to the financial statements. The MD&A contains certain Forward Looking Statements which are provided on Page 23.

OVERVIEW

KazaX Minerals Inc. (the "Company") is a TSX Venture Exchange (the "TSX-V") listed corporation under the symbol "KZX.V" based in Astana, holding a 74.99% interest in the Lomonosovskoye iron ore project in Kostanay, Kazakhstan ("the Lomonosovskoye Project").

The Company was incorporated under the Business Corporations Act of British Columbia on September 12, 2005 and was initially classified as a Capital Pool Company ("CPC") as defined by Policy 2.4 of the TSX-V.

On March 12, 2010, the Company completed its Qualifying Transaction ("QT") as defined by the policies of the TSX-V and emerged from being a CPC to a Tier 2 listed mining issuer on the TSX-V.

HIGHLIGHTS

- Completed the third and final tranche share payment under the terms of the Company's acquisition of the Lomonosovskoye Project (the "Project") by issuing 39.27 million common shares at a deemed value of CAD$0.10 per share.
- In March 2014 LLLP obtained approval from MINT to extend by two years the exploration phase of the Subsoil Use Licence for the Project.
- Advancement of the 2013-2014 exploration, geotechnical and hydrogeological drilling programme which comprises of 68 boreholes totaling approximately 15,600 metres.

Financial:

- Net loss of $1.7 million for the three months ended March 31, 2014 (2013: $3.4 million).
- Cash on hand at March 31, 2014 was $1.1 million (December 31,2013 - $3.6 million).

Subsequent to March 31, 2014:

- Published in April 2014 a revised resource estimate on the Lomonosovskoye Project representing an increase in tonnage of 45% and increase in contained iron of 25% in the measured and indicated mineral resource categories over the estimates in the December 2012 report.

- Completed a CAD$2.5 million private placement of convertible debentures in April 2014.
- On April 29, 2014, the Company reached an amicable settlement with LogiCamms Limited (“LogiCamms”), with legal proceedings to be withdrawn, subject to payment of AUD$0.70 million (approx. $0.64 million) by the Company to LogiCamms in 4 instalments.

LOMONOSOVSKOYE PROJECT

Overview

On February 15, 2013, the Company completed the acquisition (the “Acquisition”) of a 74.99% interest in Lomonosovskoye Limited Liability Partnership (“LLLP”) from Safin Element GmbH ("Safin") pursuant to a share purchase agreement (“SPA”) entered into by the Company and Safin. Safin retained a 0.01% with the remaining 25% interest in LLLP owned by the Kazakhstan state agency Tobol. The SPA is discussed in more detail below.

Pursuant to a contract between LLLP and the Ministry of Industry and New Technologies of Kazakhstan (“MINT”) dated March 20, 2009 and as amended on July 31, 2009 and December 28, 2010 (the “Subsoil Use Licence”), LLLP holds unrestricted exploration and production rights to the Lomonosovskoye iron ore deposit (the “Deposit”), located in Kostanay Oblast, Kazakhstan.

The Deposit is located in the northwest corner of the Republic of Kazakhstan in the Kostanay Region, 618 kilometres northwest of the country’s capital of Astana and 50 kilometres west-southwest of the regional capital of Kostanay.

The Deposit, along with a number of significant magnetite deposits, occurs in the Turgai belt of the regional Valerianovskoe magmatic arc in northern Kazakhstan. The magnetite deposits of the Valerianovskoe magmatic arc are hosted by andesitic volcanics, pyroclastics, and intercalated sediments and carbonates of the Valerianovo supergroup. Large gabbro-diorite-granodiorite igneous bodies of the Sarbai-Sokolovsk and Sulukolskaya complexes are related to the mineralization, with granitic facies interpreted as having been intruded from Mid-Visean to Permian period. In some deposits, the host sedimentary sequence is cross cut by post-ore dioritic porphyry. The Palaeozoic units of the Turgai belt in Kazakhstan are entirely covered by Mesozoic to Cainozoic sediments which are from 40 to 180 meres in thickness.

The Deposit comprises two deposit sites: the North-Western (“NW”) deposit and Central deposit, which differ in geological structure, genesis and composition. Although they are located within 1 kilometre of each other, they are considered as individual deposits being separated by a diorite intrusion. Historical work to date has outlined skarn iron mineralization at the NW Deposit and the Central Deposit beneath 100 metres of overburden and extending to 1400 metres depth in the NW Deposit, and some 900 metres at Central. The mineralization outlined by the historical drilling has not been closed off at depth at the NW Deposit and may be open at Central.

Subsoil Use Licence Extension and Exploration Programme

Under LLLP’s exploration plan for 2013 approved by MINT in late June 2013, LLLP was required to complete a scope of work and activities by December 31, 2013. As new exploration works were added to the program, LLLP lodged an application with MINT in September 2013 to extend the exploration period allowed under the Subsoil Use Licence from the current expiry of March 2014 to March 2016. In November 2013, MINT confirmed preliminary receipt of the application by LLLP and informed LLLP that the application would be reviewed after receipt of supporting Project documentation. LLLP subsequently submitted a revised exploration work plan with MINT to support the extension application, including a revised plan for 2013.

In March 2014 LLLP obtained approval (the “Approval”) from MINT to extend by two years the exploration phase of the Subsoil Use Licence for the Project. The original Subsoil Use Licence had a duration of 21 years, of which five years were for exploration and 16 years for mining. Both phases could be further extended, if required. As a result of the Approval, the exploration phase of the Subsoil Use Licence has been extended to seven years, and will expire on March 19, 2016. The extension of the exploration phase does not affect the 21-year term of the Subsoil Use Licence, which continues to expire on March 19, 2030.

The Approval included a new Exploration Works Plan ("EWP"), which contemplates exploration activities concerning the Project, including drilling and cameral works. The drilling work includes exploration, geotechnical and hydrogeological boreholes considered in the 2013-2014 drilling program, while the cameral work includes all administrative and evaluation work, including work to analyse the geological information obtained from the drilling program and to prepare legal documentation for securing all applicable approvals by MINT, as well as the State Registration of Reserves and Mine Master Plan, which is a pre-requisite to start the pre-stripping and mine production activities. As all exploration expenditures contained within the new EWP are required to form part of the Subsoil Use Licence, LLLP has applied for an amendment to the Subsoil Use Licence and received approval from MINT mid May 2014.

Bankable feasibility study

During the reporting and subsequent period to date, the Company has been advancing the bankable feasibility study ("BFS") for the Project, with key work undertaken including:

- exploration, geotechnical and hydrogeological drilling program;
- geo-assay test-work;
- digitalization of Soviet era data and analysis of Soviet era powder samples to support upgrading resource model
- updated geologic / block model and technical report by MA;
- metallurgical test-work to refine the processing requirements;
- geotechnical and hydrogeological modelling
- development of the open pit mine plan;
- beneficiation plant engineering studies;
- infrastructure engineering studies;
- updated financial model for the Project; and
- discussions with potential off-takers and financial institutions.

In September 2013 the Company commenced its diamond drilling programme at the Lomonosovskoye Project, focused on areas of the deposits which are still open and is aimed at upgrading the categorization of mineral resources in the current pit areas. The programme is also aimed at confirming geotechnical and hydrogeological information collected in Soviet times.

The 2013-2014 drilling program comprises 68 boreholes totaling approximately 15,600 metres. Of the 68 boreholes, 29 are exploration boreholes measuring approximately 11,200 metres, 28 are geotechnical boreholes measuring approximately 3,400 metres, and 11 are hydrogeological boreholes measuring approximately 1,000 metres. At the date of this report, all of the exploration boreholes, 95% of the geotechnical boreholes, and 50% of the hydrogeological boreholes, in the 2013-2014 drilling program, have been completed. All exploration boreholes within the pit area have been drilled, logged and sampled. These samples are in assayed evaluation process by an independent, accredited lab (ALS Global) and test results are expected to be to be completed by mid 2014. This work will assist in the advancement of mineral resource modelling, mine planning, various other studies and modelling, including conclusions as to the characterization of the rock mass for open pit slope design and hydrogeological modelling for pit dewatering.

As discussed below, Andrew Vigar, the Company's independent Qualified Person ("QP") from Mining Associates ("MA"), recently delivered the interim mineral resource model, which incorporated new digitised and revised Soviet information.

The 2014 mineral resource model, which will be used in the feasibility study that is underway, is scheduled to be completed in mid 2014. This model is likely to improve compared to the interim mineral resource model released in April 2014, as a result of new geological information derived from the 2013-2014 drilling program. It is expected a moderate increase in mineral resources and an additional improvement in mineral resource categorization. The probable increase in mineral resources will be the results of additional mineralisation found in the saddle of the NW and Central deposits. This area was tested with five diamond drill boreholes totalling 1,566 metres. According to down-hole magnetic susceptibility data and magsus gauges on drill core, four out of five boreholes intersected low to medium-grade magnetite mineralisation – between 10 to 30% Fe magnetite – immediately below a 110m-layer of overburden. These magnetite mineralisation intervals vary from 54 metres (22 metres + 32 metres), in the less promising borehole, to 81, 120, and 263 metres in the most promising borehole.

The technical information provided above was reviewed and approved by Dr. Juan Camus, the Project's Country Manager and a qualified person for the purposes of National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101").

Revised resource estimate

In April 2014, the Company announced that independent QP, Mr Andrew Vigar of MA, had completed a revised resource estimate on the Lomonosovskoye Project ("interim mineral resource model").

The revised estimate for the Lomonosovskoye Project is based on the same drill database as used in the report prepared in compliance with NI 43-101, which was dated December 18, 2012 (and resubmitted on SEDAR on May 9, 2013) (the "December 2012 report"), but with a re-interpretation of the geological and geophysical data, the addition of further assays from some un-sampled intervals and an estimation method that includes an allowance for bulk open-pit or underground mining. This better understanding of the geology and mineralization controls and additional definition provided by the down-hole geophysics has allowed an increase in the confidence levels of the estimates.

The new mineral resource estimate is outlined below, above a cut-off grade of 20% Fe:

Mineral Resource Estimate for Combined Lomonosovskoye, Effective Date of April 15, 2014 , cut-off 20% Fe					
Class	**Mt**	**Fe %**	**P %**	**S %**	**FeM %**
Measured	63.9	30.5	0.29	3.01	21.3
Indicated	414.2	30.6	0.22	3.3	21.04
Measured & Indicated	**478.1**	**30.5**	**0.23**	**3.3**	**21.1**
Inferred	28.4	28.0	0.28	3.04	16.71

The current resource estimate is based on holes drilled and assays received up to November 23, 2012. The magnetic anomaly contours and historical geological cross sections were used to constrain and extend the resource estimation domains up to 50 metres beyond last drillhole, where reasonable. Three dimensional wireframes were constructed for each domain guided by 5 metres bench composites, downhole magnetic susceptibility data, newly translated lithology logs and magnetic and gravity maps. Interpretations at a 10% Fe cut-off grade were made for the Northwest Central deposits.

Assay results were composited to 5 meter intervals down-hole within domains. Fe assay results were capped at the 99.5 percentile for the Northwest deposit and 99.9 percentile for the Central deposit while no capping was required for the magnetite content. The Block Model extents cover the combined Northwest and Central deposits, with a block size of 15mN x 15mE x 10mRL, without sub-blocking to reflect block open-pit or underground. An indicator approach was used to select blocks with a greater than 40% probability of being above a cut-off grade of 20% Fe within domains. Grade was interpolated into a constrained block model using all 5 metre sample composites within above or below 20% Fe blocks, including samples with a value below or above 20% Fe respectively. This is considered to represent the true "mining block" grade, including both internal and edge dilution. Ordinary Kriging estimation technique with anisotropy was applied.

Maximum search was varied by domain, from 150 to 300 metres with three to 24 informing samples. Density was calculated using the following formula: density = 0.0213 x Fe content + 2.74 taken from the linear regression plot for density against Fe content for over 3,000 samples. Resources are reported above 20% Fe for both deposits.

Where reference is made in the table above to "Inferred", this refers to within domain wireframes and with at least three informing samples. Where reference is made in the table above to "Indicated", this refers to within domain wireframes and the maximum of 24 informing samples and Krig Slope greater than 0.1. Where reference is made in the table above to "Measured", this refers to within domain wireframes and the maximum of 24 informing samples and a Krig Slope greater than 0.5.

The new estimate represents an increase in tonnage of 45% and an increase in contained iron of 25% in the measured and indicated mineral resource categories over the estimates included in the December 2012 report**.** The changes from the estimates in the December 2012 report relate to increased confidence levels, as well as changes in the estimation methodology. As a result of new assay information from old drill hole samples, which filled some unsampled intervals in the database, and the use of the down-hole geophysical data to better define low-grade areas, the inclusion of mining dilution within the mining blocks has increased tonnage without a corresponding loss of contained metal at an unchanged cut-off grade of 20% Fe; nevertheless, the overall effect has been to lower the average grade of estimated mineral resources.

The Lomonosovskoye Project has been subject to various geophysical and drilling surveys from 1951 through to 1984, during which time several mineral resource estimates were conducted. Some 412 diamond drill holes for a total meterage drilled of 131,441 metres were recorded in the database for the contract area prior to the 2012 drilling, of which 190 drill holes were angled holes. A further 22 drill holes were completed in 2012 for a total of 9,049 metres, selected and supervised by MA and assayed by an independent, certified lab (ALS Global) to validate the historical drilling and for this mineral resource estimate. This estimate is based on the data set used in the December 2012 report, with additional assaying of stored samples and interpretation of down-hole geophysical logs. It is expected that drilling completed in 2013 and 2014 will be included in the next update.

It is MA's opinion that the mineral resource estimates included in the December 2012 report have been largely verified by the new estimates, with the changes in tonnage and grade reflecting increased confidence and the use of an estimation methodology better suited to bulk surface and underground mining. The new estimates are fully diluted for internal and edge mining dilution.

The mineralization domains were redefined by 3D wireframes using drill assay data, detailed geology logs and down-hole magnetic susceptibility logs. The deposit was divided into blocks above and below 20% Fe using an indicator approach. Grades and mineralization percentages were then estimated by Ordinary Kriging into blocks 15x15x10 metres in size within each domain.

The Lomonosovskoye Project contains significant magnetite iron mineralization in two deposits comprised of seven adjacent domains which have similar geological settings to the nearby operating magnetite iron ore open pit and underground mines in the Rudniy region.

Historical work to date has outlined skarn iron mineralization at the NW Deposit and the Central Deposit beneath 100m of overburden and extending to 1600 metres depth in the NW Deposit, and some 900 metres at Central.

MA notes that the Lomonosovskoye Project has a favourable location due to its proximity to transportation routes, and sources of water, gas, and power supply, which have been established with the regional mining complex based in Rudniy. This may allow a reduction in capital expenditure and may reduce the cost of production if the project proceeds to development through the use of shared infrastructure.

As discussed in the December 2012 report, there is a possible risk relating to the prior transfer to the Company of certain subsoil use contract rights.

The QP makes the following observations and conclusions regarding the Lomonosovskoye Project in the Report:

- Significant skarn type iron mineralization exists at the Lomonosovskoye Project.
- The mineralization occurs in 3 main types – disseminated, veins and massive.
- The deposit remains open at depth and along the lateral extents in certain areas as well as being under-drilled in the mid portion between the NW and Central deposits. This area is currently being tested with diamond drilling.
- The resource estimates will be updated based on the results of the drilling program currently underway.
- Following a more rigorous and reliable testing of density, a calculated density has been applied to iron bearing blocks within the block model rather than fixed values as in the past.

Mr. Andrew Vigar, BCppSc, FAusIMM, MSEG, of MA is a QP as defined by NI 43-101 and has supervised and approved of the scientific and technical information above.

SHARE PURCHASE AGREEMENT

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 million in cash (“First Instalment Cash”) and issued approximately 23.1 million shares (“First Instalment Shares”) with a fair value of $5.5 million. The Company also paid the first finder’s fee instalment of $0.70 million.

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 $2.0 million 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.

All of the First Instalment Shares issued to Safin were subject to resale restrictions until June 16, 2013. In addition, under the terms of the SPA, the parties 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 approximately 13.1 million common shares (“Second Instalment Shares”) to Safin at a price of CAD$0.24 per common share pursuant to the terms of the SPA.

The Second Instalment Shares issued to Safin were 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 September 30, 2013, $2.0 million (paid, first part of Second Instalment Cash)
ii) by January 15, 2014, $10.4 million (second part of Second Instalment Cash)
iii) by March 31, 2014, $3.1 million (first part of Third Instalment Cash)
iv) by June 30, 2014, $3.1 million (second part of Third Instalment Cash)
v) by September 30, 2014, $3.1 million (third part of Third Instalment Cash)
vi) by December 31, 2014, $3.1 million (fourth part of Third Instalment Cash)

As announced on July 1, 2013, following the amendment to the SPA, the Group entered into an amended agreement to pay the second instalment of a finder’s fee (the “Finder's Fee”) of $0.97 million 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 $0.97 million is due to be paid on or before December 31, 2014.

The Company completed the first part of Second Instalment Cash payment of $2.0 million on October 2, 2013.

The outstanding third tranche of consideration shares (“Third Instalment Shares”) with value of $3,570.0 was issued on February 10, 2014. A total of 39,270.0 million common shares with a fair value of CDN$0.10 per share were issued to Safin. Following this issue of common shares, Safin had direct ownership and direction or control over 75,652.9 common shares of the Company, representing approximately 34.7% of the 218,057.9 common shares of the Company that were issued and outstanding as at March 31, 2014.

Under the terms of the SPA, as at March 31, 2014, the future cash consideration to be paid to Safin totals $22.82 million. The calculated future CGT payable by the Group on behalf of Safin in respect of these future consideration payments would be $4.66 million.

As at March 31, 2014, the CGT obligation of the Company in respect to the Second Instalment Shares and first part of Second Instalment Cash, totalling $1.36 million, was outstanding.

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.

As at the date of the issuance of these condensed consolidated interim financial statements, the Company was not compliant with certain of its obligation under the SPA (specifically, the Second and Third Instalment Cash Payment). The Company is in ongoing discussion, with Safin to reschedule the various cash payment under the SPA.

FINANCING ACTIVITIES

April 2014 CAD$2.5 million Private Placement

On April 25, 2014, the Company completed (subject to final approval by the TSX-V) a non-brokered private placement (the "Private Placement") of convertible unsecured non-interest bearing debentures (the "Debentures") for aggregate proceeds of CAD$2,500,000.

The Debentures will mature on and become payable on April 25, 2017 (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 Ministry of Industry and New Technologies of the Republic of Kazakhstan on or before the Maturity Date for the Debentures, the principal amount of the Debentures will automatically be converted into units of the Company (the "Units"); provided, however, that the Debentures will only be converted into Units where such conversion would not result in a reduction in the existing percentage of common shares of the Company held by persons other than insiders or their associates and affiliates and not subject to resale restrictions.

The conversion of the Debentures into Units shall be at a conversion price of: (i) $CAD0.05 per Unit if conversion occurs within the first year of issuance; and (ii) CAD$0.10 per Unit if conversion occurs within the following two years.

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 one additional common share of the Company (a "Warrant Share") until April 25, 2017 at an exercise price of CAD$0.10. In the event that the closing price of the common shares of the Company on the Exchange is equal to or exceeds CAD$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 that the Acceleration Event has occurred.

The Debentures, and any Shares, Warrants and Warrant Shares issued upon conversion of the Debentures or exercise of the Warrants, will be subject to a hold period expiring August 26, 2014.

The proceeds of the Private Placement will be used for general working capital purposes.

Under the Private Placement, Mr. Moshtagh Moshtaghi, acquired ownership of Debentures in the principal amount of CAD$1,250,000 (representing 50% of the Debentures issued pursuant to the Private Placement). Mr. Moshtaghi currently owns or exercises control or direction over 28,000,000 common shares of the Company, representing 12.8% of the issued and outstanding common shares of the Company on an undiluted basis (141,074,280 common shares representing 28.9%, assuming conversion of the Debentures, exercise of the Warrants, conversion of the convertible debentures issued on September 26, 2013 ("2013 Debentures") and exercise, by Mr. Moshtaghi and Mr. Al Sadek, of the warrants issuable upon conversion of the 2013 Debentures ("2013 Warrants")).

Under the Private Placement, Mr. Riad Al Sadek, acquired ownership of Debentures in the principal amount of CAD$1,250,000 (representing 50% of the Debentures issued pursuant to the Private Placement). Mr. Al Sadek currently owns or exercises control or direction over 28,000,000 common shares of the Company, representing 12.8% of the issued and outstanding shares of the Company on an undiluted basis (141,074,280 common shares representing 28.9%, assuming conversion of the Debentures, exercise of the Warrants, conversion of the 2013 Debentures and exercise, by Mr. Moshtaghi and Mr. Al Sadek, of the 2013 Warrants).

SUMMARY OF CONSOLIDATED PROFIT AND LOSS

(tabled amounts are expressed in thousands of U.S dollars)	**March 31, 2014 (3 months ended)**	**March 31, 2013* (3 months ended)**
Exploration expense	-	(1,834.9)
Corporate overhead	(683.2)	(888.4)
	(683.2)	(2,723.3)
Finance (cost) income, net	(1,447.1)	(591.8)
Foreign exchange gain (loss)	447.0	(132.8)
Net loss	(1,683.3)	(3,448.0)
Other comprehensive income	466.1	-
Net loss and comprehensive loss	(1,217.2)	(3,448.0)
Basic/Diluted loss per share	(0.01)	(0.02)
Total assets	79,702.6	75,532.4

certain balances are restated, see page 10 for details

Net loss for three months ended March 31, 2014 was $1.7 million ($0.01 loss per share), which was lower than the loss in March 31, 2013. Unlike the comparative period in prior quarter, all exploration expenses in the current quarter were capitalized. This resulted a $nil balance in exploration expense. Corporate overhead was lower as the Company continue to minimize cost until the Company is capitalized through various forms of financing. Finance cost was higher in the current quarter due to the convertible debt non-cash accreted expense (the convertible debt was not issued until September 2013).

Other comprehensive income resulted from the Company's translation method. A gain of $0.5 million was recognized from translating Canadian Dollar denominated assets as the Canadian Dollar has weakened against the US Dollar from 2013 to 2014.

LIQUIDITY AND CAPITAL RESOURCES

(tabled amounts are expressed in thousands of U.S. dollars) *For the three months ended March 31:*	**2014**	**2013**	**2012**
Cash outflows from operating activities	(1,401.5)	(3,017.5)	(3,581.3)
Cash inflows from financing activities	(23.2)	5,990.7	24,833.5
Cash outflows from investing activities	(1,329.9)	(8,480.9)	(319.2)
Net cash flows	(2,754.6)	(5,507.7)	20,933.1
Cash balance	1,076.2	5,126.9	20,993.0

Working capital deficit as at March 31, 2014 was $29.9 million compared to $31.0 million as of December 31, 2013.

Cash outflow from operating activities were lower in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 as exploration cost expense of $1.3 million incurred in 2014 were considered investing activities in the current year instead of operating activities. In 2013, $1.8 million of $3.1 million spent on exploration activities were considered as operating activity as it is measured before the acquisition of LLLP.

Cash inflow from financing activities was significantly lower for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 as there was a $5.5 million advance issued by the shareholders in 2013. There was no significant financing activity during the three months ended March 31, 2014.

Cash outflow from investing activities were significantly lower for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due to $7.1 million cash spent on acquisition of LLLP and $1.4 million of capitalized exploration expenditure related to Lomonosovskoye Project.

QUARTERLY RESULTS

(tabled amounts are expressed in thousands of U.S. dollars)	**March 31, 2014**	**December 31, 2013**	**September 30, 2013****	**June 30, 2013****	**March 31, 2013****	**December 31, 2012**	**September 30, 2012**	**June 30, 2012**
Exploration expense	-	-	-	(223.3)	(1,834.9)	(924.5)	(2,722.9)	(1,537.2)
Corporate overhead	(683.2)	(1,326.6)	(1,443.9)	(539.1)	(888.4)	(1,626.2)	(785.9)	(433.4)
	(683.2)	(1,326.6)	(1,443.9)	(762.4)	(2,723.3)	(2,550.7)	(3,508.8)	(1,970.6)
Finance (cost) income, net	(1,447.1)	(2,298.2)	(977.9)	(925.4)	(591.8)	117.1	9.0	62.2
Foreign exchange gain (loss)	447.0	293.6	11.5	134.3	(132.8)	77.1	(145.9)	16.3
Deferred income tax recovery	-	1,603.7	-	-		-	-	-
Net loss	(1,683.3)	(1,727.5)	(2,410.3)	(1,553.5)	(3,448.0)	(2,356.5)	(3,654.7)	(1,892.1)
Other comprehensive income (loss)	466.1	(346.1)	443.7	(704.7)	(626.8)	-	-	-
Net loss and comprehensive loss	(1,217.2)	(2,073.6)	(1,966.8)	(2,258.2)	(4,074.8)	(2,356.5)	(3,654.7)	(1,892.1)
Loss per share	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)
Total assets	79,702.6	80,390.1	84,559.0	73,973.9	74,905.6	13,482.3	15,805.1*	19,079.5*

Three months ended March 31, 2014 compared to historic quarters in 2013 and 2012

For the three months ended March 31, 2014 the Company incurred a net loss of $1.7 million, which was lower than any of the previous quarters in 2013 and significantly lower than the previous quarters in 2012. Corporate overhead was also lower in the current quarter than most of the previous quarters as the company is minimizing overhead until the Company obtain further financing. Exploration expenses were capitalized since the acquisition of LLLP in Q2 2013.

Other comprehensive income resulted from the Company's translation method. A gain of $0.5 million was recognized during the three months ended March 31, 2014 from translating Canadian Dollar denominated assets as the Canadian Dollar has weakened against the US Dollar from 2013 to 2014.

Total assets have increased significantly as of March 31, 2014 when compared to 2012 due to the acquisition of LLLP.

****Balance denominated in Canadian Dollars as it was before the change of reporting currency from Canadian Dollars to US Dollars***

*****Restatement of prior period***

Balance	Notes	As restated	As previously reported
Three months ended March 31, 2013			
Finance cost	(i)	651.0	-
Net loss for the period	(i)	3,448.0	2,797.0
Cumulative translation adjustment - loss	(iii)	626.8	-
Total assets	(ii)	74,905.6	41,857.1
Three months ended June 30, 2013			
Finance cost	(i)	925.4	-
Net loss for the period	(i)	1,553.5	628.0
Cumulative translation adjustment - loss	(iii)	704.7	-
Total assets	(ii)	73,973.9	41,630.0

Three months ended September 30, 2013			
Finance cost	(i)	977.9	-
Net loss for the period	(i)	2,410.3	1,432.3
Cumulative translation adjustment - gain	(iii)	443.7	-
Total assets	(ii)	84,559.0	51.771.7

i) During the course of the preparation of the annual consolidated financial statements for December 31, 2013, management determined that accretion expense for the LLLP Acquisition Payable was not accrued. These adjustments are non-cash in nature and have been corrected retrospectively in these statements.

ii) During the course of the preparation of the annual consolidated financial statements for December 31, 2013, management revised its estimate of various components of the acquisition accounting of LLLP. These adjustments are non-cash in nature and have been corrected retrospectively in these statements.

iii) During the course of the preparation of the annual consolidated financial statements for December 31, 2013, management revised its estimate of cumulative translation adjustment from differences of functional currency and reporting currency of the parent company. These adjustments are non-cash in nature and have been corrected retrospectively in these statements.

SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares.

	Common shares Outstanding ('000)	**Stock Options ('000)**
December 31, 2013	**178,788**	**4,000.0**
Shares issued for mineral property acquisition	39,270	-
March 31, 2014 and as of date of this report	**218,058**	**4,000.0**

On February 10, 2014 the Company announced the issue of 39,270,000 common shares to Safin in respect to the Third Instalment Consideration Shares, pursuant to the SPA.

REGULATORY DISCLOSURES

Financial instruments

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

Amount stated are in '000 USD	**March 31, 2014**		**December 31, 2013**	
	Carrying value $	**Carrying value $**	**Carrying value $**	**Fair value $**
Financial assets				
Fair value to profit and loss ("FVTPL")				
Cash and cash equivalents	1,076.2	1,076.2	3,640.0	3,640.0
Other receivables	77.8	77.8	19.2	19.2
Financial liabilities				
Other financial liabilities				
Accounts payable & accrued liabilities	2,005.8	2,005.8	2,680.0	2,680.0
Safin Debentures – current	1,235.2	1,235.2	1,258.4	1,258.4
Debentures – current	28,160.3	28,160.3	30,989.2	30,989.2

Fair value measurements

The following table sets forth the Company's assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

tabled amounts are expressed in thousands of U.S. dollars)				
	Level 1	**Level 2**	**Level 3**	**Total March 31, 2014**
Cash and cash equivalents	$ 1,076.2	$ -	$ -	$ 1,076.2

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during the three months ended March 31, 2014.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting its cash flows from operations and anticipating investing and financing activities. Senior management is actively involved in the review and approval of planned expenditures. Management believes that the ability to fund operations through cash generated from operations should be sufficient to meet the ongoing capital and operating requirements. As at March 31, 2014, the Company's working capital deficit of $29.9 million.

In the normal course of business the Company enters into contracts and conducts business activities that give rise to commitments for future minimum payments.

Currency risk

The Company operates in Canada, Austria and Kazakhstan, and is exposed to foreign exchange risk arising from transactions denominated in foreign currencies.

The operating results and the financial position of the Company are reported in United States dollars. Fluctuations of the operating currencies in relation to the United States dollar will have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

The Company's financial assets and liabilities as at March 31, 2014 are denominated in United States Dollars, Canadian Dollars, European Euro, and Kazakhstan Tenge set out in the following table:

(tabled amounts are expressed in thousands of U.S. dollars)	**Canadian Dollars**	**US Dollars**	**European Euro**	**Kazakhstan Tenge**	**Total**
Financial assets					
Cash and cash equivalent	$ 747.9	$ 21.7	$ 22.6	$ 284.0	$ 1,076.2
Accounts receivable	77.8	-	-	-	77.8
	825.7	21.7	22.6	284.0	1,154.0
Financial liabilities					
Accounts payables and accrued liabilities	1,101.3	-	-	904.5	2,005.8
Safin Debentures – current	-	1,235.2	-	-	1,235.2
Debentures – Current	-	26,779.6	-	1,380.7	28,160.3
Net financial assets (liabilities)	$ (275.6)	$ (27,993.1)	$ 22.6	$ (2,001.2)	$ (30,247.3)

The Company's reported results will be affected by changes in the US dollar to European Euro and US dollar to Kazakstan Tenge exchange rate. As of March 31, 2014, a 10% appreciation of the Canadian dollar relative to the US dollar would have increase net financial assets by approximately $27,600. A 10 per cent depreciation of the US Dollar relative to the Canadian dollar would have had the equal but opposite effect. A 10% appreciation of the European Euro relative to the US dollar would have decrease net financial asset by approximately $2,300 and a 10% depreciation of the European Euro would have had an equal but opposite effect. A 10% appreciation of the Kazakhstan Tenge relative to the US dollar would have increased net financial assets by approximately $200.1 and a 10% depreciation of the Kazakhstan Tenge would have had an equal but opposite effect.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

Credit risk

The Company's credit risk is primarily attributable to its liquid financial assets and would arise from the non-performance by counterparties of contractual financial obligations. The Company limits its exposure to credit risk on liquid assets by maintaining its cash with high-credit quality financial institutions. Management believes the risk of loss of the Company's liquid financial assets to be nominal.

Interest risk

The Company invests its cash in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations. Interest rate risks arising from the Company's operations are not considered material.

Related Party Transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

The Company incurred the following expenses with related parties during the three months ended March 31:

(tabled amounts are expressed in thousands of U.S. dollars)	**2014**	**2013**
Management compensation	$ 180.0	$ 223.3
Stock based compensation (non cash)	25.9	-
Director's fees	7.5	26.2

The Group has incurred costs with Stonehouse Construction Pte Ltd ("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") was charged to the Company by Stonehouse. During the three months ended March 31, 2013 SHSC was paid $1.0 million for Project expenditures and $0.2 million for the Fee. 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 $0.3 milion in respect of all amounts due to SHCS to June 30, 2013.

Included in accounts payable and accrued liabilities is $88.5 million as at March 31, 2014 (December 31, 2013 - $0.9 million) due to Stonehouse. The amounts accrued are the amounts outstanding and billed by Stonehouse during the period.

Change in auditors

On March 17, 2014, the Company announced the appointment of Grant Thornton LLP as the auditors of the Company following the resignation of KPMG LLP.

Commitments

The Group's material contractual obligations as at March 31, 2014 are in respect to the Subsoil Use Licence and the SPA.

The Group has expenditure commitments under the Subsoil Use Licence as described above under the Lomonosovskoye Project.

The Company is committed to pay consideration under the SPA as described above under the heading "Share Purchase Agreement".

Litigation

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 totalling Australian Dollars AUD $2,226,931 (approximately $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.

On April 29, 2014, the Company reached an amicable settlement with LogiCamms, with legal proceedings to be withdrawn, subject to payment of AUD$0.7 million ($0.64 million) by the Company to LogiCamms in 4 instalments. As at December 31, 2013, the Company reversed its accrual against the capitalized expenditure in mineral properties from approximately $1.9 million to $645.0 as per settlement. As at March 31, 2014, the Company prepaid $184.3 to LogiCamms.

Off Balance Sheet Arrangements

As at March 31, 2014 the Company had no off-balance sheet arrangements.

Capital Risk Management

The Company's objective of capital management is to ensure that it will be able to continue as a going concern, continue the exploration of the Lomonosovskoye Project, and identify, evaluate, and acquire additional resource properties. The capital of the Company consists of shareholders' equity. The Company is meeting its capital risk objectives by successfully raising, from time to time, the required funds through debt and equity.

Future changes in accounting policies

Certain pronouncements were issued by IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the summary below. The Company is currently assessing the impact of the following standards, which have not yet been adopted, on its financial statements.

In November 2009, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9") as the first phase in its project to replace IAS 39 (classification and measurement) and required that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Requirements for financial liabilities were added to IFRS 9 in October 2010 with most of the requirements for financial liabilities carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. In July 2013, the IASB decided that a mandatory date of January 1, 2015 would not allow for sufficient time for entities to prepare to apply the standard because phase 2 of the IFRS 9 project (impairment methodology) has not yet been completed. Accordingly, the IASB decided that a new date should be decided upon when the entire IFRS 9 project is closer to completion. In November 2013, IFRS 9 was amended to include guidance on hedge accounting (phase 3) and to allow entities to apply IFRS 9 immediately. The Company is currently assessing the impact of adopting IFRS 9 on the condensed consolidated interim financial statements.

Accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. Significant areas where management's judgment is applied are the recognition and impairment of exploration and evaluation assets, share-based payments charges, and deferred income taxes. Actual results may differ from those estimates

Risk and uncertainties

The operations of the Company are speculative due to the nature of its business which is the investment in the exploration and development of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

The list of risk factors below should not be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of its securities.

No History of Revenue

The Company's only source of income to date has been interest income earned on excess cash. There is no guarantee that the Company will enter into profitable agreements with mining companies and earn revenue from operations.

The Company is in the business of exploring for, with the ultimate goal of developing and producing, minerals from the Lomonosovskoye Project and other properties in which the Company may in the future acquire an interest. The Company has not commenced commercial production and the Company has no history or earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that the Company will be able to develop any of its properties profitably or that its activities will generate positive cash flow. The Company has not paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. The Company has limited cash and other assets. A prospective investor in the Company must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of the Company's management in all aspects of the development and implementation of the Company's business activities.

Market Price of the Common Shares

The Common Shares are listed and posted for trading on the TSXV. The Company's business is in an early stage of exploration and an investment in the Company's securities is highly speculative. There can be no assurance that an active trading market in the Company's securities will be established and maintained. Securities of companies involved in the resource industry have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. The price of the Common Shares is also likely to be significantly affected by short-term changes in commodity prices or in the Company's financial condition or results of operations as reflected in its quarterly earnings reports.

Acquisition Strategy

As part of the Company's business strategy, it has sought and will continue to seek new exploration, mining and development opportunities in the resource industry. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favorable terms, or that any acquisitions or business arrangements completed will ultimately benefit the Company.

The Company may not realize the benefits of its growth projects

As part of its strategy, the Company will continue existing efforts and initiate new efforts to develop new mineral projects. A number of risks and uncertainties are associated with the development of these types of projects, including political, regulatory, design, construction, labour, operating, technical, and technological risks, uncertainties relating to capital and other costs, and financing risks. The failure to develop one or more of these initiatives successfully could have an adverse effect on the Company's financial position and results of operations.

Current Global Financial Conditions

Recent events in global financial markets, including sovereign debt crises, have had a profound impact on the global economy and global financial conditions have been subject to volatility. Many industries, including the mining sector, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A continuing slowdown in financial markets or other economic conditions, including, but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's business, financial condition, results of operations and ability to grow.

Financing Risk

The Company is limited in financial resources and has no assurance that additional funding will be available for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or infinite postponement of further exploration and development of its projects with the possible loss of such properties.

Competition

The mineral exploration and development industry is highly competitive. The Company competes with other domestic and international mineral exploration companies that have greater financial, human and technical resources. The Company's competitors may be able to respond more quickly to new laws or regulations or emerging technologies, or devote greater resources to the expansion or efficiency of their operations that the Company can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and gain significant market share to the Company's detriment. The Company may also encounter increasing competition from other mining companies in the Company's efforts to hire experienced mining professionals. Increased competition could adversely affect the Company's ability to attract necessary capital funding, to acquire it on acceptable terms, or to acquire suitable properties or prospects for mineral exploration in the future. As a result of this competition, the Company may not be able to compete successfully against current and future competitors, and any failure to do so could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Company may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing its investment capital.

Risks related to International Activities

A material portion of the business of the Company is located outside of North America, with assets in Kazakhstan. The Company's international operations may be adversely affected by political or economic developments or social instability, which will not be within the Company's control, including, among other things, the risks of political unrest, labour disputes and unrest, war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions, contracts and permits, government regulation, delays in obtaining or renewing or the inability to obtain or renew necessary permits, taxation policies, economic sanctions, fluctuating exchange rates, currency controls, high rates of inflation, limitations on foreign ownership and increased financing costs. The occurrence of any such events could have a material adverse effect on the Company's business and results of operations as currently contemplated.

It may also be difficult for the Company to find and hire qualified people in the mining industry who are situated in Kazakhstan and Austria or to obtain all of the necessary services or expertise in Kazakhstan and Austria or to conduct operations on the Company's projects at reasonable rates. If qualified people and services or expertise cannot be obtained in Kazakhstan and Austria, the Company may need to seek and obtain those services from people located outside of these areas, which will require work permits and compliance with applicable laws and could result in delays and higher costs to conduct the Company's operations.

Corruption and Bribery Risk

The Company's operations are governed by, and involve interactions with, many levels of government. Like most companies, the Company is required to comply with anti-corruption and anti-bribery laws, including the Canadian *Corruption of Foreign Public Officials Act*. In recent years, there has been a general increase in both the frequency of enforcement and severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its third party agents. Although the Company takes steps to mitigate such risks, such measures are not always effective in ensuring that the Company, its employees or third party agents will comply strictly with such laws. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company's reputation and results of operations.

Risks Associated with Joint Venture Agreements

Pursuant to agreements the Company may enter into in the course of its business, the Company's interest in its properties may become subject to the risks normally associated with the conduct of joint ventures. In the event that any of the Company's properties become subject to a joint venture, the existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on the Company's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on the Company's business prospects, results of operations and financial condition: (i) disagreements with joint venture partners on how to conduct exploration; (ii) inability of joint venture partners to meet their obligations to the joint venture or third parties; and (iii) disputes or litigation between joint venture partners regarding budgets, development activities, reporting requirements and other joint venture matters.

Reliance on Key Individuals

The Company's success depends on its ability to attract and retain the services of key personnel who are qualified and experienced. In particular, the success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the Company's directors and senior management. It is expected that these individuals will be a significant factor in the Company's growth and success. The loss of the service of these individuals could have a material adverse effect on the Company.

The resource industry is largely driven by fluctuations in commodity prices which, when high, can lead to a large number of projects being developed which in turn increases the demand for skilled personnel, contractors, material and supplies. Accordingly, there is a risk to the Company of losing or being unable to secure enough suitable key personnel or key resources and, as a result, being exposed to increased capital and operating costs and delays, which may in turn adversely affect the development of the Company's projects, the results of operations and the Company's financial condition and prospectus.

Commodity Prices

The price of the Common Shares and the Company’s financial results may be significantly adversely affected by a decline in the price of metals. The price of metal commodities fluctuates widely, especially in recent years, and is affected by numerous factors beyond the Company’s control such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metal-producing countries throughout the world.

Dividend Policy

No dividends on the Common Shares have been paid by the Company to date. The Company anticipates that it will retain all earnings and other cash resources for the foreseeable future for the operation and development of its business. The Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company’s board of directors after taking into account many factors, including the Company’s operating results, financial condition and current and anticipated cash needs.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration, development and mining operations and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (British Columbia) and other applicable laws.

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. Any potential mining operations of the Company will be subject to all the hazards and risks normally encountered in the exploration, development and production of metals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, fire, environmental hazards and the discharge of toxic chemicals, explosions and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of mines and other producing facilities, damage to property, injury or loss of life, environmental damage, work stoppages, delays in production, increased production costs and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. Although the Company believes that appropriate precautions to minimize risks are taken, these risks cannot be eliminated.

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned or other mining operations in which the Company may acquire an interest will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, including among other things: the interpretation of geological data obtained from drill holes and other sampling techniques, the particular attributes of the deposit, such as size, grade and proximity to infrastructure and labour; metal prices which are highly cyclical; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; and political stability. The Company's development projects are also subject to the issuance of necessary permits and other governmental approvals and receipt of adequate financing. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may adversely affect the Company's business.

Exploration Costs

The estimates of costs to conduct further exploration work by the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realized in practice, which may materially and adversely affect the Company's viability.

Environmental Regulation, Risks and Hazards

All phases of mining operations are subject to environmental regulation in the jurisdictions in which they operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Compliance with changing environmental laws and regulations may require significant capital outlays, including obtaining additional permits, and may cause material changes or delays in, or the cancellation of, the Company's exploration programs or current operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's mining operations.

Furthermore, environmental hazards may exist on the properties on which the owners or operators of mining operations hold interests which are unknown to such owners or operators at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are currently, and may in the future be, required in connection with mining operations at the Company’s properties. To the extent such approvals are required and not obtained, mining operations may be curtailed or prohibited from continuing operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. The occurrence of any environmental violation or enforcement action may have an adverse impact on the Company's operations and reputation.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on mining operations and cause increases in exploration expenses, 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.

Governmental Regulation

Mining operations and exploration activities are subject to extensive laws and regulations governing exploration, development, production, exports, taxes, labour standards, waste disposal, protection and remediation of the environment, reclamation, historic and cultural resources preservation, mine safety and occupation health, handling, storage and transportation of hazardous substances and other matters. The costs of discovering, evaluating, planning, designing, developing, constructing, operating, and other facilities in compliance with such laws and regulations are significant. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the owners or operators of mining operations would not proceed with the development of or continue to operate a mine. As part of their normal course operating, and development activities, such owners or operators have expended significant resources, both financial and managerial, to comply with governmental and environmental regulations and permitting requirements, and will continue to do so in the future. Moreover, it is possible that future regulatory developments, such as increasingly strict environmental protection laws, regulations and enforcement policies thereunder, and claims for damages to property and persons resulting from mining operations could result in substantial costs and liabilities in the future.

Permitting

Mining operations are subject to receiving and maintaining permits from appropriate governmental authorities. It can be time-consuming and costly to obtain, maintain and renew permits. In addition, permit terms and conditions can impose restrictions on how the Company conducts its operations and limit the Company's flexibility in development its mineral properties. Prior to any development on the Company’s properties, permits from appropriate governmental authorities may be required. Permits required for the Company's operations may not be issued, maintained or renewed in a timely fashion or at all, may not be issued or renewed upon conditions that restrict the Company's ability to conduct the Company's operations economically, or may be subsequently revoke. Any such failure to obtain, maintain or renew permits, or other permitting delays or conditions could have a material adverse effect on the Company's business, results of operations, financial condition and prospectus.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect operations at the Company’s properties.

Exploration and Geological Report

The reported results in the technical reports filed in respect of the Company’s properties are estimates only. No assurance can be given that the estimated mineralization will be recovered. The reported results are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Estimates may require revision (either up or down) based on actual production experience. If the Company encounters mineralization or geological formations different from those predicted by past drilling, sampling and interpretations, any estimates may need to be altered in a way that could adversely affect the Company's operations or proposed operations. In addition, market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain minerals uneconomic.

Land Title

No assurances can be given that there are no title defects affecting the Company’s properties. The Company’s properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects.

Commodity Price Fluctuations

The price of metals has fluctuated widely in recent years, and future serious price declines could cause continued development of and commercial production from the Company’s properties to be impracticable. Future cash flows may not be sufficient and the Company could be forced to discontinue production and may be forced to sell the properties. Future production by the Company is dependent on metal prices that are adequate to make this property economic.

In addition to adversely affecting the commercial production estimates and financial conditions, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Additional Capital

Mining, processing, development and exploration may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on satisfactory terms.

Foreign Exchange Rate Fluctuations

Operations in Kazakhstan, Austria, and Canada are subject to foreign currency exchange fluctuations. The Company raises its funds through equity issuances which are priced in Canadian dollars, and the majority of the exploration costs of the Company are denominated in United States dollar and Kazakhstan Tenge. The Company may suffer losses due to adverse foreign currency fluctuations.

Property Exploration and Development Risk

The Company’s properties are currently at the exploration stage of development. Exploration and development is subject to numerous risks, including, but not limited to, delays in obtaining equipment, material and services essential to developing the project in a timely manner; changes in environmental or other government regulations; currency exchange rates; labour shortages; and fluctuation in metal prices. There can be no assurance that the Company will have the financial, technical and operational resources to complete the exploration and development in accordance with current expectations or at all.

Insurance Risk

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failure, cave-ins, mechanical failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, fires, floods and earthquakes. Such occurrences could result in damage, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, the Company's insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as loss of title to mineral property, environmental pollution, or other hazards as a result of exploration and production is not generally available to the Company or other companies in the mining industry on acceptable terms. The Company may also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect on our financial performance and results of operations.

Force Majeure

The Company's projects now or in future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Forward-Looking Statements

This MD&A includes certain statements that constitute “forward-looking statements”, and “forward-looking information” within the meaning of applicable securities laws (“forward-looking statements” and “forward-looking information” are collectively referred to as “forward-looking statements”, unless otherwise stated). These statements appear in a number of places in this MD&A and include statements regarding our intent, or the beliefs or current expectations of our officers and directors. Such forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as “believe”, “anticipate”, “estimate”, “project”, “intend”, “expect”, “may”, “will”, “plan”, “should”, “would”, “contemplate”, “possible”, “attempts”, “seeks” and similar expressions are intended to identify these forward-looking statements. Forward-looking statements may relate to the Company’s future outlook and anticipated events or results and may include statements regarding the Lomonosovskoye Project, and the Company’s future financial position, business strategy, budgets, litigation, projected costs, financial results, taxes, plans and objectives. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. These forward-looking statements were derived utilizing numerous assumptions regarding expected growth, results of operations, performance and business prospects and opportunities that could cause our actual results to differ materially from those in the forward-looking statements. While the Company considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Accordingly, you are cautioned not to put undue reliance on these forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results. To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions. Forward-looking statements speak only as of the date those statements are made. Except as required by applicable law, we assume no obligation to update or to publicly announce the results of any change to any forward-looking statement contained or incorporated by reference herein to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. If we update any one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. You should not place undue importance on forward-looking statements and should not rely upon these statements as of any other date. All forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement.