KAZAX
MINERALS INC

Management's Discussion and Analysis

Fourth Quarter Report – December 31, 2015

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

May 6, 2016

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 audited consolidated financial statements for the year ended December 31, 2015 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, 2015 and the corresponding notes to the financial statements. The Company is presently a "Venture Issuer" as defined in National Instrument 51-201. The MD&A contains certain Forward Looking Statements which are provided on page 24.

OVERVIEW

KazaX Minerals Inc. (the "Company" or "Kazax") is a junior natural resource company focused in the exploration and development of its 99.99% owned Lomonosovskoye iron project located in Kostanay, Kazakhstan (the "Lomonosovskoye Project" or "Project"). Kazax is listed on the TSX Venture Exchange (the "TSX-V") under trading symbol "KZX".

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 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

In the reported period, the Company:

- Bankable Feasibility Report of Infrastructure was received from GBM Minerals Engineering Consultants Limited ("GBM").
- Kazakh Feasibility Studies for Industrial Conditions (TEO) & Calculation of Reserves was approved by GKZ (State Committee of Reserves).
- Technical changes to Bankable Feasibility Study have been agreed with Wardell Armstrong International ("WAI") in order to optimize expenditure required to complete the Bankable Feasibility Study ("BFS").
- Addendum #6 to the Exploration Works Plan of the Project to reduce expenditure during Exploration Period was approved by Ministry of Investments and Development of Kazakhstan ("MID")
- Working group of MID recommended for signature the Addendum #7 to Working program of Subsoil-use Contract in order to incorporate changes approved in above-noted Addendum #6 to the Exploration Works Plan.

HIGHLIGHTS (CONTINUED)

Financial

- Net loss for 2015 was USD 5,270 thousand (2014: USD 2,649 thousand)
- Cash and cash equivalents as of December 31, 2015 equal to USD 3,660 thousand (December 31, 2014: USD 7,990 thousand)
- Negative working capital as of December 31, 2015 equal to USD 53,124 thousand (December 31, 2014: USD 26,341 thousand)
- Net cash outflows from operating activities for the year ended December 31, 2015 of USD 1,240 thousand (December 31, 2014: USD 6,839 thousand)
- Proceeds from issuance convertible debentures in 2015 for nil (December 31, 2014: USD 25,249 thousand)

Subsequent to December 31, 2015:

- Agreement for final development of Pre-Feasibility Study with WAI was signed. Technical details agreed in December 2015 were incorporated into current updated Agreement in order to decrease final cost of the Feasibility Study and to update delivery dates considering Feasibility Studies provided by GBM and Logicamms earlier in 2015.
- As a result of approval of Kazakh Feasibility Studies for Industrial Conditions (TEO) & Calculation of Reserves, Lomonosovskoye LLP became liable for payment of Commercial Discovery Bonus. Amount to be calculated in accordance with Kazakh Tax Code.
- Exploration stage ended on March 20, 2016, thus all core samples in Rudnyi were collected into one warehouse. Office in Rudnyi is now closed and technical team is demobilized.
- In April, 2016 the Group negotiated to extend the maturity for the $20 million convertible debts and Safin liability to a date not earlier April 29, 2017

LOMONOSOVSKOYE PROJECT

Overview

During the period ended December 31, 2015, the Company continued development of the Project in the Kostanay region of the Republic of Kazakhstan. The Project is located close to the town of Rudny and the significant iron mining-processing operations of the Sokolovsky-Sarbaisky Ore Mining and Processing Association ("SSGPO"), a subsidiary of Eurasian Natural Resources Corporation PLC ("ENRC"). The area has considerable industrial infrastructure related to the activities at SSGPO.

On February 15, 2013, the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') completed the acquisition (the "Acquisition") of a 74.99% interest in LLLP from Safin Element GmbH ("Safin") pursuant to a share purchase agreement dated September 17, 2014, as amended ("SPA") entered into by the Group and Safin. Safin retained a 0.01% interest in LLLP. The SPA is discussed in more detail below.

In September 2014, the Group executed a share purchase agreement with the Kazakhstan state agency JSC "Social and Entrepreneurial Corporation Tobol" ("Tobol") to acquire Tobol's 25% interest in LLLP ("Tobol Interest"). On October 31, 2014, the Group received MID approval for the acquisition of the Tobol Interest and the re-registration by the Kazakh authorities of the transfer of the Tobol Interest to the Group was completed on November 24, 2014. The interest in the Lomonosovskoye Project is now held 99.99% by the Group and 0.01% by Safin. Further details in respect to the acquisition of the Tobol Interest are discussed in more detail below.

Rights to explore and mine iron ore at the Project are held under Subsoil Use Contract #3151 owned by the LLLP, pursuant to a contract between LLLP and MID (then 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 Contract"). The LLLP holds unrestricted exploration, mining and processing rights to the Lomonosovskoye iron deposit (the "Deposit") for 21 years, which period is extendable. On December 8, 2015 Addendum #7 to the Working program of Subsoil-use Contract was signed by the MID. This Addendum #7 will be basis for final signature of Addendum #7 to Subsoil-use Contract which will reduce expenditure obligations for the exploration work completed in 2015 and 1st Quarter of 2016.

LOMONOSOVSKOYE PROJECT (CONTINUED)

Overview (continued)

The Deposit occurs in the Turgai belt of the regional Valerianovskoe magmatic arc in northern Kazakhstan that hosts numerous world class skarn type deposits. Magnetite mineralization is situated in Palaeozoic andesitic volcanics, pyroclastics, and intercalated sediments and carbonates of the Valerianovo supergroup. The Palaeozoic units of the Turgai belt in Kazakhstan are covered by Mesozoic to Cainozoic overburden sediments which are from 40 to 180 metres in thickness.

The Deposit comprises two sites: the Northwest Deposit and Central Deposit. The Northwest Deposit contains strata bound magnetite mineralization along the contact between lower sedimentary (limestone) and upper volcanic-sedimentary (tuffite) members. Mineralization is enclosed by an envelope of garnet-pyroxene skarns and forms a single mineralization zone that can be traced over 1,200 m along strike in a southwest direction, and down dip to a depth of 1,600 m with an average thickness of about 100 m.

The Central Deposit has a complex multi-domain structure due to the widespread influence of diorite intrusions and faulting. Mineralization is defined by gradation in intensity from full skarn replacement to disseminated and partial replacement. Mineralized bodies are predominately of a seam-like and lenticular shape. The Central Deposit is more irregular that the Northwest Deposit, but mineralization is contained within an area that is traced along strike over 2,300 m and to a depth of 200 to 600 m in the north, and to 800 m in the south. Both deposits are overlain by Mesozoic-Cainozoic sedimentary overburden units at an average thickness of 100 m.

Mineralized bodies at Lomonosovskoye consist of a gradation from massive magnetite to disseminated and/or vein magnetite. Massive mineralization is defined as being 50% or greater iron content.

Revised Mineral Resource Estimate

A revised mineral resource estimate for the Lomonosovskoye Project, and compliant with National Instrument 43-101 – Standards of Disclosure of Mineral Projects ("NI 43-101"), was completed by Mining Associates Limited on February 14, 2015 and filed under the Company's profile on SEDAR on March 20, 2015. This NI 43-101 technical report was subsequently amended by Mining Associates Limited on October 30, 2015 and filed on SEDAR on November 5, 2015 (the "Amended Report"). The Amended Report addresses comments provided by the British Columbia Securities Commission to bring some of the items in the NI 43-101 technical report dated February 14, 2015 into compliance with the requirements of NI 43-101. The Amended Report does not change the mineral resource estimate contained in the original report dated February 14, 2015. See "Bankable Feasibility Study" below.

Bankable Feasibility Study

The Group has continued the advancement of the bankable feasibility study ("BFS") for the Project despite the current inclement environment prevailing for the resource industry. Final Bankable Feasibility Report of Beneficiation Plant is received from LogiCamms. Infrastructure Bankable Feasibility Report was received from GBM. The general contractor and BFS studies manager is Wardell Armstrong ("WAI"), a leading international engineering and consulting company. The works of WAI has been delayed until Q4 2015 due to review of key technical outputs. Technical changes to the BFS have been agreed with WAI in order to optimize expenditure required to complete the BFS.

During the twelve months ended December 31, 2015 and subsequent period to date, key aspects of the BFS include:

- An updated geological block model for the NI 43-101 compliant mineral resources, which were produced by Mining Associates Ltd and verified by Mr. Andrew Vigar, the Qualified Person ("QP"). It is based on an updated drill database including all available assays and geological interpretation relating to increased confidence levels from additional drilling, geological and geophysical data as well as changes in the interpretation of mineralization geometry. The new mineral resource estimate is as follows, using a cut-off grade of 20% iron (effective as of October 31, 2014):

LOMONOSOVSKOYE PROJECT (CONTINUED)

Bankable Feasibility Study (continued)

Classification	Mt	Fe %	Fem %	P %	S %
Measured	66.6	27.57	19.11	0.46	2.66
Indicated	441.2	30.24	20.25	0.19	3.05
Measured & Indicated	507.8	29.89	20.10	0.23	3.00
Inferred	78.1	30.38	20.33	0.08	3.69

- The updated estimate represents an increase in tonnage of six percent (6%) and an increase in contained iron of four percent (4%) in the measured and indicated mineral resource categories over the estimates included in the Company's News Release dated April 25, 2014 (NR14-07). The most significant increase is in the inferred category, with the addition of 50 million tonnes (Mt) and an increase in grade from 28.4% to 30.4% Fe. A full NI 43-101 compliant report on the updated mineral resource was issued in February 2015. An amendment of this report was obtained on October 30, 2015 prepared by Mining Associates to bring some of the items in the NI 43-101 technical report dated February 14, 2015 into compliance with the requirements of NI 43-101, as required by the British Columbia Securities Commission. The amended report does not change the above mineral resource estimate.
- Geotechnical tests at the CentrGeoAnalyt laboratory have been completed. The final stage was conducted under the direct supervision of Dr. Phil Shelton of WAI. Final pit slope designs have been issued and are being utilized for a pit design. A master mine plan is in progress.
- A report on geotechnical investigations for the beneficiation plant and facilities with respective testing results has been received. It indicates an absence of serious concerns regarding geotechnical conditions for construction.
- The potential acid rock drainage study results at the facilities in Russia (Novosibirsk) approved by WAI have been finished. The results confirmed the absence of serious concern in respect of acid generation from waste rocks. Results cross checks as per WAI requirements have been completed by SGS Chita (Russia) ("SGS") confirming the previous results obtained in Novosibirsk lab.
- Hydrogeological investigations have been completed. The final verification stage was done under an on-site supervision of WAI. The obtained data has been used to develop a hydrological model and water balance report.
- A pit drainage water reserves calculation report has been submitted to and reviewed by the Kazakh State authorities ("GKZ") and was approved in January 2015. The calculation indicated a need for dewatering and a sufficient water flow for its utilization for ore beneficiation.
- Environmental base line studies report and social screening data has been passed to WAI for a review. The final base line studies report is pending.
- An undersigned final report on the metallurgical investigations in North America (SGS Lakefield) has been received. SGS (Lakefield) has also completed humidity cell testing and submitted a final report.
- Conceptual design for variability testwork has been developed by QP (Mr. Grahame Binks of LogiCamms). An initial material collection for the test work has been undertaken with further work to follow. The results of the test work will also be used be for Process Rules (a mandatory document for the Kazakh Government).
- Technical conditions (permits) for infrastructure for the Project have been updated by respective vendors and approved by Kazakh Government authorities.
- Final Bankable Feasibility Report of Beneficiation Plant is received from LogiCamms.
- Infrastructure BFS is received from GBM.
- The BFS is targeted for completion in 2016.

LOMONOSOVSKOYE PROJECT (CONTINUED)

Kazakh Feasibility Study of Industrial Conditions (TEO)

The TEO and the reserve calculation report (the "Report") is under way. The TEO and the Report are mandatory requirements for the registration of updated reserves with the GKZ, and are needed in order to obtain permission for the commencement of mining. Kazakhstan Minerals Company ("KMC") was granted a contract for these tasks through a tender procedure. KMC has a proven track record of success in completing feasibility studies, reserves calculation and projects for major producers in Kazakhstan (including SSGPO, Kazakhmys). KMC has previously worked with WAI on other projects jointly in Kazakhstan. KMC conducted an independent data verification and geostatistical analysis in January 2015. 3D block model in accordance with the requirements of GKZ are underway. The geological studies - block model and resources with 3 different cut-offs (10% Fe, 15% Fe, 20% Fe) checked with a manual calculation applying polygonal technique and the pit design are provided. Kazakh Feasibility Studies for Industrial Conditions (TEO) & Calculation of Reserves has been recommended by State Entity Sevkaznedra for approval in GKZ (State Committee of Reserves). GKZ commission is scheduled for November 23, 2015 has approved Kazakh Feasibility Study of Industrial Conditions with following key parameters: cut-off grade 15%Fe, Total minable reserves 177 mln.t. with average Fe 28.94% .

Addendum #6 to Financial Economic Model

The Company's exploration activities must comply with the requirements of the Financial Economic Model ("FEM") also known as the Exploration Works Plan, approved in the established order. The FEM is an integral part of the Subsoil Use Contract. Addendum #6 with an updated FEM is mandatory to keep the Project in compliance with the contract obligations. The Company submitted the new Addendum #6 of the FEM with figures as actually executed and planned until the end of 2015 to the MID. In the reported period, Addendum #6 has passed all expertises (ecological, industrial safety, sanitation) and an independent technical review. Approval by the Committee of Geology for Exploration and Development of MID is targeted for the end of November 2015. Addendum #6 to the Exploration Works Plan of the Project to reduce expenditure during Exploration Period was approved by MID.

Working group of MID recommended for signature the Addendum #7 to Working program of Subsoil-use Contract in order to incorporate changes approved in above-noted Addendum #6 to the Exploration Works Plan.

SHARE PURCHASE AGREEMENT

Overview

On February 15, 2013, the Group completed the acquisition of a 74.99% interest in LLLP from Safin (the "Acquisition"). Pursuant to the terms of the SPA, the Group agreed to make certain cash payments and issue common shares (the "Consideration Shares") to Safin as consideration for the Acquisition. To date, the Group has made the following payments to Safin in connection with the Acquisition:

a) at the closing of the Acquisition (February 15, 2013), the Group made an initial payment to Safin of $6.933 million in cash (the "First Instalment Cash") and the Company issued approximately 23.1 million Consideration Shares to Safin (the "First Instalment Consideration Shares");
b) on May 28, 2013, the Company issued a further approximately 13.1 million Consideration Shares to Safin;
c) on October 2, 2013 the Group made a further cash payment to Safin of $2.0 million ("Second Instalment Cash payment");
d) on February 10, 2014 the Company issued a further approximately 39.3 million Consideration Shares to Safin (the "Third Instalment Consideration Shares");
e) on October 14¸ 2014, the Group made a further cash payment to Safin of $2.125 million and on December 23, 2014, the Group made a further cash payment to Safin of $1.275 million, totalling $3.400 million ("Third Instalment Cash payment", First and Second Instalment Cash payments under the revised SPA);
f) on April 16, 2015 a further cash payment to Safin of $1,735,084 was made by way of assigning to Safin a Capital Gain Tax ("CGT") remittance; and
g) on July 30, 2015 a further cash payment to Safin of $218,572 was made by way of assigning to Safin a CGT remittance.

SHARE PURCHASE AGREEMENT (CONTINUED)

Overview (continued)

On August 21, 2015, Safin agreed to extend the remaining balance $20,894 million payment dates to beyond June 2016, the terms of which have been finalized in relevant agreement signed on August 31, 2015.

The JSC Tobol SPA

In satisfaction of the Tobol Condition, on September 17, 2014, the Group executed a share purchase agreement with JCS Tobol (the "Tobol SPA") pursuant to which it acquired the Tobol Interest for a purchase price of $5.03 million, payable pursuant to the terms of the JSC Tobol SPA. On October 31, 2014, the Group received consent from MID for the acquisition of the Tobol Interest and the re-registration by the Kazakh authorities of the transfer of the Tobol Interest to the Group was completed on November 24, 2014. In respect of the purchase price for the acquisition of the Tobol Interest, $3 million has been paid in November 2014 and the final payment of $2 million was due for payment by May 28, 2015. As announced on November 28, 2014, the interest in the Project is now held 99.99% by the Group and 0.01% by Safin.

On July 31, 2015, Tobol agreed to defer the final payment of $2.01 million due on May 28, 2015 to May 31, 2016 without penalty. Official confirmation from Tobol was received on August 5, 2015. Subsequent to the year ended December 31, 2015, Lomonosovskoye LLP received a notice from Tobol on April 6, 2016 requesting payment of the final amount of $2.01 million due on May 31, 2016. KMI ask for an extension and payment of $2.01 million to be rescheduled.

FINANCING ACTIVITIES

April 2014 CAD$2.5 million convertible debenture

On April 25, 2014 the Company completed a private placement of convertible unsecured non-interest bearing debentures (“April Debentures”) for aggregate proceeds of CAD$2.5 million (“April Private Placement”).

The April Debentures will mature and become payable on April 25, 2017 (“April Maturity Date”) and are direct, unsecured obligations for the Company, ranking equally with all other unsecured indebtedness of the Company. Upon receipt of all necessary approvals from the MID on or before the April Maturity Date for the April Convertible Debenture, the principal amount of the April Debentures will automatically be converted into units of the Company (“April Units”); provided, however that the April Debenture will only be converted into April Units where such conversion would not result in a reduction in the existing percentage of common shares of the Company (“Shares”) held by persons other than insiders or their associates and affiliates and not subject to resale restriction.

The conversion of the April Debenture into April Units shall be at a conversion price of: i) CAD$0.05 per April Unit if conversion occurs by April 25, 2015; and ii) CAD$0.10 per April Unit if conversion occurs within the following two years. In certain circumstances, the conversion price may be greater than CAD$0.05 or CAD$0.10, if the Company has announced a positive change concerning its resources prior to conversion.

Each April Unit will be comprised of one Share and one-half of one share purchase warrant, with each whole warrant exercisable to purchase one additional Share of the Company at an exercise price of CAD $0.10 until the April Maturity Date (“April Warrant”). In the event that the closing price of the Share on the TSX-V is equal to or exceeds $1.00 for a period of 10 consecutive trading days (“Acceleration Event”), the April Warrants will expire 90 calendar days after the Company provides notice that the Acceleration Event has occurred.

July 2014 CAD$3.2 million convertible debenture

On July 14, 2014 the Company completed a private placement of convertible unsecured non-interest bearing debentures (“July Debentures”) for aggregate proceeds of USD 3 million (CAD$3.2 million) (“July Private Placement”).

The July Debentures will mature and become payable on July 14, 2017 (“July Maturity Date”) and are direct, unsecured obligations of the Company, ranking equally with all other unsecured indebtedness of the Company. Upon receipt of (i) all necessary approvals from the MID; and (ii) approval by the requisite majority of shareholders of the Company on or before the July Maturity Date for the July Debentures, the principal amount of the July Debentures will automatically be converted into units of the Company (the “July Units”); provided, however, (iii) that the July Debentures will only be converted into July 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 July Debentures into July Units shall be at a conversion price of: (i) CAD$0.05 per July Unit if conversion occurs by July 14, 2015; and (ii) CAD$0.10 per July Unit if conversion occurs within the following two years.

Each July Unit will be comprised of one Share and one-half of one share purchase warrant, with each whole warrant exercisable to purchase one additional Share until July 14, 2017 at an exercise price of CAD$0.10 (“July Warrant”). In the event of an Acceleration Event, the July Warrants will expire 90 calendar days after the Company provides notice that the Acceleration Event has occurred.

September 2014 USD $20.0 million debt financing

On September 25, 2014, in conjunction with the foregoing, and in furtherance of the Company's work on its BFS for the Project, the Company and two of the its directors (the “Holders”), entered into agreements (the “Loan Agreements”) to each advance USD 10 million to the Company for a total of USD 20 million in debt financing. These loans were set to mature on October 31, 2014 (the "Maturity Date"), are unsecured and bear interest at a rate of 12.5% per annum. Prior to the Maturity Date, the Company negotiated further loan terms with the Holders (as set out below).

FINANCING ACTIVITIES (CONTINUED)

October 2014 USD $20.0 million debt financing terms renegotiated

On October 27, 2014, the Company amended the terms of the Loan Agreements. The amendments were made by way of the issuance to the Holders, on a non-brokered private placement basis (the "October Private Placement"), of USD 20 million in an aggregate principal amount of convertible secured debentures (the "October Debentures") and an aggregate of 100,000,000 warrants ("October Warrants", and together with the October Debentures, the "Securities") to purchase Shares.

The October Debentures are direct obligations of the Company which will, following receipt of necessary approvals by MID, be secured (up to such amount as is approved by MID) by all of the shares of a wholly-owned subsidiary of the Company (the "Security"). The annual interest rate on the October Debentures will be 12.5 per cent. Interest will be payable at maturity in cash or, at the election of the Company and subject to certain conditions, in Shares, in accordance with applicable rules of the TSX-V.

The October Debentures will mature on and become payable on December 31, 2015, following an agreement with the debenture holders to extend the due date from the initial due date of April 14, 2015. The new due date is subject to an extension of such date to December 31, 2016 following receipt of MID approval of the Security and for the conversion features (the “October Maturity Date”). The Holders will have the option to require the Company to repay the October Debenture earlier than the October Maturity Date upon the occurrence of (i) a sale for consideration by the Company of at least 50% of its shareholdings in LLLP or (ii) a change of control of the Company.

The principal amount owing under the October Debentures will be convertible into Shares at the option of each Holder at a price of CAD$0.20 at any time following satisfaction of the following conditions: (i) receipt of all necessary approvals from MID; (ii) approval by the requisite majority of shareholders of the Company; and (iii) 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 (collectively, the "Conversion Conditions").

Subject to satisfaction of the Conversion Conditions, the October Warrants will be exercisable to purchase one common share of the Company at an exercise price of CAD$0.10 until December 31, 2016, provided however on an Acceleration Event, the October Warrants will expire on the date which is 90 calendar days after the Company provides notice that the Acceleration Event has occurred.

SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015	2014 (Restated)
General and administrative expenses	**(1,289)**	**(2,337)**
Finance income	68	12
Finance cost	(10,043)	(5,554)
Recovery of capital gain tax	1,735	–
Gain on extinguishment of convertible debentures	1,130	–
Gain on extinguishment of Payable to Safin, Tobol	3,031	5,005
Foreign exchange loss	(1,374)	(1,071)
Net loss before income tax	**(6,742)**	**(3,945)**
Income tax	1,472	1,296
Net loss	**(5,270)**	**(2,649)**
Other comprehensive income - Cumulative translation adjustment	2,879	(1,291)
Total comprehensive loss	**(2,391)**	**(3,940)**
Total shares issued and outstanding as of the end of the year(000's)	218,058	214,786
Weighted average shares outstanding (000's) – basic and diluted	**218,058**	**218,058**
Loss per share – basic and diluted	(0.01)	(0.01)

Net loss for 2015 was USD **5,792** million (USD 0.02 loss per share), which was higher than the total comprehensive loss for the comparative period in 2014 of USD **2,649** million (USD 0.01 loss per share). Other comprehensive income resulted from the Company's translation method. Gains and losses are realized dependent on the fluctuation of foreign currency against the US Dollar.

LIQUIDITY AND CAPITAL RESOURCES

	2015	2014 (Restated)
Cash inflows / (outflows) from in operating activities	**(1,240)**	(6,839)
Cash inflows from in financing activities	**(225)**	20,736
Cash outflows from in investing activities	**(2,865)**	(9,547)
Net cash inflows / (outflows)	**(4,330)**	4,350
Cash and cash equivalents - beginning of year	**7,990**	3,640
Cash and cash equivalents - end of year	**3,660**	7,990

	December 31, 2015	December 31, 2014 (Restated)
Canadian Dollars	**27**	144
US Dollars	**3,630**	6,939
European Euro	**—**	8
British Pound	**1**	—
Kazakhstani Tenge	**2**	899
	3,660	7,990

Working capital deficit as at December 31, 2015 was USD 53,124 thousand compared to USD 26,341 thousand as of December 31, 2014.

Cash outflow from operating activities was lower in 2015 (net outflows of **USD 1,240 thousand)** than the 2014 comparative period (net outflows of **USD 6,839 thousand)**.

Cash outflow from investing activities was lower in 2015 (net outflows of **USD 2,865 thousand)** than the 2014 comparative period (net outflows of **USD 9,547 thousand)**.

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2015	December 31, 2014 (Restated)
ASSETS		
Current assets	**3,734**	8,273
Non-current assets	**83,641**	80,836
TOTAL ASSETS	**87,375**	89,109
LIABILITIES		
Current liabilities	**56,858**	34,614
Non-current liabilities	**3,456**	23,571
TOTAL LIABILITIES	**60,314**	58,185
EQUITY		
Total equity for owners	**27,060**	30,923
Non-controlling interest (“NCI”)	1	1
TOTAL EQUITY	**27,061**	30,924
TOTAL LIABILITIES AND EQUITY	**87,375**	89,109

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
Shares issued for mineral property acquisition	39,270	–
Granted	–	–
December 31, 2014	**218,058**	–
Shares issued for mineral property acquisition	–	–
Expired	–	–
December 31, 2015	**218,058**	–
Date of this report	**218,058**	–

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

On July 15, 2014 the incentive stock options granted to Mr. Campbell Smith to purchase up to 4,000,000 common shares in its capital stock at a price of CDN$0.17 per share (subject to receipt of approval from MINT) expired.

QUARTERLY RESULTS

	December 31, 2015	Septembe r 30, 2015	June 30, 2015	March 31, 2015	Dec 31, 2014 (Restated)	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
General and administrative expenses	(330)	(174)	(386)	(399)	(431)	(563)	(660)	(683)
	(330)	**(174)**	**(386)**	**(399)**	**(431)**	**(563)**	**(660)**	**(683)**
Finance (costs) / income, net	(5,439)	(2,648)	(786)	(1,102)	(1,787)	(1,338)	(970)	(1,447)
Recovery on CGT payment	1,735	–	–	–	–	–	–	–
Gain on debt extinguishment	4,161	–	–	–	(498)	5,503	–	–
Foreign exchange (loss) / gain	(1,268)	(87)	83	(102)	(1,585)	254	(187)	447
Other	–	–	–	–	–	–	–	–
Net (loss) / income before income tax	**(1,630)**	**(2,420)**	**(1,089)**	**(1,603)**	**(4,301)**	**3,856**	**(1,817)**	**(1,683)**
Income tax	1,472	–	–	–	1,296	–	–	–
Net (loss) / income	**(158)**	**(2,420)**	**(1,089)**	**(1,603)**	**(3,005)**	**3,856**	**(1,817)**	**(1,683)**
Other comprehensive income - Cumulative translation adjustment	3,016	(125)	(12)	–	(1,292)	–	(465)	466
Total comprehensive (loss) / income	**2,858**	**(2,545)**	**(1,101)**	**(1,603)**	**(4,297)**	**3,856**	**(2,282)**	**(1,217)**
(Loss) / income per share	**0.01**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.04)**	**0.02**	**(0.01)**	**(0.01)**
Total assets	**87,375**	**87,472**	**87,112**	**87,605**	**89,109**	**102,950**	**79,753**	**79,703**

QUARTERLY RESULTS (CONTINUED)

2015 compared to 2014

For the nine year ended December 31, 2015 the Company recognized a net loss of USD 5,792 thousand. The trend of significantly reduced corporate overhead in 2014 was continued in the first and second quarters of 2015 reflecting the cost reduction initiatives of management. Finance cost was the result of the non-cash accreted interest related to the LLLP acquisition payable and convertible debt issued. For the nine-month period ended September 30, 2015, the non-cash accreted interest related to the LLLP acquisition payable in June 30, 2015 was reduced, as the majority of the expense was previously recognised. Non-cash accreted interest related to convertible debt issued reflects convertible debts issued in September 2013, April 2014 and July 2014. As previously noted, exploration expenditure incurred prior to the completion of the acquisition of LLLP in February 2013 was expensed.

Other comprehensive income resulted from the Company's translation method. Gains and losses are realized dependent on the fluctuation of foreign currency against the US dollar.

REGULATORY DISCLOSURES

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	December 31, 2015		December 31,2014 (Restated)	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets				
Loans and receivables				
Cash and cash equivalents	3,660	3,660	7,990	7,990
Other receivables	43	43	38	38
	3,703	**3,703**	**8,028**	**8,028**
Financial liabilities				
Other financial liabilities				
Accounts payable & accrued liabilities	1,786	1,786	634	634
Convertible debentures	37,941	36,473	36,407	33,202
Derivative liability	1	1	16	16
Loan to Safin	—	—	—	—
Payable – Safin SPA - LLLP acquisition	18,694	18,694	19,177	19,177
Payable – Tobol SPA – LLLP acquisition	1,805	1,805	1,805	1,805
	60,227	**58,759**	**58,039**	**54,834**

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.

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 December 31, 2015, the Company's working capital deficit of USD 53,124 thousand (December 31, 2014: USD 26,341 thousand).

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

REGULATORY DISCLOSURES (CONTINUED)

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 September 30, 2015 are denominated in United States Dollars, Canadian Dollars, British Pounds, European Euro, and Kazakh Tenge set out in the following table:

December 31, 2015	Canadian Dollars	US Dollars	British Pounds	European Euro	Kazakhstan Tenge	Total
Financial assets						
Cash and cash equivalent	27	3,630	1	–	2	3,660
Accounts receivable	–	31	–	–	12	43
	27	3,661	1	–	14	3,703
Financial liabilities						
Accounts payables and accrued liabilities	–	(1,786)	–	–	–	(1,786)
Payable – Safin SPA - LLLP acquisition	–	(18,694)	–	–	–	(18,694)
Convertible debentures	(16,129)	(21,812)	–	–	–	(37,941)
Derivative liability	–	(1)	–	–	–	(1)
Payable to Tobol – LLLP acquisition	–	(1,805)	–	–	–	(1,805)
	(16,129)	(44,098)	–	–	(60,227)	(16,129)
Net financial assets (liabilities)	(16,102)	(40,437)	1	14	(56,524)	(16,102)

December 31, 2014	Canadian Dollars	US Dollars	British Pounds	European Euro	Kazakhstan Tenge	Total
Financial assets						
Cash and cash equivalent	144	6,939	–	8	899	7,990
Accounts receivable	38	–	–	–	–	38
	182	6,939	–	8	899	8,028
Financial liabilities						
Accounts payables and accrued liabilities	–	(548)	–	–	(86)	(634)
Payable – Safin SPA - LLLP acquisition -Restated	–	(19,177)	–	–	–	(19,177)
Convertible debentures	(16,733)	(19,674)	–	–	–	(36,407)
Derivative liability	–	(16)	–	–	–	(16)
Payable to Tobol – LLLP acquisition	–	(1,805)	–	–	–	(1,805)
	(16,733)	**(41,427)**	–	–	**(86)**	**(58,039)**
Net financial assets (liabilities)	**(16,551)**	**(34,281)**	–	**8**	**813**	**(50,011)**

The Company's reported results will be affected by changes in the US dollar to Kazakstan Tenge exchange rate.

A 10% appreciation of the Kazakhstan Tenge relative to the US dollar would have increased net financial assets by approximately $99 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.

REGULATORY DISCLOSURES (CONTINUED)

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

During 2015, the Company entered into the following transactions with related parties and paid or accrued the following amounts, excluding share-based payment charges in connection therewith:

Name	Relationship to the Company	Purpose of transaction	Amount
Daniel Kunz	Director	director's fees	$ 23,000
Mark Midgley[3]	Director	director's fees	$ 18,000
Trevor Campbell Smith[1]	President, CEO and Director	management fees	$ 239,000
Nuriya Kamaledinova	Interim CFO	management fees	$ 12,000
Bayswater Consulting Ltd.[2]	Corporate Secretary	consulting fee	$ 38,000

1. Mr. Campbell Smith resigned as CEO, President and director of the Company on September 7, 2015.
2. a company controlled by the Corporate Secretary of the Company.
3. Mr. Midgley resigned as a director of the Company on October 15, 2015.

The Company did not grant any stock options to its insiders during the year ended December 31, 2015.

Commitments

The Group's material contractual obligations as at December 31, 2015 are in respect to the Subsoil Use Contract and the SPA.

The Group has expenditure commitments under the Subsoil Use Contract as described above under the heading "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 (the "Notice") against the Company and LLLP (together, "Kazax"). The Notice asserts that Kazax has failed to pay debts totalling Australian Dollars AUD $2.226 million (approximately $2.036 million) in breach of the agreement for services in place between LogiCamms and Kazax. Pursuant to the Notice, LogiCamms was 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 (USD 0.6 million) by the Company to LogiCamms in 4 instalments, which have been completed within the 2014 accounting period. As at December 31, 2013, the Company reversed its accrual against the capitalized expenditure in mineral properties from approximately USD 1.9 million to USD 0.6 million as per settlement. As at September 30, 2015, the Company prepaid USD 0.2 million to LogiCamms.

REGULATORY DISCLOSURES (CONTINUED)

Off Balance Sheet Arrangements

As at December 31, 2015 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 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.

New pronouncements effective January 01, 2014

The Company has adopted the following new and revised standards effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IFRIC 21 – Levies

In May 2013, the International Accounting Standards Board (the "IASB") issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event").

IFRIC 21 clarifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognized on that date.

The Company applied IFRIC 21 retrospectively in accordance with its transitional provisions, and it had no material effect on the consolidated financial statements for any period presented.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement mechanisms may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the Company does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the consolidated financial statements for any period presented.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognized or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made
- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively in accordance with their transitional provisions, and had no material effect on the consolidated financial statements for any period presented.

REGULATORY DISCLOSURES (CONTINUED)

Changes to standards that are not yet effective and have not been early adopted

The following accounting standards that are not yet effective have not been adopted early by the Company.

IFRS 9 – Financial Instruments (2014)

The IASB recently released IFRS 9 "Financial Instruments" (2014), representing the completion of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new expected credit loss model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

The Company is evaluating the impact that IFRS 9 (2014) is expected to have on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. The new standard establishes a control based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 will be effective for reporting periods beginning on or after January 1, 2017.

The Company is evaluating the impact that IFRS 15 is expected to have on its consolidated financial statements.

Amendments to IFRS 11 – Joint Arrangements

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 "Business Combinations" and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The amendments are effective for reporting periods beginning on or after January 1, 2016.

The Company is evaluating the impact that the Amendments to IFRS 11 is expected to have on its consolidated 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.

REGULATORY DISCLOSURES (CONTINUED)

Risks 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 below factors, and others not specifically referred to below, 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.

Share Price Volatility

The common shares of the Company are listed and posted for trading on the TSX-V. During the past year, worldwide securities markets, particularly those in the United States and Canada, have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced unprecedented declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share prices of junior natural resource companies have experienced an unprecedented decline in value and there has been a significant decline in the number of buyers willing to purchase such securities. In addition, significantly higher redemptions by holders of mutual funds has forced many of such funds (including those holding the Company's securities) to sell such securities at any price. As a consequence, despite the Company's past success in securing equity financings, market forces may render it difficult or impossible for the Company to secure placees to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all. Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

REGULATORY DISCLOSURES (CONTINUED)

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 Company’s business is the acquisition, exploration and development of resource properties. The resource industry is intensely competitive and the Company will compete with other companies that have far greater resources. 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.

Acquisition of Properties under Agreements

The agreements pursuant to which the Company has the right to acquire or maintain interests in the Lomonosovskoye Project provide that the Company must make cash payments over certain time periods. To date, the Company has been successful in obtaining amendments to the payment schedules of balances outstanding, however, failure by the Company to make such payments by the extended due dates or negotiate new payment terms may result in the Company reducing its interest in the property. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to maintain its property agreements in good standing, or to be able to comply with all of its obligations thereunder.

REGULATORY DISCLOSURES (CONTINUED)

Risks related to International Activities

A material portion of the business of the Company is located outside of North America, with assets in Kazakhstan. As such, the Company’s 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 or to obtain all of the necessary services or expertise in Kazakhstan or to conduct operations on the Company's projects at reasonable rates. If qualified people and services or expertise cannot be obtained in Kazakhstan, 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.

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 prospects.

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.

REGULATORY DISCLOSURES (CONTINUED)

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 Risks

All phases of the mineral exploration and development business present environmental risks and hazards and are subject to environmental regulations. Compliance with such legislation/regulations can require significant expenditures and a breach could result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner which may lead to stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. No assurance can be given that the application of environmental laws to the business and operations of the Company will not result in a curtailment of exploration or production, a material increase in the costs of production, development or exploration activities, or otherwise adversely affect the Company’s financial condition, results of operations or prospects. As of the date of this MD&A, there were no existing material environmental liabilities.

REGULATORY DISCLOSURES (CONTINUED)

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.

Permits and Licenses

The operations of the Company require licenses and permits from various governmental authorities in Kazakhstan. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company.

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 and title may be affected by, among other things, undetected defects.

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.

REGULATORY DISCLOSURES (CONTINUED)

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 Kazakhstani 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.

Cautionary Note to US Investors Concerning Reserve and Resource Estimates

National Instrument 43-101 Standards of Disclosure of Mineral Projects (“NI 43-101”) is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in or incorporated by reference in this MD&A have been prepared in accordance with NI 43-101 and the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) Standards on Mineral Resource and Mineral Reserves, adopted by the CIM Council on May 10, 2014 (the “CIM Standards”) as they may be amended from time to time by the CIM.

FORWARD-LOOKING STATEMENTS (CONTINUED)

United States investors are cautioned that the requirements and terminology of NI 43-101 and the CIM Standards differ significantly from the requirements and terminology set forth in SEC Industry Guide 7. Accordingly, the Company's disclosures regarding mineralization may not be comparable to similar information disclosed by companies subject to SEC Industry Guide 7. Without limiting the foregoing, while the terms "mineral resources", "inferred mineral resources", "indicated mineral resources" and "measured mineral resources" are recognized and required by NI 43-101 and the CIM Standards, they are not recognized by the SEC and are not permitted to be used in documents filed with the SEC by companies subject to SEC Industry Guide 7. Mineral resources which are not mineral reserves do not have demonstrated economic viability, and US investors are cautioned not to assume that all or any part of a mineral resource will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher resource category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of a feasibility study or pre-feasibility study, except in rare cases. The SEC normally only permits issuers to report mineralization that does not constitute SEC Industry Guide 7 compliant "reserves" as in-place tonnage and grade without reference to unit amounts. The term "contained ounces" is not permitted under the rules of SEC Industry Guide 7. In addition, the NI 43-101 and CIM Standards definition of a "reserve" differs from the definition in SEC Industry Guide 7. In SEC Industry Guide 7, a mineral reserve is defined as a part of a mineral deposit which could be economically and legally extracted or produced at the time the mineral reserve determination is made, and a "final" or "bankable" feasibility study is required to report reserves, the three-year historical price is used in any reserve or cash flow analysis of designated reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

Accordingly, information contained in this MD&A contains descriptions of the Company's mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

All of the Company's public disclosure filings, including its most recent material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Lomonosovskoye Project.