KAZAX
MINERALS INC

Kazax Minerals Inc.

Consolidated Financial Statements
Year ended December 31, 2013 and nine months ended December 31, 2012
(expressed in thousands of U.S. dollars, except where indicated)

Independent Auditor's Report

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To the Shareholders of
Kazax Minerals Inc.

We have audited the accompanying consolidated financial statements of Kazax Minerals Inc., which comprise the consolidated statements of financial position as at December 31, 2013, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kazax Minerals Inc. as at December 31, 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describe that the Company has incurred cumulative losses of $22.72 million as at December 31, 2013, has reported a net loss of $9.139 million during the year ended December 31, 2013, and does not have reasonable assurance that sufficient funding will be available to conduct further exploration and development of its flagship project. These conditions, along with other matters set forth in Note 2, indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

Other matter

The consolidated financial statements of Kazax Minerals Inc. for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on April 30, 2013.

Grant Thornton LLP

Vancouver, Canada
April 30, 2014

Chartered Accountants

Kazax Minerals Inc.

Consolidated Statements of Financial Position

(expressed in thousands of U.S. dollars, except where indicated; common shares balance are expressed in thousands)

	Note	December 31, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents	7	$ 3,640.0	$ 10,634.5
Other receivables and prepaid expenses	7,8	358.5	739.2
Due from related parties	7	-	493.1
		3,998.5	11,866.8
Equipment	9	98.2	75.5
Deferred acquisition costs		-	289.2
Exploration and evaluation assets	3	76,264.3	-
Other long term assets	8, 12(ii)	29.1	1,250.8
Total assets		$ 80,390.1	$ 13,482.3
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7,18	$ 2,682.0	$ 1,335.3
Safin loan	10	1,258.4	-
Asset retirement obligation – current	12	48.0	-
Payable – LLLP acquisition	3	30,989.2	-
		34,977.6	1,335.3
Convertible debentures	11	12,948.9	-
Asset retirement obligation	12	121.7	-
Total liabilities		48,048.2	1,335.3
Equity			
Share capital	13	35,355.1	25,715.5
Reserves		3,920.4	17.4
Deficit		(22,725.1)	(13,585.9)
Total equity for owners		16,550.4	12,147.0
Non-controlling interest (“NCI”)	3	15,791.5	-
Total equity		32,341.9	12,147.0
Total liabilities and equity		$ 80,390.1	$ 13,482.3

Nature of operations (note 1)
Going concern (note 2)
Supplemental cash flow information (note 17)
Subsequent events (note 18)

Approved by the Board of Directors

__________”Trevor Campbell Smith”__________ Director   _________”Mohamad Chafic”__________ Director

Kazax Minerals Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the year ended December 31, 2013 and nine months ended December 31, 2012

(expressed in thousands of U.S. dollars, except where indicated; common shares balance are expressed in thousands)

	Notes	Year ended December 31, 2013	Nine months ended December 31, 2012
Expenses			
Amortization	9	$ (28.4)	(12.3)
Professional fees		(658.4)	(239.1)
General and administration		(335.1)	(413.3)
Investor relations and marketing		(87.3)	(25.2)
Travel and entertainment		(872.1)	(268.6)
Wages and benefits		(987.7)	(1,130.6)
Management fees	14	(972.0)	(801.4)
Stock based compensation expense	13	(257.0)	-
Exploration expense		(2,058.2)	(5,184.6)
		(6,256.2)	(8,039.1)
Other (expenses) income, net			
Finance income		9.1	188.3
Finance cost	11,3	(4,802.4)	-
Foreign exchange loss		306.6	(52.5)
Net loss before income tax		(10,742.9)	(7,903.3)
Deferred tax effect on convertible debenture	15	1,603.7	-
Net loss		(9,139.2)	-
Other comprehensive loss			
Cumulative translation adjustment		(1,233.9)	-
Comprehensive loss		$ (10,373.1)	(7,903.3)
Loss per share			
Basic & diluted		$ (0.05)	(0.07)
Weighted average shares outstanding (000's)			
Basic & diluted		169,980	114,802
Total shares issued and outstanding (000's)		178,788	138,208

Kazax Minerals Inc.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2013 and nine months ended December 31, 2012

(expressed in thousands of U.S. dollars, except where indicated; common shares balance are expressed in thousands)

	Notes	Shares ('000)	Share capital	Subscription receipts	Foreign translation reserves	Convertible debenture reserves	Other reserves	Deficit	Total for owners	NCI	Total Equity
Balance at December 31, 2012		138,208	$ 25,715.5	$ -	$ -	$ -	$ 17.4	$(13,585.9)	$ 12,147.0	$ -	$ 12,147.0
Net loss – year ended		-	-	-	-	-	-	(9,139.2)	(9,139.2)	-	(9,139.2)
Share issued for mineral property acquisitions	3	36,163	9,095.7	-	-	-	-	-	9,095.7	15,791.5	24,887.2
Proceeds from warrants exercised	13	4,417	543.9	-	-	-	(17.4)	-	526.5	-	526.5
Issuance of convertible debenture	11	-	-	-	-	6,501.0	-	-	6,501.0	-	6,501.0
Stock based compensation expense	13	-	-	-	-	-	257.0	-	257.0	-	257.0
Deferred tax effect on convertible debenture	15	-	-	-	-	(1,603.7)	-	-	(1,603.7)	-	(1,603.7)
Cumulative translation adjustment		-	-	-	(1,233.9)	-	-	-	(1,233.9)	-	(1,233.9)
Balance at December 31, 2013		178,788	$ 35,355.1	$ -	$ (1,233.9)	$ 4,897.3	$ 257.0	$(22,725.1)	$ 16,550.4	$ 15,791.5	$ 32,341.9

	Notes	Shares ('000)	Share capital	Subscription receipts	Foreign translation reserves	Convertible debenture reserves	Other reserves	Deficit	Total equity	NCI	Total Equity
Balance at March 31, 2012		78,025	$ 13,648.0	$ 12,057.5	$ -	$ -	$ 17.4	$ (5,682.6)	$ 20,040.3	$	$ 20,040.3
Net loss – nine months ended		-	-	-	-	-	-	(7,903.3)	(7,903.3)	-	(7,903.3)
Subscription receipts		60,100	12,057.5	(12,057.5)	-	-	-	-	-	-	-
Proceeds from warrants exercised		83	10.0	-	-	-	-	-	10.0	-	10.0
Balance at December 31, 2012		138,208	$ 25,715.5	$ -	$ -	$ -	$ 17.4	$(13,585.9)	$ 12,147.0	$	$ 12,147.0

Kazax Minerals Inc.

Consolidated Statements of Cash Flows

For the year ended December 31, 2013 and nine months ended December 31, 2012

(expressed in thousands of U.S. dollars, except where indicated; common shares balance are expressed in thousands)

	Notes	Year ended December 31, 2013	Nine months ended December 31, 2012
Cash used from operating activities			
Net loss		$ (9,139.2)	$ (7,903.3)
Items not affecting cash			
Amortization	9	28.4	12.3
Accreted interest – convertible debt	11	468.0	-
Accreted interest – other current liabilities	3	4,334.1	-
Accreted interest – other long term liabilities		3.6	-
Stock based compensation expense	13	257.0	-
Deferred income tax recovery	15	(1,603.7)	
Foreign exchange		(306.6)	-
		(5,958.4)	(7,891.0)
Change in non-cash operating working capital			
Decrease (increase) in accounts receivable, deposits, and prepaid expenses		2,124.6	(1,797.2)
(Decrease) in accounts payable and accruals		(584.4)	(627.1)
		(4,418.2)	(10,315.3)
Cash flows from financing activities			
Proceeds from warrants exercised	13	526.5	10.0
Proceeds from convertible debentures	11	19,000.6	-
Payment of asset retirement obligation	12	(48.0)	-
Payment of Safin loan	10	(280.3)	-
Payment of First Part of Second Instalment Cash	3	(2,000.0)	-
		17,198.8	10.0
Cash flows used in investing activities			
Property, plant and equipment expenditure	9	(51.1)	(57.9)
Exploration and evaluation asset expenditure	3	(9,628.3)	-
Acquisition of LLLP, net of cash acquired	3	(10,379.8)	-
		(20,059.2)	(57.9)
Decrease in cash and cash equivalents		(7,278.6)	(10,363.2)
Foreign exchange impact on cash and cash equivalents		284.0	51.2
Cash and cash equivalents - beginning of period		10,634.5	20,946.5
Cash and cash equivalents - end of period		$ 3,640.0	$ 10,634.5

Currency (expressed in USD)	Notes	December 31, 2013	December 31, 2012
Canadian Dollars	(i)	$ 3,403.2	$ 9,616.7
US Dollars		158.0	1,019.8
European Euro	(ii)	44.8	(2.0)
Kazakhstani Tenge	(iii)	34.0	-
		$ 3,640.0	$ 10,634.5

(i) Canadian dollars of $3,619.65 was converted at a Canadian to US dollar exchange rate of 0.9402 (December 31, 2012 - $2.3 at 1.0051).

(ii) European Euro of $32.5 was converted at a Euro to US dollar exchange rate of 0.7257 (December 31, 2012 - $nil at 0.7623).

(iii) Kazakhstani Tenge of $5,275.7 was converted at a Kazakhstani Tenge to US dollar exchange rate of 0.006465545.

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

(expressed in thousands of U.S. dollars, except where indicated; common shares balance are expressed in thousands)

1 Nature of operations

KazaX Minerals Inc. (formerly Newbridge Capital Inc.) (the "Company") was incorporated under the Business Corporations Act of British Columbia on September 12, 2005. The Company's shares are listed for trading on the TSX Venture Exchange under the symbol KZX. The address of the Company's corporate office and principal place of business is 7th Floor, Arman Business Center, 6 Saryarka Avenue, Astana, Kazakhstan, 010000.

These consolidated financial statements of the Company for the year ended December 31, 2013 and nine months ended December 31, 2012, comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is primarily involved in the acquisition, exploration and development of mineral properties.

On February 15, 2013, the Company completed the acquisition (the "Acquisition") of a 74.99% interest in Lomonosovskoye Limited Liability Partnership ("LLLP"), a legal entity existing under the laws of the Republic of Kazakhstan from Safin Element GmbH ("Safin"). LLLP holds the exploration and production rights to the Lomonosovskoye iron ore project (the "Lomonosovskoye Project" or "Project") located in the northwest of the Republic of Kazakhstan. The Kazakhstan state agency Tobol has taken a 25% interest in the Project with Safin holding the remaining 0.01%. See Note 3 for details of the Acquisition.

2 Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Several adverse conditions exist which may cast significant doubt on the ability of the Group to continue as a going concern. In 2013, the Group incurred a net loss of $9,139.2 and as at December 31, 2013, a negative working capital of $30,979.9 (2012 – $10,531.5), an accumulated deficit of $22,725.1 (2012 – $13,585.9), limited resources has no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its Project or to complete the significant commitments in respect of its purchase of the Project (see Note 3).

The Company does not generate cash flow from operations and has therefore relied principally upon the issuance of securities for financing. During the reporting period, the Company completed the Private Placement of Debentures to existing major shareholders of the Company, for aggregate proceeds of $19,000.6 (CAD$19,568.9)(see Note 11). The Directors expect to be able to obtain further funding for the Group. However, there can be no guarantee that the required funds will be raised within the necessary timeframe or on terms that will be acceptable to the Company. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities and to engage financial institutions for debt financing to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's business, results of operations and financial condition.

3 Acquisition of LLLP

Overview

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

On February 15, 2013, the Company completed the acquisition of a 74.99% interest in LLLP from Safin and made the initial SPA payments of $6,933.8 in cash ("First Instalment Cash") and issued 23,076.0 shares ("First Instalment Shares") with a fair value of $5,525.7. The Company also paid its first finder's fee instalment of $703.0

Under the terms of the SPA, the Company is required to pay Safin's Capital Gains Tax ("CGT") liability on the cash and share consideration to the Kazakhstan tax authorities, without deduction from the consideration payable to Safin. Following the initial cash payment and share issuance in February 2013, the Company made a CGT payment of $2,038.1 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 13,087.0 common shares ("Second Instalment Shares") to Safin at a price of CAD$0.24 per common share pursuant to the terms of the SPA. Following this issue of common shares, Safin has direct ownership and direction or control over 36,163.8 common shares of the Company, representing approximately 20.23% of the 178,788.0 common shares of the Company that were issued and outstanding as at December 31, 2013.

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, $2,000.0 (paid, first part of Second Instalment Cash)
ii) by January 15, 2014, $10,410.4 (second part of Second Instalment Cash)
iii) by March 31, 2014, $3,102.6 (first part of Third Instalment Cash)
iv) by June 30, 2014, $3,102.6 (second part of Third Instalment Cash)
v) by September 30, 2014, $3,102.6 (third part of Third Instalment Cash)
vi) by December 31, 2014, $3,102.6 (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 $966.0 to an arm's length party in connection with the Acquisition on or before July 31, 2013, which was completed during the reporting period. The third instalment of the Finder's Fee of $966.0 million is due to be paid on or before December 31, 2014.

The Company completed the first part of Second Instalment Cash payment of $2,000.0 on October 2, 2013.

Under the terms of the SPA, as at December 31, 2013, the future cash and share consideration to be paid to Safin totals $26,390.8 million, comprising future cash consideration of $22,820.8 and outstanding share consideration of $3,570.0 million. The calculated future CGT payable by the Group on behalf of Safin in respect of these future consideration payments would be $4,657.2 million.

As at December 31, 2013, the CGT obligation of the Company in respect to the Second Instalment Shares and first part of Second Instalment Cash, totalling $0.98 million, was outstanding.

The outstanding third tranche of consideration shares ("Third Instalment Shares") to a value of $3,570.0 was issued on February 10, 2014. Approximately 39,270.0 million common shares with a fair value of CDN$0.10 per share were issued to Safin.

In the event the Company does not complete the 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 consolidated 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.

Acquisition accounting

The Company's acquisition of the controlling shareholding in LLLP on February 15, 2013 has been accounted for as an acquisition of a group of assets and liabilities.
The following summarizes the purchase consideration transferred / payable based on the above payment terms, and the recognized amounts of assets acquired and the liabilities assumed at the acquisition date.

Purchase consideration paid and accrued	Notes	Amount
Paid		
Advance loan to Safin forgiven		$ 1,235.0
Settlement of existing advances in lieu of first initial cash payment		454.3
First Instalment Cash payment		6,479.5
First Instalment Shares (23,076.0 common shares) issued	(i)	5,525.7
Initial payment of Finder's Fee		703.8
First payment of capital gains taxes on behalf of Safin		2,038.2
Second Instalment Shares (13,087.0 common shares)	(i)	3,201.1
Second Finder's Fee instalment		966.0
		$ 20,603.6
Accrued		
Third Instalment Shares		$ 2,782.8
Second Instalment Cash payment		10,897.4
Second payment of capital gains taxes on behalf of Safin		2,527.0
Third Instalment Cash payment		9,924.3
Third payment of capital gains taxes on behalf of Safin		2,283.9
Third Finder's Fee instalment		608.5
		$ 29,023.9
Total purchase consideration		$ 49,627.5

(i) The fair value of the First Instalment Shares of 23,076. 0 common shares was based on the discounted fair value of the market price at the Acquisition date of $0.24 per share. The fair value of the Second Instalment Shares of 13,086.1common shares was based on the discounted fair value of the market price on issuance date of $0.24 per share. Upon the settlement of the Second Instalment Shares, the Company recognized an accreted interest of $368.7.

The purchase consideration, which is payable over the next 12 months, is recognized as current liabilities on the statement of financial position. Current financial liability is $30,359.4 as at December 31, 2013.

	Face value	Opening fair value	Accreted interest	Settled balance	December 31, 2013 accrued fair value
Third Instalment Shares	$ 3,570.0	$ 2,782.8	$ 389.7	$ -	$ 3,172.5
Second Instalment Cash payment	12,410.4	10,897.4	1,449.1	(2,000.0)	10,346.5
Second payment of capital gains taxes	2,190.1	2,527.2	281.6	-	2,808.8
Third Instalment Cash payment	12,410.4	9,924.3	1,389.9	-	11,314.2
Third payment of capital gains taxes	2,820.1	2,283.9	319.8	-	2,603.7

(expressed in thousands of U.S. dollars, except where indicated; common shares balance are expressed in thousands)

Third Finder's Fee instalment	966.0	608.3	135.2	-	743.5
	$ 34,367.0	$ 29,023.9	$ 3,965.4	$ (2,000.0)	$ 30,989.2

Identifiable assets acquired and liabilities assumed:	Amount
Cash and cash equivalents	$ 36.8
Inventory	0.4
Property, plant and equipment	4.3
Exploration and evaluation assets	67,037.9
Safin loan	(1,538.7)
Accounts payable and accrued liabilities	(121.7)
NCI	(15,791.5)
	$ 49,627.5

Details of Exploration and evaluation assets recognized as at December 31, 2013 are as follows:

Exploration and evaluation assets recognized comprised of:	Amount
Identifiable assets acquired in LLLP	$ 67,037.9
Exploration and evaluation costs post acquisition	9,978.6
Acquisition costs (professional fees directly related to the acquisition)	481.6
Foreign exchange impact (cumulative translation adjustment)	(1,233.7)
	$ 76,264.3

Details of exploration and evaluation costs post Acquisition to December 31, 2013 are as follows:

Exploration and evaluation assets incurred comprised of:	Amount
Exploratory drilling and engineering	$ 6,478.9
Wages and benefits	2.694.4
Other direct overhead	805.3
	$ 9,978.6

4 Basis of preparation

These financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized by the Board of Directors on April 30, 2014.

5 Significant judgments, estimates and assumptions

Judgments, estimates and assumptions about the recognition and measurement of assets, including mineral properties, liabilities, income and expenses are made during the preparation of financial statements. Actual financial results may not equal estimated results due to differences between anticipated events and actual events.

Critical judgments made in the process of applying the Company's accounting policies, apart from those involving estimation, that have the most significant effects on the amounts recognized in the Company's consolidated financial statements are:

(i) Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of each material entity is the US dollar, except for the parent

company, of which its functional currency is the Canadian dollar. Determination of functional currency requires judgment to determine the primary economic environment. The Company reconsiders the functional currency of its entities in light of new events or change in circumstances.

(ii) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, the timing of reversals of temporary differences and the likelihood that tax positions taken will be accepted by tax authorities. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws. Where applicable, tax laws and regulations are unclear or subject to varying interpretations. It is possible that such changes to recorded tax amounts may be material. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

(iii) Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Key sources of estimation uncertainty

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually 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 could differ from these estimates. Differences may be material.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

(i) Depreciation

Mobile and other equipment are depreciated, net of residual value, on a straight-line basis, over the useful life of the equipment to the extent that the useful life does not exceed the related estimated life of the mine based on proven and probable reserves.

(ii) Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share based awards at the date of grant and is expensed to the statement of loss and comprehensive income (loss) over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

(iii) Convertible debenture

Management estimates the interest rate on a similar liability debenture that does not have an equity conversion option in the calculation of the fair value of the liability and equity portions of a compound instrument upon initial recognition.

(iv) Asset retirement obligation

The Company recognizes statutory, contractual and other legal obligations related to the retirement of tangible long-lived assets. These obligations are initially measured at fair value and subsequently adjusted for the accretion of any discount and changes in the underlying future cash flows and discount rate. The asset retirement cost is capitalized to the related asset and amortized to operations over time.

The Company recognizes the fair value of the liability for a decommissioning obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows to retire the obligation. The liability is subsequently adjusted for the passage of time, and is

recognized as an accretion expense in the statement of operations. The increase in the carrying value of the asset is amortized on the same basis as the resource properties.

6 Significant accounting policies

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Kazco Minerals Ltd. (British Columbia). The accounts of Kazco Minerals Ltd. wholly-owned subsidiaries, Kazco Beteiligungs GmbH. The accounts of Kazco Beteilgungs's wholly-owned subsidiary EMM LLP (Kazakhstan) and 74.99% owned LLLP (Kazakhstan) (Note 3) are also included in these consolidated financial statements. All significant inter-company balances and transactions have been eliminated upon consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks and short-term interest-bearing investments with maturities of three months or less at the purchase date.

Foreign Currency Translation

The functional currency of the reporting entity and each of its foreign operations must be assessed independently giving consideration to the primary economic environment in which each operates. Management has determined that the functional currencies of Kazax Minerals Inc, its parent company, is the Canadian dollar as this is the currency of the primary economic environment in which the Company operates. All other subsidiaries have the US dollar as their functional currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Financial Instruments

The Company classifies its financial instruments into one of the following categories: fair value through profit or loss ("FVPL") (assets and liabilities), assets available-for-sale, loans and receivables, assets held-to-maturity and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial assets and liabilities classified as FVPL are subsequently measured at fair value with changes in fair value recognized in profit or loss. Financial assets designated as "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in available-for-sale reserve, net of tax. Investments in equity instruments that do not have an active quoted market price and whose fair value cannot be reliably measured are measured at cost. Financial assets designated as "held-to-maturity", "loans and receivables", and "other financial liabilities" are recorded at amortized cost using the effective interest rate method.

Transaction costs that are directly attributable to the acquisition or issue of financial assets or liabilities (other than those designated as FVPL, which are expensed) are included in the initial carrying value of the financial instruments.

Compound financial instrument (convertible debenture)

Compound financial instrument issued by the Company comprise convertible notes that can be converted to common shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Impairment

Financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty
- Default or delinquency in interest or principal payments
- It has become probable that the borrower will enter bankruptcy or financial reorganization

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of accounts receivable is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Non-financial assets

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

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit," or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For certain E&E assets of the Company, there is insufficient information about the mineral resources to estimate future cash flows and these E&E assets are allocated to CGUs for the purpose of assessing such assets for impairment.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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

Exploration and Evaluation Expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Exploratory drilling and sampling
- Surveying transportation and infrastructure requirement
- Gathering exploration data through geophysical studies

The Company capitalizes significant direct costs of acquiring resource property interests. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Once the legal right to explore has been acquired, exploration and evaluation expenditures is charged to profit or loss as incurred, unless management concludes that a future economic benefit is more likely than not to be realized. These costs include materials used, surveying costs, drilling costs, drilling costs and payments made to contractors.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

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

Property and equipment

Recognition and Measurement

Property and equipment are measured using the cost model in which assets are carried at cost less accumulated depreciation and accumulated impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost of the self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to working condition for their intended use. Borrowing cost related to the acquisition, construction, or production of qualifying assets is capitalized as part of the costs of the assets.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items, or major components, of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment.

Subsequent Expenditures

Subsequent expenditures related to a replacement item of property and equipment are recognized in the carrying amount of the original item, or recognized as a separate asset, as appropriate, if it is probable that the future economic benefits embodied within the item will flow to the Company as its costs can be measured reliably. The carrying amount of the replaced item of property and equipment is derecognized. The cost of the day-to-day servicing of property and equipment are recognized in the Company's statement of loss and comprehensive loss as incurred.

Amortization

Amortization is charged to the Company's statement of loss and comprehensive loss on declining balance basis over the estimated useful lives of each item of property and equipment to the residual values as follows:

Office furniture	20%
Computer equipment	43%

Provisions

- Decommissioning and restoration provision: Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a liability based on estimated future cash flows discounted at a risk free rate. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the pre-tax rate risk specific to the liability.

  The liability is also accreted to full value over time through periodic charges to earnings. This unwinding of the discount is charged to financing expense, presented within Exploration Expense, in the statement of loss and comprehensive loss.

  The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to earnings. The method of amortization follows that of the underlying asset. The costs related to a decommissioning and restoration provision are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit.

- Other provisions: Provisions are recognized when a current legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate pre-tax rate risk specific to the liability.

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates

and laws that have been enacted or substantively enacted at the date of the statement of financial position and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current items.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

Share-based payment arrangements

The grant-date fair value of options awarded is recognized as expense over the vesting period, with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

The fair value of the amount payable in respect of share appreciation rights, which are settled in cash, is recognized as an expense over the period the award holders become entitled to payment based on the most likely outcome, with a corresponding increase in liabilities. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights, with any changes in the liability recognized as expense in the period.

The Company's share purchase warrants issued as compensation for mineral property acquisitions or services are classified as equity and measured at the fair value at grant date with no subsequent remeasurement.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other operating segments. The operating results of all segments for which discrete financial information is available are reviewed regularly by the Company President and Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance.

Loss per share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share.

New accounting policies in 2013

Throughout 2013, several new IFRS became effective. The accounting policies applied by the Company in 2013 are summarized as follows:

IFRS 10 "Consolidated Financial Statements" (IFRS 10)

IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" (IAS 27) and SIC 12 "Consolidation-Special Purpose Entities". IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Company's investees are considered to be subsidiaries and therefore change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

There was no significant impact on these consolidated financial statements as a result of adopting these amendments.

IFRS 11 "Joint Arrangements" (IFRS 11)

IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" (IAS 31) and SIC 13 "Jointly Controlled Entities – Non-Monetary-Contributions by Venturers". It aligns more closely the accounting by investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

There was no significant impact on these consolidated financial statements as a result of adopting these amendments.

IFRS 13 "Fair Value Measurement" (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning or after January 1, 2013. IAS requires particular IFRS 13's disclosures in the financial statements which are provided in Note 6.

Financial instruments

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 our consolidated financial statements.

7 Financial instruments

(i) Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	December 31, 2013		December 31, 2012	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial assets				
Fair value to profit and loss ("FVTPL")				
Cash and cash equivalents	3,640.0	3,640.0	10,634.5	10,634.5
Other receivables	19.2	19.2	1,372.4	1,372.4
Due from related parties	-	-	493.1	493.1
Financial liabilities				
Other financial liabilities				
Accounts payable & accrued liabilities*	2,680.0	2,680.0	1,335.3	1,335.3
Safin Debentures – current	1,258.4	1,258.4	-	-
Payable – LLLP acquisition	30,989.2	30,989.2	-	-

* On April 29, 2014, the Company announced the amicable settlement with LogiCamms Limited ("LogiCamms"), with legal proceedings to be withdrawn, subject to payment of $645.0 (AUD$700.) by the Company to LogiCamms in 4 instalments.

(ii) 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.

	Level 1	Level 2	Level 3	Total December 31, 2013
Cash and cash equivalents	$ 3,640.0	$ -	$ -	$ 3,640.0

(iii) 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 (see Note 2). As at December 31, 2013, the Company's working capital deficit of $30,979.1

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

(iv) 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 December 31, 2013 are denominated in United States Dollars, Canadian Dollars, European Euro, and Kazakhstan Tenge set out in the following table:

	Canadian Dollars	US Dollars	European Euro	Kazakhstan Tenge	Total
Financial assets					
Cash and cash equivalent	$ 3,403.2	$ 158.0	$ 44.8	$ 34.0	$ 3,640.0
Accounts receivable	8.1	-	10.6	0.5	19.2
	3,411.3	158.0	55.4	34.5	3,659.2
Financial liabilities					
Accounts payables and accrued liabilities	768.8	-	11.4	1,901.8	2,682.0
Payable – LLLP acquisition	-	32,247.8	-	-	32,247.8
Net financial assets (liabilities)	$ 2,642.5	$ (32,089.8)	$ 44.0	$ (1,867.3)	$ (31,270.4)

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 December 31, 2013, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately $264.3. 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 $4.4 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 $186.7 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.

(v) 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.

(vi) 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.

8 Other receivables and prepaid expenses

	Notes	December 31, 2013	December 31, 2012
Current			
Prepaid expenses		$ 339.3	$ 154.9
Advances to Safin	(i)	-	454.3
Other receivables		19.2	130.0
		$ 358.5	$ 739.2
Non-current			

(expressed in thousands of U.S. dollars, except where indicated; common shares balance are expressed in thousands)

Deposits to landowners for leasehold interest acquisitions		$ -	$ 1,250.8
Long term deposits (see Note 12 (ii))		29.1	-

(i) Advances to Safin

Advances to Safin represent amounts paid to fund certain exploration activities and related data work prior to the closing of the Acquisition (see Notes 1 and 3). The Advances to Safin were settled on February 15, 2013 by netting off the first cash payment of the Acquisition upon closing (see Note 3). The debt of LLLP to Safin (Note 10) was assumed by the Company upon the Acquisition.

9 Property, Plant & Equipment

	Cost March 31, 2012	**Additions**	**Cost December 31, 2012**	**Additions**	**Cost December 31, 2013**
Computer equipment	$ 11.2	$ 21.5	$ 32.7	$ -	$ 32.7
Office Furniture & other	18.7	36.4	55.1	51.1	106.2
	$ 29.9	$ 57.9	$ 87.8	$ 51.1	$ 138.9

	Accumulated Depreciation March 31, 2012	**Depreciation & Amortization**	**Accumulated Depreciation December 31, 2012**	**Depreciation & Amortization**	**Accumulated Depreciation December 31, 2013**
Computer equipment	$ -	$ (5.7)	$ (5.7)	$ (15.4)	$ (21.1)
Office Furniture & other	-	(6.6)	(6.6)	(13.0)	(19.6)
	$ -	$ (12.3)	$ (12.3)	$ (28.4)	$ (40.7)

Carrying amount	**December 31, 2013**	**December 31, 2012**
Computer equipment	$ 11.6	$ 27.0
Office Furniture & other	86.6	48.5
	$ 98.2	$ 75.5

10 Safin loan

The Company has assumed LLLP's loan obligation to Safin as part of the acquisition of LLLP (see Note 3). The loan tranches are drawn in USD and interest bearing at a fixed rate of 5% per annum calculated once per annum at the end of every year. The loan tranches have maturity dates between March 1, 2014 to December 14, 2014. Repayment is in Kazakhstan Tenge upon maturity of each loan using the exchange rate set by the National Bank of the Republic of Kazakhstan on maturity. The total loan and accumulated interest as at December 31, 2013 is $1,258.4. The first repayment instalment of $404.0 is due January 2014.

11 Convertible debentures

On September 26, 2013, the Company announced the completion of its previously announced non-brokered private placement (the "Private Placement") of convertible unsecured non-interest bearing debentures (the "Debentures") for aggregate proceeds $19,000.6 (CAD$19,568.9)(the “Aggregate Proceeds”).

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

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

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

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

The Company estimated the equity element of the debenture instrument by discounting future cash flows and recognized related equity item for $6,501.0 in the statement of changes in equity.

	Notes	December 31, 2013	December 31, 2012
Opening balance		$ -	$ -
Convertible debt issued		19,000.6	-
Allocation of equity portion		(6,501.0)	-
Accreted interest		468.1	-
Foreign exchange impact		(18.8)	-
		$ 12,948.9	$ -

12 Asset retirement obligation

	Notes	December 31, 2013	December 31, 2012
Social Sphere Provision	(i)	$ 128.6	$ -
Liquidation Fund Provision	(ii)	41.1	-
		$ 169.7	$ -
Social Sphere Provision - current	(i)	$ (48.0)	-
Asset retirement obligation – long term		$ 121.7	-

(i) Social Sphere Provision

Pursuant to the Subsoil Use Contract between the Company and the Ministry of Industry and New Technologies of the Republic of Kazakhstan (the “Competent body”) dated March, 20, 2009 and as amended on July 31, 2009 and December 28, 2010 (the “Contract”), the Company holds unrestricted exploration and production rights to the LLLP’s iron ore deposit (the “Deposit”), located in Kostanay Oblast, the Republic of Kazakhstan. The term of the Contract is 21 years including 7 years of exploration period and 14 years of production period. In 2013 the exploration period was extended until March 19, 2016.

(expressed in thousands of U.S. dollars, except where indicated; common shares balance are expressed in thousands)

Pursuant to the Contract on exploration and production of iron ore the Company is obliged to make an annual allocation to the social infrastructure of the region in the amount of $48.0 during the exploration period. In 2013 the Company extended the exploration period until March 20, 2016. The provision is recognized at amortized cost using a discount rate of 5.5%, which is LLLP's borrowing rate.

(ii) Liquidation Fund Provision

Pursuant to the Contract the Company is obliged to make annual allocations to the liquidation fund. These funds are accumulated in a special bank account and are restricted for use till the Competent body provides permission for expenditure. The provision is recognized at amortized cost using a discount rate of 5.5%, which is LLLP's borrowing rate. As at December 31, 2013, the Company has deposited $29.1 in the Liquidation Fund.

13 Share capital

Authorized unlimited common shares without par value.

Warrants

	December 31, 2013		December 31, 2012	
	Number of warrants (000's)	Weighted average exercise price (CDN$)	Number of warrants (000's)	Weighted average exercise price (CDN$)
Outstanding - beginning of period	4,617	$ 0.13	4,700	$ 0.13
Warrants exercised	(4,417)	0.12	(83)	0.12
Expired	(200)	0.40	-	-
Outstanding - end of period	-	$ -	4,617	$ 0.13

Stock option

	December 31, 2013		December 31, 2012	
	Number of options (000's)	Weighted average exercise price (CDN$)	Number of options (000's)	Weighted average exercise price (CDN$)
Outstanding - beginning of period	-	$ -	-	$ -
Granted	4,000.0	0.17	-	-
Outstanding - end of period	-	$ -	-	$ -

On July 15, 2013, the Company granted 4,000.0 stock options with an exercise price of CDN$0.17 to management. The options are valuated through the Black-Scholes model with the following assumptions: 111.29% volatility, 0% annual rate of dividends, 1.82% annual risk free rate, and an expected life of option of 1 year. The option will expire on July 15, 2014.

14 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.

(expressed in thousands of U.S. dollars, except where indicated; common shares balance are expressed in thousands)

The Company incurred the following expenses with related parties during:

	Year ended December 31, 2013	Nine months ended December 31, 2012
Management compensation	$ 675.9	$ 679.6
Stock based compensation (non cash)	257.0	-
Directors fees	64.7	33.8

In addition to the foregoing related party transactions the Company incurred the following:

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") has been charged to the Company by Stonehouse. On July 14, 2013, the Group entered into a Termination Deed with SHCS, to terminate the Alliance Agreement and agreed to pay SHCS amounting to $348.5 in respect of all amounts due to SHCS to June 30, 2013. Stonehouse has charged $768.1 (2012 - $nil) for the year ended December 31, 2013 for the Fee.

The Company has provided advances to Stonehouse for the funding of the Project expenditures of $nil as at December 31, 2013 (2012- $493.1).

On July 14, 2013, the Group entered into consulting agreement ("Consulting Agreement") with SHCS to provide financial, technical, administrative and other advice with respect to the ongoing development of the Lomonosovskoye Project for a monthly retainer fee of $120.0 for July and $70.0 per month thereafter ("Consulting Fees"). The Consulting Agreement was terminated on September 26, 2013. The Consulting Fees charged by SHCS for the year ended December 31, 2013 was $248.3.

Included in accounts payable and accrued liabilities is $88.5 as at December 31, 2013 (December 31, 2012: $973.7) due to Stonehouse. The amounts accrued are the amounts outstanding and billed by Stonehouse during the period.

Amounts due to and from related parties are unsecured and non-interest bearing and no set terms of repayment.

15 Income tax

The Company is subject to Canadian federal and provincial tax, Austrian Tax, and Kazakhstan tax for the estimated assessable profit for the years ended December 31, 2013. For year ended December 31, 2012, the Company was only subjected to Canadian tax. The Company has no assessable profit for the years ended December 31, 2013 and December 31, 2012.

The tax expense at statutory rates for the Company can be reconciled to the reported income taxes per the statement of loss and comprehensive loss as follows:

	Year ended December 31, 2013	Nine months ended December 31, 2012
Net loss before income tax	$ (9,139.2)	$ (7,903.3)
Canadian income tax rate	26.5%	25.0%
Income tax recovery	(2,421.9)	(1,975.8)
Non-deductible expenses	68.1	1,485.6
Tax effect on deferred tax assets for which no tax benefits has been recorded	(749.8)	349.8
Foreign change and other	(0.3)	140.4
Total deferred tax effect on convertible debenture	$ 1,603.7	$ -

	December 31, 2013	December 31, 2012
Deferred income tax assets		
Non-capital losses	$ 2,491.1	$ -
Other	7.7	-
	2,498.8	-
Deferred income tax liability		
Convertible debentures	$ 1,603.7	$ -
Payable – LLLP acquisition	895.1	-
	2,498.8	-
Deferred income tax – net asset	-	-

Unrecognized deductible temporary differences, unused tax losses and unused tax credits are attributed to the following:

	December 31, 2013	December 31, 2012
Non-capital losses	$ 1,580.9	$ 857.1
Other	-	242.0
Total unrecognized deductible temporary differences	$ 1,580.9	$ 1,099.1

In assessing the recoverability of deferred tax assets other than deferred tax assets resulting from the initial recognition of assets and liabilities that do not affect accounting or taxable profit, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

At December 31, 2013, the Company has non-capital losses of $10,969.5 available for carry forward which may be applied to reduce future year's taxable income. These losses, if not utilized, will expire as follows:

Expiry date (year)	
2026	$ 5.5
2027	46.6
2028	54.3
2029	137.3
2030	118.4
2031	4,290.1
2032	2,759.9
2033	3,557.4
Total	10,969.5

16 Capital management

The Company defines capital that it manages as its equity excluding non-controlling interest. The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders. The Company intends to pursue the acquisition, exploration and development of resource property interests and maintain a flexible capital structure which optimizes cost of capital at an acceptable risk.

The Company manages and reviews its capital structure based on the funds available for its operations and make adjustments for changes in economic conditions, capital markets and risk characteristics of the underlying assets. The Company expects it will be able to obtain equity financing and generate positive cash flow to maintain and grow operations. However, to maintain or adjust the capital

structure, the Company may issue new shares, seek debt financing, acquire or dispose assets or change the timing of its planned exploration and development projects.

To assess liquidity and facilitate management of its capital requirements, management prepares annual budgets and updates them, as necessary, depending on various factors many of which are beyond Company's control and include successful capital deployment and general industry conditions. The Company also takes into account its expected cash flows from mining operations, including capital expenditures, and its cash and cash equivalent holdings. The Board of Directors approves the annual and updated budgets.

The Company places deposits only with major established banks in the currencies in which it operates. The Company's investment policy is to invest its excess cash in highly liquidly liquid, low risk, short-term interest-bearing investments. Investments are selected after taking into consideration the expected timing of operating and capital expenditures. The Company limits its exposure to credit risk on investments by primarily investing Guaranteed Investment Certificates ("GIC"). The GIC are redeemable in portion or in full at the Company's option without penalty and are recorded as cash and cash equivalents. Any excess cash is held in the currency which management believes poses the least amount of volatility and risk.

The Company does not pay dividends and has a short-term accounts payables. Neither the Company nor any of its subsidiaries are subjected to externally imposed capital requirements.

There have not been any changes to the Company's capital management policy during the periods ended December 31, 2013 and 2012.

17 Supplemental cash flow information

	December 31, 2013	December 31, 2012
Exploration and evaluation assets – accrual	$ 680.6	$ -
ARO asset capitalized	151.4	-
Deferred acquisition cost reclassified to Exploration and evaluation assets	289.1	-

18 Subsequent events

New Convertible Debenture

On April 25, 2014, subject to TSX Venture Exchange's approval ("Exchange"), the Company announced a non-brokered private placement for CAD$ 2,500.0 of an unsecured and non-interest bearing convertible debentures ("New Convertible Debenture"). The New Convertible Debenture will be a direct, unsecured obligation of the Company, ranking equally with all other unsecured indebtedness of the Company. The New Convertible Debenture will mature and become payable on the date that is three years from the date of issuance ("Maturity Date"). Upon receipt of all necessary approvals from the Kazakh Ministry of Industry and New Technologies on or before the Maturity Date for the New Convertible Debenture, the principal amount of the New Debenture will automatically be converted into units of the Company ("Units"); provided, however that the New Convertible Debenture 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 restriction.

The conversion of the New Convertible Debenture into Units shall be at a conversion price of:

(i) CAD$ 0.05 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.

(iii) In certain circumstances, the conversion price may be greater than CAD$ 0.05 or CAD$ 0.10, respectively, if the Company has announced a positive change concerning its resources prior to conversion.

Each Unit will be comprised of one common share of the Company and one-half of one share purchase warrant, with each whole warrant exercisable to purchase one additional common share of the Company at an exercise price of CAD $0.10 for a period of three years from the date of issuance of the New Convertible Debentures. 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 ("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 New Convertible Debentures, and any shares and warrants issued upon conversion of the New Convertible Debentures will be subjected to a hold period of four months and one day from the date of the New Convertible Debenture is issued. The proceeds will be used for general working capital purposes.

LogiCamms settlement

On April 29, 2014, the Company announced the amicable settlement with LogiCamms, with legal proceedings to be withdrawn, subject to payment of $645.0 (AUD$700.) by the Company to LogiCamms in 4 instalments.