Management's Discussion and Analysis

Annual Report – December 31, 2014

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

April 23, 2015

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

OVERVIEW

KazaX Minerals Inc. (the "Company") is a TSX Venture Exchange (the "**TSX-V**") listed corporation under the symbol "KZX.V" based in Astana, holding a 99.99% interest in the Lomonosovskoye iron ore project in the Kostanay area, Kazakhstan (the "**Project**").

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

On March 12, 2010, the Company completed its Qualifying Transaction 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 reporting period the Company:

- Completed an amendment to the share purchase agreement (the "**SPA**") between the Company and its subsidiaries (the "**Group**") and Safin Element GmbH ("**Safin**") for the rescheduling of the outstanding consideration due to Safin under the terms of the SPA
- Completed an acquisition of 25% shares of Lomonosovskoye Limited Liability Partnership ("**LLLP**"), from SEC Tobol JSC ("**Tobol**") obtaining a 99.99% ownership in the Project
- Completed a $2.5 million private placement of convertible debentures in April 2014
- Completed a $3.2 million private placement of convertible debentures in July 2014
- Completed a $20.0 million private placement of convertible secured debentures in October 2014
- Mr Mark Midgley joined the Board as a Non-Executive Director
- Completed an updated geological block model for the National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("**NI 43-101**") compliant mineral resources
- Continued international Bankable Feasibility Studies
- Commenced Kazakhstan Feasibility Study of Industrial Conditions ("**TEO**") and Reserves Calculation
- Submitted Addendum #4 to the Project for a final approval of exploration budget by the State authorities

HIGHLIGHTS (continued)

Financial
- Net loss of USD 7,605 thousand (2013: USD 9,139 thousand)
- Cash and cash equivalents as of December 31, 2014 equal to USD 7,990 thousand (December 31, 2013: USD 3,640 thousand)
- Negative working capital as of December 31, 2014 equal to USD 26,548 thousand (December 31, 2013: USD 30,978 thousand)
- Net cash outflows from operating activities for the year ended December 31, 2014 of USD 6,134 thousand (December 31, 2013: USD 4,419 thousand)
- Proceeds from issuance convertible debentures in 2014 for USD 24,545 thousand (December 31, 2013: USD 19,001 thousand)

Post reporting period:
- Full NI 43-101 report from Mining Associates Ltd, undersigned by the qualified person ("**QP**")
- Material collected for variability test for Feasibility Study ("**FS**") and Technological Reglament for ore beneficiation ("**Process Rules**") for the Project
- Pit optimization work, for FS completed by Wardell Armstrong International ("**WAI**")
- Kazakh TEO key parameters (geology database, block model, reserves on 3 cut-offs, pit design) established
- Final approval of Addendum #4 exploration budget by the authorities is in process
- On April 15, 2015, the Company announced it is in discussions with Safin to reschedule the cash payment of US$4 million due to Safin in connection with the terms of the acquisition of a 74.99% interest in the LLLP

LOMONOSOVSKOYE PROJECT

Overview

In 2014 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.

Rights to explore and mine iron ore at the Project are held under Subsoil Use Contract #3151 owned by **LLLP**, pursuant to a contract between LLLP and the Ministry of Industry and New Technologies of Kazakhstan ("**MINT**") dated March 20, 2009 and as amended on July 31, 2009 and December 28, 2010 (the "**Subsoil Use Contract**"). LLLP holds unrestricted exploration, mining and processing rights to the Lomonosovskoye iron ore deposit (the "**Deposit**") for 21 years, which period is extendable.

On February 15, 2013, the Group completed the acquisition (the "**Acquisition**") of a 74.99% interest in LLLP from Safin pursuant to the SPA entered into by the Group and Safin. Safin retained a 0.01% with the remaining 25% interest in LLLP owned by the Kazakhstan state agency Tobol, which interest was subsequently acquired by the Company in November 2014. The current ownership of Lomonosovskoye LLP is as follows:

1. KMI 99.99% (through its Austrian subsidiary, Kazco Beteiligungs GmbH); and
2. Safin 0.01%.

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.

LOMONOSOVSKOYE PROJECT (continued)

Overview (continued)

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.

Bankable Feasibility Study

The Group has continued the advancement of the bankable feasibility study ("**BFS**") for the Project. The general contractor and BFS studies manager is WAI, a leading international engineering and consulting company. Frame work contracts for the BFS are almost complete with WAI as the General Contractor/BFS Manager. Contracts with an Engineering and Consulting Company LogiCamms (and an Infrastructure Contractor (GBM) are agreed. The contractors have worked under the control of the KMI technical team, and supervision and control of WAI. Main duties, responsibilities and battery limits between the contractors have been defined.

During the fourth quarter of 2014 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 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):

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 TSX-V News Release Report NR14-07 dated April 25, 2014. 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 an updated mineral resources has been issued in February 2015.
– 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 and master mine plan due in Q2 2015.
– 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.

LOMONOSOVSKOYE PROJECT (continued)

Bankable Feasibility Study (continued)

- 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 are expected to be completed at SGS Chita (Russia) ("**SGS**") in early Q2 2015. Material for the cross check has been submitted to SGS.
- Hydrogeological investigations have been completed. The final verification stage was done under an on-site supervision of WAI. The obtained data will be used for the hydrological model undertaken by WAI and water balance report that are anticipated in early Q2 2015.
- 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 and a final base line studies report is anticipated in Q2 2015.
- 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 is being 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 for the TEO and following Ore Processing Project).
- Technical conditions (permits) for infrastructure for the Project have been updated by respective vendors and approved by Kazakh Government authorities.
- The Bankable Feasibility study will be completed in 2015.

Kazakh Feasibility Study of Industrial Conditions (TEO)

The TEO is under way and will be followed by the reserve calculation report (the "**Report**"). 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 will conduct 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 expected to be available in Q2 2015. The subsequent TEO is anticipated in Q3 2015 and a final reserves calculation report and its filing with GKZ will completed by the end of 2015.

Addendum #4 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 #4 with an updated FEM is mandatory to keep the Project in compliance with the contract obligations. The Company submitted the new Addendum #4 of the FEM with figures as actually executed in 2014 to the MID. In the reported period, Addendum #4 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 was granted in April 2015.

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 $3.400million **("Third Instalment Cash payment", First and Second Instalment Cash payments under the revised SPA)**;

Under the terms of the SPA, the future cash consideration remaining to be paid totals approximately US$**22.848** million (gross and including amounts to be deducted from the gross sum and paid by the Group to the government of Kazakhstan in respect of Safin's Capital Gains Tax ("**CGT**") liability). No further Consideration Shares are due to be issued under the terms of the SPA.

Under the terms of the SPA, the Group is required to pay Safin's 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 Group made a CGT payment of $2.0 million to the Kazakhstan tax authorities in April 2013 in respect of Safin's CGT liability for the First Instalment Cash and First Instalment Consideration Shares. In accordance with the terms of the SPA, the application for refund of the CGT paid in respect of the First Instalment Cash and First Instalment Consideration Shares, having been successful l with the Kazakh tax authorities, the refund of these CGT funds has been made to Safin. 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, subject to due payments being made to Safin by KMI as per the SPA schedule. The second refund application has been approved by the Kazakh- tax authorities and payment is pending.

All of the Consideration Shares issued to Safin were subject to resale restrictions for four months and a day from the date of issuance. In addition, under the terms of the SPA, the parties agreed that 25% of the Consideration Shares have an additional hold period expiring 12 months from issuance, 25% of the Consideration Shares have an additional hold period expiring 18 months from issuance and 25% of the Consideration Shares have an additional hold period expiring 24 months from issuance.

On September 17, 2014, the Company and Safin agreed to amendments to the SPA and entered into an amending agreement (the "**Amendment Agreement**") for the rescheduling of the outstanding consideration due to Safin under the terms of the SPA. Under the terms of the Amendment Agreement, $2.125 million was paid to Safin on October 14¸ 2014 and $1.275 million was paid to Safin on December 23, 2014 and Capital Gain Tax $0.600 million remitted**.** Pursuant to the terms of the Amendment Agreement, the remaining $**22.848** million cash consideration payable to Safin and in respect of CGT is scheduled to be paid as follows:

a) $4.0 million due for payment by January 15, 2015 (pursuant to the SPA Safin has agreed not to enforce this payment until such amount is overdue by 90 days). The Company announced on April 15th 2015 that it is in discussions with Safin to reschedule this payment;
b) $8.5 million due for payment by October 11, 2015; and
c) $10.348 million due for payment by February 11, 2016.

SHARE PURCHASE AGREEMENT (continued)

From each of the payments shown above, the Group will deduct such amount as is due to the Republic of Kazakhstan in respect of CGT and all risk relating to such tax shall be borne by Safin. In October 2014, $1.88 million of CGT was paid by the Group, bringing all outstanding CGT payment obligations at that time, up to date. In January 2015, $0.225 million was paid by the Group (Third payment of Capital Gains Tax on behalf of Safin). The estimated future CGT payable by the Group on behalf of Safin in respect of future consideration payments is $3.427 million**.**

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

Under the terms of the Amendment Agreement, the Company also remitted $1.0 million to Safin on October 9¸ 2014 and, at the same time, Safin novated to a wholly-owned subsidiary of the Company an outstanding loan of approximately $1.3 million owed by the LLLP to Safin. As well, under the terms of the Amendment Agreement, the obligation on the part of Safin to pay certain agricultural losses pursuant the SPA was removed.

As a condition to the effectiveness of the Amendment Agreement, the Company obtained a release in respect of the remaining finder’s fee of $0.97 million that was payable to an arm’s length party in connection with the Acquisition.

A further condition to the effectiveness of the Amendment Agreement, was the execution by Tobol of a purchase and sale agreement pursuant to which Tobol would agree to sell its 25% interest in LLLP (the “**Tobol Interest**”) on certain terms and conditions outlined in the Amendment Agreement and on terms otherwise acceptable to the Company (the “**Tobol Condition**”).

Finally, under the terms of the Amendment Agreement, the parties also agreed to co-operate with each other in respect of certain matters, including satisfaction of the Tobol Condition, the further development of the LLLP business and certain matters pertaining to the Company.

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 the Ministry of Investments and Development of Kazakhstan (“**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, USD 3 million has been paid in November 2014 and the final payment of USD 2 million is due for payment by May 22, 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.

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.

FINANCING ACTIVITIES (continued)

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).

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 ("**OctoberWarrants**", and together with the **October Debentures**, the "**Securities**") to purchase Shares.

FINANCING ACTIVITIES (continued)

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 14th 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.

BOARD AND MANAGEMENT CHANGES

In September 2014, the Company appointed of Mark Midgley to the Board of Directors of the Company. Mr. Midgley brings over 12 years of experience in the metals industry. From April 2012 to June 2014, he held the position of Head of Strategy for ENRC (Eurasian Natural Resources Corporation PLC), a private, Kazakhstan/Central African-focused multinational natural resources company headquartered in London, U.K. Also at ENRC, Mr. Midgley held the post of Marketing Director from July 2005 to March 2012. From April 2002 to July 2005, Mr. Midgley was Operations Executive for Alloy 2000 S.A., a privately held marketing company based in Luxembourg responsible for the global sales of Kazchrome, a ferro alloy producer located in Kazakhstan. The previous two decades were spent marketing products from a number of international mining companies including Anglo American, Billiton and Rio Tinto. Mr. Midgley has a Chemistry HND degree from the University of Leeds, Yorkshire, U.K., and a Business Studies BA (Honours) degree from the University of Sheffield, Yorkshire, U.K.

In July 2014 the Company appointed Mr. Pavel Dubchak as General Director and Country Manager of Kazakhstan. Mr. Dubchak joined Kazax from Arcelor Mittal where he held the position of Chief Geologist supervising the geological development of 3 open pit and 1 underground operating mines in northern and central Kazakhstan. He has over 25 years' experience in mineral exploration projects and has previously held a number of management roles in Canada, Kazakhstan, Russia and other countries of the former Soviet Union. Mr. Dubchak holds a Master's Degree in Geoscience obtained from the Moscow State Geological Prospecting Academy and is a member of the Association of Professional Engineers and Geoscientists of British Columbia, Canada. He is a Qualified Person for reporting purposes under NI43-101.

In December 2014 the Company appointed Ms. Nuriya Kamaledinova as the Interim Chief Financial Officer, having previously held the position of the Company's Chief Accountant.

SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Project development expenses	(2,337)	(6,256)	(8,039)
Finance income	12	9	188
Finance cost	(5,261)	(4,803)	—
Gain on debt settlement	278	—	
Foreign exchange (loss) / gain	(1,071)	307	(52)
Net loss before income tax	**(8,379)**	**(10,743)**	**(7,903)**
Income tax	744	1,604	—
Net loss	**(7,605)**	**(9,139)**	**(7,903)**
Other comprehensive income - Cumulative translation adjustment	(90)	(1,234)	—
Total comprehensive loss	**(7,695)**	**(10,373)**	**(7,903)**
Total shares issued and outstanding as of the end of the year(000's)	218,058	178,788	138,208
Weighted average shares outstanding (000's) – basic and diluted	214,786	169,980	114,802
Loss per share – basic and diluted	**(0.04)**	**(0.05)**	**(0.07)**

Net loss for the year ended December 31, 2014 was USD 7,605 million (USD 0.04 loss per share), which was lower than the comparative period in 2013 of USD 9,139 million (USD 0.05 loss per share). The comparative period in 2013 included the expensing of exploration expenditure of USD 2 million incurred prior to the completion of the acquisition of LLLP in February, 2013. Subsequent to the completion of the acquisition of LLLP, exploration expenditure was capitalised. The significantly reduced corporate overhead in the 2014 reporting period compared to 2013 reflects cost reduction initiatives implemented by management. 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

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Cash outflows from in operating activities	**(6,134)**	**(4,419)**	**(10,315)**
Cash inflows from in financing activities	**20,031**	**17,200**	**10**
Cash outflows from in investing activities	**(9,547)**	**(20,060)**	**(58)**
Net cash inflows / (outflows)	**4,350**	**(7,279)**	**(10,363)**
Foreign exchange impact on cash and cash equivalents	—	284	51
Cash and cash equivalents - beginning of year	3,640	10,635	20,947
Cash and cash equivalents - end of year	**7,990**	**3,640**	**10,635**

	December 31, 2014	December 31, 2013	December 31, 2012
Canadian Dollars	144	3,403	9,617
US Dollars	6,939	158	1,018
European Euro	8	45	—
Kazakh Tenge	899	34	—
	7,990	**3,640**	**10,635**

LIQUIDITY AND CAPITAL RESOURCES (continued)

Working capital deficit as at December 31, 2014 was USD 26,548 thousand compared to USD 30,978 thousand as of December 31, 2013. The working capital position improved due to the renegotiated terms of the payment schedule related to the LLLP SPA (approximately USD 10 million is now extended until from 2014 to January 2016).

Cash outflow from operating activities was higher in the year ended December 31, 2014 than the 2013 comparative period, taking into account the effect of significant adjustment in working capital items in the 2014, including a reduction in payables and an increase in pre-payments.

Cash inflow from financing activities was significantly higher for the year ended December 31, 2014 compared to the year ended December 31, 2013 as there was a USD 25 million in convertible debenture issued in 2014, whilst in the comparative period of 2013 there was a USD 19 million convertible debenture issued.

Cash outflow from investing activities was significantly lower for the year ended December 31, 2014 than the 2013 comparative period, with USD 10 million cash spent on the acquisition of LLLP in 2013.

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	December 31, 2014	December 31, 2013	December 31, 2012
ASSETS			
Current assets	8,273	3,999	11,867
Non-current assets	81,174	76,391	1,615
TOTAL ASSETS	**89,447**	**80,390**	**13,482**
LIABILITIES			
Current liabilities	34,821	34,977	1,335
Non-current liabilities	29,203	13,071	–
TOTAL LIABILITIES	**64,024**	**48,048**	**1,335**
EQUITY			
Total equity for owners	25,422	16,550	12,147
Non-controlling interest (“NCI”)	1	15,792	–
TOTAL EQUITY	**25,423**	**32,342**	**12,147**
TOTAL LIABILITIES AND EQUITY	**89,447**	**80,390**	**13,482**

SHAREHOLDER’S EQUITY

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

	Common shares Outstanding (‘000)	Stock Options (‘000)
December 31, 2012	138,208	–
Shares issued for mineral property acquisition	40,580	–
Granted	–	4,000
December 31, 2013	**178,788**	**4,000**
Shares issued for mineral property acquisition	39,270	–
Expired	–	(4,000)
December 31, 2014	**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

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Project development expenses	—	—	—	—	—	—	(223)	(1,834)
Corporate overhead	(432)	(562)	(660)	(683)	(1,319)	(1,444)	(539)	(897)
	(432)	(562)	(660)	(683)	(1,319)	(1,444)	(762)	(2,731)
Finance (costs) / income, net	(1,843)	(989)	(970)	(1,447)	(2,305)	(978)	(918)	(593)
Gain on debt settlement	(498)	776	—	—	—	—	—	—
Foreign exchange (loss) / gain	(1,584)	253	(187)	447	294	12	134	(133)
Other	—	—	—	—	—	—	—	—
Net loss before income tax	**(4,357)**	**(522)**	**(1,817)**	**(1,683)**	**(3,330)**	**(2,410)**	**(1,546)**	**(3,457)**
Income tax	774	—	—	—	1,604	—	—	—
Net loss	**(3,583)**	**(522)**	**(1,817)**	**(1,683)**	**(1,726)**	**(2,410)**	**(1,546)**	**(3,457)**
Other comprehensive income - Cumulative translation adjustment	(91)	—	(465)	466	(346)	444	(705)	(627)
Total comprehensive loss	**(3,674)**	**(522)**	**(2,282)**	**(1,217)**	**(2,072)**	**(1,966)**	**(2,251)**	**(4,084)**
Loss per share	**(0.04)**	**(0.00)**	**(0.01)**	**(0.01)**	**(0.02)**	**(0.02)**	**(0.01)**	**(0.07)**
Total assets	**89,447**	**102,950**	**79,753**	**79,703**	**80,390**	**84,559**	**79,974**	**74,906**

Three months ended December 31, 2014 compared to prior quarters in 2014, 2013 and 2012.

For the three months ended December 31, 2014 the Company recognized a net gain of USD 0.7 million, which represents better operating results as compared to the previous seven quarters. The trend of significantly reduced corporate overhead in 2014 was continued in the last quarter of 2014 reflecting the cost reduction initiatives of management. In addition, there was a one-time noncash accounting gain of USD 0.776 million related to the renegotiation of the payment terms related to the LLLP SPA in 2014. Finance cost was the result of the non-cash accreted interest related to the LLLP acquisition payable and convertible debt issued. For the year ended December 31, 2014, the non-cash accreted interest related to the LLLP acquisition payable in December 31, 2014 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.

Total assets have increased significantly as of December 31, 2014 when compared to 2013 due to the acquisition of LLLP and the increased cash balance due to the debt financing.

QUARTERLY RESULTS (continued)

Restatement of prior period

Balance	Notes	As restated	As previously reported
Three months ended March 31, 2013			
Finance cost	(i)	651.0	-
Net loss for the period	(i)	3,448.0	2,797.0
Cumulative translation adjustment – loss	(iii)	626.8	-
Total assets	(ii)	74,905.6	41,857.1
Three months ended June 30, 2013			
Finance cost	(i)	925.4	-
Net loss for the period	(i)	1,553.3	628.0
Cumulative translation adjustment – loss	(iii)	704.7	-
Total assets	(ii)	73,973.9	41,630.0
Three months ended September 30, 2013			
Finance cost	(i)	977.9	-
Net loss for the period	(i)	2,410.3	1,432.3
Cumulative translation adjustment – gain	(iii)	443.7	-
Total assets	(ii)	84,559.0	51.771.7

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

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

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

REGULATORY DISCLOSURES

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	December 31, 2014		December 31, 2013		December 31, 2012	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets						
Loans and receivables						
Cash and cash equivalents	7,990	7,990	3,640	3,640	10,635	10,635
Other receivables	38	38	19	19	1,372	1,372
Due from related parties	—	—	—	—	493	493
	8,028	**8,028**	**3,659**	**3,659**	**12,500**	**12,500**
Financial liabilities						
Other financial liabilities						
Accounts payable & accrued liabilities*	634	634	2,682	2,682	1,335	1,335
Convertible debentures	38,368	38,368	12,949	12,949	—	—
Derivative liability	16	16	—	—	—	—
Safin LLLP Loan	—	—	1,258	1,258	—	—
Payable – Safin SPA - LLLP acquisition	22,848	22,848	30,989	30,989	—	—
Payable – Tobol SPA – LLLP acquisition	2,012	2,012			—	—
	63,878	**63,878**	**47,878**	**47,878**	**1,335**	**1,335**

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	December 31, 2014
Cash and cash equivalents	7,990	—	—	7,990

	Level 1	Level 2	Level 3	December 31, 2013
Cash and cash equivalents	3,640	—	—	3,640

	Level 1	Level 2	Level 3	December 31, 2012
Cash and cash equivalents	10,635	—	—	10,635

(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. As at December 31, 2014, the Company’s working capital deficit of USD 26,548 thousand (December 31, 2013: USD 30,978 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.

Currency risk

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

REGULATORY DISCLOSURES (continued)

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, 2014 are denominated in United States Dollars, Canadian Dollars, European Euro, and Kazakh Tenge set out in the following table:

December 31, 2014	Canadian Dollars	US Dollars	European Euro	Kazakhstan Tenge	Total
Financial assets					
Cash and cash equivalent	144	6,939	8	898	7,990
Accounts receivable	38	–	–	–	38
	182	**6,939**	**8**	**898**	**8,028**
Financial liabilities					
Accounts payables and accrued liabilities	–	(548)	–	(86)	(634)
Payable – Safin SPA - LLLP acquisition	–	(22,848)	–	–	(22,848)
Convertible debentures	(18,709)	(19,659)	–	–	(38,368)
Derivative liability	–	(16)	–	–	(16)
Payable – Tobol SPA – LLLP acquisition	–	(2,012)	–	–	(2,012)
	–	**(45,083)**	–	**(86)**	**(63,878)**
Net financial assets (liabilities)	**(18,527)**	**(38,144)**	**8**	**813**	**(55,850)**

December 31, 2013	Canadian Dollars	US Dollars	European Euro	Kazakhstan Tenge	Total
Financial assets					
Cash and cash equivalent	3,403	158	45	34	3,640
Accounts receivable	8	–	11	–	19
	3,411	**158**	**56**	**34**	**3,659**
Financial liabilities					
Accounts payables and accrued liabilities	(769)	–	(11)	(1,902)	(2,682)
Convertible debentures	–	(12,949)	–	–	(12,949)
Payable – LLLP acquisition	–	(32,247)	–	–	(32,247)
	(769)	**(45,196)**	**(11)**	**(1,901)**	**(47,878)**
Net financial assets (liabilities)	**2,642**	**(45,038)**	**45**	**(1,868)**	**(44,219)**

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

A 10% appreciation of the Kazakh Tenge relative to the US dollar would have increased net financial assets by approximately USD 99 thousand and a 10% depreciation of the Kazakh Tenge would have had an equal but opposite effect.

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

Credit risk

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

REGULATORY DISCLOSURES (continued)

Interest risk

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

Related party transactions

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

The Company incurred the following expenses with related parties during:

	Year ended December 31, 2014	Year ended December 31, 2013
Management compensation	596	676
Stock based compensation (non cash)	–	257
Directors fees	37	65

Commitments

The Group's material contractual obligations as at December 31, 2014 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 December 31, 2014, the Company prepaid USD 0.2 million to LogiCamms.

Off Balance Sheet Arrangements

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

Capital Risk Management

The Company's objective of capital management is to ensure that it will be able to continue as a going concern, continue the exploration of the 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.

REGULATORY DISCLOSURES (continued)

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.

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.

REGULATORY DISCLOSURES (continued)

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

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 above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of its securities.

No History of Revenue

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

REGULATORY DISCLOSURES (continued)

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

Market Price of the Common Shares

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

Acquisition Strategy

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

The Company may not realize the benefits of its growth projects

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

Current Global Financial Conditions

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

Financing Risk

The Company is limited in financial resources and has no assurance that additional funding will be available for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such

REGULATORY DISCLOSURES (continued)

financing will be favorable. Failure to obtain such additional financing could result in delay or infinite postponement of further exploration and development of its projects with the possible loss of such properties.

Competition

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

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

Risks related to International Activities

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

Risks related to International Activities (continued)

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

Corruption and Bribery Risk

The Company's operations are governed by, and involve interactions with, many levels of government. Like most companies, the Company is required to comply with anti-corruption and anti-bribery laws, including the Canadian Corruption of Foreign Public Officials Act. In recent years, there has been a general increase in both the frequency of enforcement and severity of penalties under such laws, resulting in greater scrutiny and

REGULATORY DISCLOSURES (continued)

punishment to companies convicted of violating anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its third party agents. Although the Company takes steps to mitigate such risks, such measures are not always effective in ensuring that the Company, its employees or third party agents will comply strictly with such laws. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company's reputation and results of operations.

Risks Associated with Joint Venture Agreements

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

Reliance on Key Individuals

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

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

Commodity Prices

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

Dividend Policy

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

REGULATORY DISCLOSURES (continued)

Conflicts of Interest

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

Exploration, Development and Operating Risks

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

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

Exploration Costs

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

REGULATORY DISCLOSURES (continued)

Environmental Regulation, Risks and Hazards

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

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

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

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

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on mining operations and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Governmental Regulation

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

REGULATORY DISCLOSURES (continued)

Permitting

Mining operations are subject to receiving and maintaining permits from appropriate governmental authorities. It can be time-consuming and costly to obtain, maintain and renew permits. In addition, permit terms and conditions can impose restrictions on how the Company conducts its operations and limit the Company's flexibility in development its mineral properties.

Prior to any development on the Company's properties, permits from appropriate governmental authorities may be required. Permits required for the Company's operations may not be issued, maintained or renewed in a timely fashion or at all, may not be issued or renewed upon conditions that restrict the Company's ability to conduct the Company's operations economically, or may be subsequently revoke. Any such failure to obtain, maintain or renew permits, or other permitting delays or conditions could have a material adverse effect on the Company's business, results of operations, financial condition and prospectus.

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

Infrastructure

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

Exploration and Geological Report

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

Land Title

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

Commodity Price Fluctuations

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

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

REGULATORY DISCLOSURES (continued)

Additional Capital

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

Foreign Exchange Rate Fluctuations

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