KAZAX
MINERALS INC

KAZAX MINERALS INC.

Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited – Expressed in United States Dollars)

NOTICE TO READER

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

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

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

Vancouver, Canada
July 23, 2013

KAZAX MINERALS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in US Dollars)

	June 30, 2013	December 31, 2012 (Restated – Note 3)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	$ 253,147	$ 10,634,460
Receivables and advances (Note 5)	612,033	739,227
Amounts due from related party (Note 16)	-	493,124
	865,180	11,866,811
Non-Current Assets		
Receivables and advances (Note 5)	-	1,250,752
Property, plant and equipment	103,928	75,576
Deferred acquisition costs	-	289,089
Exploration and evaluation assets (Note 6)	40,660,900	-
	$ 41,630,008	$ 13,482,228
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 7 and 14)	$ 3,992,722	$ 1,335,275
Amounts due to Safin Element GmbH (Note 8)	923,487	-
Other financial liabilities (Note 6)	9,081,108	-
Advances from shareholders (Note 14)	5,464,162	-
	19,461,479	1,335,275
Non-Current Liability		
Other financial liabilities (Note 6)	2,061,036	-
Amounts due to Safin Element GmbH (Note 8)	683,350	-
	2,744,386	-
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	36,417,569	25,715,491
Contributed surplus reserve	17,353	17,353
Deficit	(17,010,779)	(13,585,891)
	19,424,143	12,146,953
	$ 41,630,008	$ 13,482,228

Going concern (Note 1), Commitments (Note 6), Subsequent events (Note 17)

Approved on Behalf of the Board of Directors:

"David Savage" Director "Dan Kunz" Director

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

KAZAX MINERALS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in US Dollars)

	Three Months Ended June 30 (2012 - Restated – Note 3)		Six Months Ended June 30 (2012 - Restated – Note 3)	
	2013	2012	**2013**	2012
EXPENSES				
Project development expenditures (Note 9)	**$ 223,302**	$ 1,537,242	**$ 2,058,171**	$ 6,108,069
Accounting, audit and legal	**188,792**	21,603	**206,367**	132,518
Advertising and promotion	**24,324**	31,849	**60,213**	38,649
Amortization	**2,043**	2,568	**10,953**	2,568
Consulting fees (Note 10)	**(9,187)**	56,838	**67,636**	56,838
Management fees (Note 16)	**204,270**	149,358	**327,721**	149,358
Directors fees (Note 16)	**18,441**	-	**44,677**	-
Filing and transfer agent fees	**11,932**	8,115	**59,853**	30,251
Foreign exchange loss / (gain) (Note 12)	**(134,280)**	(16,266)	**(1,514)**	(18,985)
General office and administration	**128,470**	57,382	**163,421**	122,657
Insurance	**16,641**	15,931	**23,307**	17,604
Travel and entertainment	**34,771**	82,763	**400,949**	166,057
Wages and benefits (Note 10)	**(73,838)**	6,899	**9,001**	6,899
LOSS BEFORE OTHER ITEMS	**(635,681)**	(1,954,282)	**(3,432,555)**	(6,812,483)
Write-off of mineral property (Note 11)	**-**	-	**-**	(445,928)
Interest income	**7,667**	62,241	**7,667**	62,241
NET LOSS AND COMPREHENSIVE LOSS	**$ (628,014)**	$ (1,892,041)	**$ (3,424,888)**	$ (7,196,170)
Loss per share – basic and diluted	**$(0.00)**	$(0.02)	**$(0.02)**	$(0.12)
Weighted average number of common shares outstanding	**170,724,863**	78,042,399	**161,189,311**	58,819,659

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

KAZAX MINERALS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in US Dollars)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012 (Restated – Note 3)
OPERATIONS		
Loss for the period	$ (3,424,888)	$ (7,196,170)
Items not affecting cash:		
Amortization	10,953	2,568
Mineral property written off	–	445,928
	(3,413,935)	(6,747,674)
Changes in non-cash operating working capital items:		
Receivables and advances	1,373,796	(234,083)
Amounts due from related party	491,318	–
Accounts payable and accrued liabilities	1,368,823	913,263
	(179,998)	(6,068,494)
INVESTING		
Purchase of property, plant and equipment	(34,584)	(73,962)
Interest received	7,667	–
Capitalised acquisition costs	(192,466)	(289,088)
Payment of finder's fees	(703,800)	–
Acquisition of interest in LLLP, net of cash acquired of $36,819	(8,480,761)	–
Capitalised project development costs	(6,788,034)	–
	(16,191,978)	(363,050)
FINANCING		
Proceeds from share issuance	–	12,905,139
Subscription receipts	–	12,057,502
Receipts from exercised share purchase warrants	526,501	–
Advances from shareholders	5,464,162	–
Loan repayment	–	(97,659)
	5,990,663	24,864,982
Change in cash and cash equivalents	(10,381,313)	18,433,438
Cash and cash equivalents, beginning of period	10,634,460	59,868
Cash and cash equivalents, end of period	$ 253,147	$ 18,493,306
Supplemental cash flow information:		
Interest paid	$ –	$ –
Income taxes paid	$ –	$ –
Non-cash transactions:		
Fair value of options exercised	$ –	$ 52,428
Advances set-off against Acquisition of Project	$ 454,260	–
Shares issued for Acquisition of Project	$ 10,175,577	–
Acquisition of Project financed by amounts payable	$ 11,142,144	–
Value of shares issued for Finder's Fee	$ –	$ 1,003,120

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

KAZAX MINERALS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(Unaudited - Expressed in US Dollars)

	Number of Common Shares	Share Capital Amount	Subscription Receipts	Contributed Surplus Reserve	Deficit	Total Equity
As at January 1, 2012	**8,350,000**	**$ 760,560**	**$ –**	**$ 69,781**	**$ (378,465)**	**$ 451,876**
Private placements	64,325,000	12,905,139	–	–	–	12,905,139
Shares issued as finder's fee	5,000,000	1,003,120	–	–	–	1,003,120
Subscription receipts	–	–	12,057,502	–	–	12,057,502
Share issue costs	–	(1,119,935)	–	–	–	(1,119,935)
Exercise of share warrants	333,333	30,094	–	–	–	30,094
Exercise of stock options	100,000	16,551	–	–	–	16,551
Fair value of options exercised	–	52,428	–	(52,428)	–	–
Net loss for the period	–	–	–	–	(7,196,170)	(7,196,170)
As at June 30, 2012	**78,108,333**	**$ 13,647,957**	**$ 12,057,502**	**$ 17,353**	**$ (7,574,635)**	**$ 18,148,177**
As at January 1, 2013	**138,203,333**	**$ 25,715,491**	**$ –**	**$ 17,353**	**$ (13,585,891)**	**$ 12,146,953**
Shares issued for mineral property payment	36,162,971	10,175,577	–	–	–	10,175,577
Exercise of share purchase warrants	4,416,667	526,501	–	–	–	526,501
Net loss for the period	–	–	–	–	(3,424,888)	(3,424,888)
As at June 30, 2013	**178,787,971**	**$ 36,417,569**	**$ –**	**$ 17,353**	**$ (17,010,779)**	**$ 19,424,143**

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

1. CORPORATE INFORMATION AND GOING CONCERN

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

The address of the Company's corporate office and principal place of business is 1010 – 1130 West Pender Street, Vancouver, British Columbia, V6E 4A4.

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

On February 15, 2013, the Company completed the acquisition (the "Acquisition") of a 74.99% interest in Lomonosovskoye Limited Liability Partnership (the '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 project (the "Project") located in the northwest of the Republic of Kazakhstan. The Kazakhstan state agency Tobol has taken a 25% interest in the Project with Safin holding the remaining 0.01%. See Note 6 for details of the Acquisition.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Several adverse conditions exist which may cast significant doubt on the ability of the Group to continue as a going concern. The Group incurred a net loss of $628,014 and $3,424,888 during the three months and six months ended June 30, 2013 (three months and six months ended June 30, 2012 – a loss of $1,892,041 and $7,196,170), has negative working capital of $18,596,299 (December 31, 2012 – working capital of $10,531,536), an accumulated deficit of $17,010,779 (December 31, 2012 - $13,585,891), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its Project or to complete the significant commitments in respect of its purchase of the Project (see Note 6).

The Company does not generate cash flow from operations and has therefore relied principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities and to engage financial institutions for debt financing to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these condensed consolidated interim financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's business, results of operations and financial condition.

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

2. BASIS OF PREPARATION

(a) Statement of Compliance:

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

The condensed consolidated interim financial statements were approved by the Board of Directors of the Company on July 23, 2013.

(b) Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in United States Dollars ("USD"), which is the Company's functional currency. All financial information is presented in USD except when otherwise indicated.

(c) Use of Estimates and Judgements

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(i) Change in accounting policy

Functional and Presentation Currency

The Company changed its functional and presentation currency from Canadian Dollars ("CAD") to USD effective January 1, 2013. The change in functional currency was based on Management's judgement that with the acquisition of the Lomonosovskoye Project during the three months ended March 31, 2013, the currency of the primary economic environment in which the Company operates is now the USD. Major investing activity and any revenues of the Company are now denominated in USD. The change in functional and presentation currency has been performed on a prospective basis with all comparatives amounts translated at the closing rate on January 1, 2013 of USD 1: CAD 0.9967. This change in accounting policy did not have a significant impact on the comparative amounts presented.

(ii) New Standards and Interpretations

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

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

(Unaudited - Expressed in US Dollars)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of:

		June, 30 2013		December, 31 2012
Canadian dollar denominated deposits	$	3,276	$	95,133
US dollar denominated deposits		65,194		1,019,746
EUR denominated deposits		19,749		(2,034)
KZT denominated		72,641		-
Canadian dollar cashable investment certificates		92,287		9,521,615
Cash and cash equivalents	$	253,147	$	10,634,460

Cashable investment certificates include $92,287 (as at December 31, 2012 - $94,372) pledged as security against credit card balances. The KZT amounts were held in Halyk Bank, Kazakhstan and EUR amounts in Schoellerbank AG, Austria. All other cash and cash equivalents were held in Bank of Montreal, Canada.

5. RECEIVABLES AND ADVANCES

Current		June 30, 2013		December 31, 2012
Prepayments	$	543,225	$	154,922
Interest receivables		-		86,409
Harmonized Sales Taxes ('HST') and other statutory taxes receivable		17,022		24,519
Other receivables		51,786		10,678
Advances to Safin Element GmbH ('Safin')		-		462,699
	$	612,033	$	739,227

Non-current		June 30, 2013		December 31, 2012
Advances to Lomonosovskoye LLP ('LLLP')	$	-	$	1,250,752

Prepayments mainly represent deposits paid to landowners in the process to acquire a leasehold interest in the licensed area.

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

6. ACQUISITION OF SUBSIDIARY

Lomonosovskoye Iron Project, Kazakhstan (the "Lomonosovskoye Project")

On February 15, 2013, the Group completed the acquisition of 74.99% of the authorized capital of Lomonosovskoye Limited Liability Partnership ("LLLP"), a legal entity existing under the laws of the Republic of Kazakhstan from Safin Element GmbH ("Safin" or the "seller"). 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.

Project payment terms

The payment terms below outline the Sales & Purchase Agreement ('SPA') amounts payable by the Group as amended on July 1, 2013 (Note 17a).

On February 15, 2013, the Group made the first payment as required by the SPA, and this included a cash payment by the Group of $6,933,784 to the seller, payment by the Group of capital gains taxes ("CGT") on behalf of the seller of $2,038,056 and the issuance of 23,076,000 common shares of the Company (the "First Payment Shares").

A second payment which includes: aggregate cash payments by the Group of $12,410,408 to the seller; payment by the Group of CGT on behalf of the seller of a total of $2,820,072; and a payment of $3,570,000 payable through the issuance of common shares (the "Second Installment Consideration Shares") of the Company at a price per common share equal to the volume weighted average price at which the common shares of the Company trade on the TSX Venture Exchange (the "Exchange") for the five trading days prior to issuance. The cash payments (including CGT which shall be paid to the Kazakhstan tax authorities on behalf of the seller as and when it falls due) to the seller will be made over two installments, the first of which shall be $2,300,000 paid on or before September 30, 2013. The remaining $12,930,480 (including CGT payments) shall be paid to the seller on or before January 15, 2014.

A third payment which includes: aggregate cash payment of $15,230,480 (including CGT which shall be paid to the Kazakhstan tax authorities on behalf of the seller as and when it falls due) to the seller, payable quarterly during 2014 in four equal installments, each installment of $3,807,620 paid no later than the last day of the third month of each quarter; and a payment of $3,570,000 payable through the issuance of common shares (the "Third Installment Consideration Shares") of the Company at a price per common share equal to the volume weighted average price at which the common shares of the Company trade on the Exchange for the five trading days prior to issuance.

The Second Installment Consideration Shares were issued by the Company on May 28, 2013. The Third Installment Consideration Shares are issuable by the Company within the year.

If the Company fails to make the second cash payment and/or third cash payment to the seller as described above in full or in part it is required to transfer back to Safin the unpaid portion of its interest in LLLP on a pro rata basis.

(Unaudited - Expressed in US Dollars)

6. ACQUISITION OF SUBSIDIARY (continued)

Project payment terms (continued)

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

The Company has agreed to pay a finder's fee of $2,635,800 (the "Finder's Fee") to an arm's length party (the "Finder") in connection with the Acquisition. The Finder's Fee is payable in three installments. In connection with the closing, the Company has made an initial payment of $703,800 to the Finder; $966,000, payable on or before July 31, 2013; and the final $966,000 on or before December 31, 2014.

Acquisition accounting

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

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

Purchase consideration paid / payable:		
Paid:		
First initial cash payment	$	6,479,524
Settlement of existing advances in lieu of first initial cash payment		454,260
First initial shares (23,076,000 common shares) issued		6,576,660
Initial payment of Finder's Fee		703,800
First payment of capital gains taxes on behalf of Safin		2,038,056
Second installment consideration shares (13,086,071 common shares)		3,598,917
		19,851,217
Accrued For:		
Third installment consideration shares		3,570,000
Second payment of capital gains taxes on behalf of Safin		2,820,072
Third payment of capital gains taxes on behalf of Safin		2,820,072
Second Finder's Fee installment		966,000
Third Finder's Fee installment		966,000
		11,142,144
	$	30,993,361

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

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

(Unaudited - Expressed in US Dollars)

6. ACQUISITION OF SUBSIDIARY (continued)

Acquisition accounting (continued)

The purchase consideration, which is payable over the next 18 months, is recognised as current and non-current other financial liabilities on the statement of financial position. Current and non-current other financial liabilities are $9,081,108 and $2,061,036 respectively.

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

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

Exploration and evaluation assets recognised comprised of:		
Identifiable assets acquired in LLLP	$	33,391,311
Capitalised project development costs post acquisition		6,316,153
Capitalised management fees relating to project development post acquisition		471,881
Acquisition costs		481,555
	$	40,660,900

Details of capitalised project development costs capitalised post Acquisition to June 30, 2013 are as follows:

Exploratory Drilling and Engineering	$	4,138,894
Staff Costs		1,458,941
General and Administration		269,125
Travel		376,441
Others		72,752
	$	6,316,153

(Unaudited - Expressed in US Dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of:

		June, 30 2013		December, 31 2012
Accounts payable	$	2,855,363	$	687,915
Accrued liabilities		1,137,359		647,360
	$	3,992,722	$	1,335,275

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

8. AMOUNTS DUE TO SAFIN ELEMENT GmbH

The Company has assumed LLLP's loan obligations to Safin as part of the acquisition of LLLP (see Note 6). The loan tranches are in drawn in USD and interest bearing at a fixed rate of 5% per annum calculated once per annum at the end of every year. The loan tranches has maturity dates between March 1, 2014 to December 14, 2014 and repayment is in KZT upon maturity of each loan using the exchange rate set by the National Bank of the Republic of Kazakhstan. The total loans and accumulated interest as at June 30, 2013 are $1,606,837 which is allocated to current and non-current liabilities of $923,487 and $683,350 respectively.

9. PROJECT DEVELOPMENT EXPENDITURES

Lomonosovskoye Iron Project, Kazakhstan (the "Project")

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

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

	Three months ended June, 30 (2012 - Restated – Note 3)				**Six months ended June, 30 (2012 - Restated – Note 3)**			
		2013		2012		**2013**		2012
Exploratory Drilling and Engineering	**$**	**61,780**	$	504,804	**$**	**804,200**	$	3,330,156
Staff Costs		**118,523**		334,016		**367,766**		1,017,130
General and Administration		**23,259**		283,811		**405,905**		586,169
Travel		**7,824**		163,528		**288,046**		598,359
Others		**11,916**		251,083		**192,254**		576,255
	$	**223,302**	$	1,537,242	**$**	**2,058,171**	$	6,108,069

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10. WAGES AND BENEFITS and CONSULTANCY FEES

In the three months period ending June 30, 2013, the Company reversed the employee bonus accrual of $137,085 in wages and benefits that was no longer required and an over-accrual in consulting fees of $30,020, which resulted in a negative expense for the period of $73,838 and $9,187 respectively.

11. WRITE-OFF OF MINERAL PROPERTY

On October 30, 2009, the Company signed an arm's length option agreement (the "Option Agreement") with Treadwell Resources Ltd. ("Treadwell") pursuant to which the Company has been granted an option (the "Option") to earn a 100% undivided interest in the Treadwell Project located in the Southern edge of the Tranquille Plateau, Kamloops mining district, British Columbia, Canada. In March 2012, the Company terminated the Option Agreement and wrote off $445,928 in acquisition and deferred exploration costs.

12. FOREIGN EXCHANGE LOSS/(GAIN)

The Group made a gain of 1.6% on its CAD deposits from the shareholder advances (Note 14) received at the end of March 2013. The Company converted CAD deposits to USD during the first week of May to realize a net foreign exchange gain of $64,677. The Company also recorded unrealized foreign exchange gains on its AUD denominated accounts payable and accrued liabilities with the USD gaining 14% against the AUD in the three month period ending June 30, 2013. Total net revaluation gain on foreign currency accounts payable and accrued liabilities amounted to $69,603.

13. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

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

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

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

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

(Unaudited - Expressed in US Dollars)

13. SHARE CAPITAL (continued)

(c) Issued and fully paid

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

(d) Share Purchase Warrants

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

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

Share purchase warrants of 200,000 warrants at CAD$0.40 per warrants expired on March 12, 2013.

14. ADVANCE FROM SHAREHOLDERS

Private Placement of Convertible Debentures

On February 20, 2013, the Company announced the intention to complete a non-brokered private placement (the "Private Placement") for up to CAD$12,000,000 in aggregate principal amount of convertible unsecured non-interest bearing debentures (the "Debentures") subject to the approval of the TSX Venture Exchange. The Debentures are to be direct, unsecured obligations of the Company, ranking equally with all other unsecured indebtedness of the Company.

The Debentures will mature and become payable on the date that is three years from the date of issuance (the "Maturity Date"). Upon receipt of all necessary approvals from the Kazakhstan Ministry of Industry and New Technologies ("MINT") for the conversion of the Debentures, the principal amount of the Debentures will be convertible on or before the Maturity Date, at the option of the holder, into units of the Company (the "Units") at a conversion price of CAD$0.285 per Unit.

Each Unit will be comprised of one common share (a "Share") of the Company, and one-half of one share purchase warrant (a "Warrant") with each whole Warrant exercisable to purchase an additional Share (a "Warrant Share") for a period of three years from the date of issuance of the Debentures at an exercise price of $0.35 per share. In the event that the closing price of the common shares of the Company on TSX Venture Exchange is equal to or exceeds CAD$1.00 for a period of 10 consecutive trading days (the "Acceleration Event"), the Warrants will expire on the date which is 90 calendar days after the Company provides notice 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 will be subject to a hold period expiring four months and one day from the date the Debentures are issued. The proceeds of the Private Placement will be used for general working capital purposes. $5,464,162 has been received as at June 30, 2013. Further proceeds have been received subsequent to the year end. Please see Note 17, subsequent events.

The Private Placement of Convertible Debentures has not been closed as at the statement of financial position date and is currently recognised as an advance from shareholders. It will be accounted for as a Convertible Debenture once the Private Placement is closed and obtaining the necessary approvals of the TSX Venture Exchange.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The carrying value of cash and cash equivalents trade and other receivables amounts due from/(to) related parties and accounts payables approximate fair value because of the short-term nature of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consists of chequing accounts at reputable financial institutions, from which management believes the risk of loss to be remote. The Company limits its exposure to credit loss for cash and cash equivalents by placing its cash and cash equivalents with high quality financial institutions and for receivables by standard credit checks.

The Group’s maximum exposure to credit risk consists of all of its current assets less prepaid expenses and is equal to the carrying amount of $321,408 (December 31, 2012: $11,675,462).

Liquidity Risk

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

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s cash and cash equivalents and amounts due to related party are exposed to interest rate risk. Management believes that interest rate risk is remote as investments have maturities of three months or less and the Company only has a related party debt (Note 8) which is referenced to the refinancing rate of the National Bank of Kazakhstan. The Company intends to repay the debt in the year. A 1% change in the interest rate on cash held at year end would have a $2,531 (December 31, 2012: $106,345) impact on interest income, if the cash is held for one year. A 1% change in interest rate on the related party debt will have a $16,068 (December 31, 2012: $nil) impact on interest expense.

Market Risk and Foreign Exchange Rate Risk

The Company's functional currency is the USD, however there are transactions in CAD, EUR and KZT. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility in these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. A 1% change in the foreign exchange rate would have had a $956, $197 and $726 (December 31, 2012: $95,954, $nil, $nil) impact on foreign exchange gain or loss for CAD, EUR and KZT respectively on its cash and cash equivalents.

(Unaudited - Expressed in US Dollars)

16. RELATED PARTY TRANSACTIONS

The Company has incurred costs with Stonehouse Construction Pte. Ltd. and companies controlled by it (collectively "SHCS") to manage the Project described in Note 6. SCHS has officers, directors and shareholders in common with the Company. A fee of 10% of expenditures incurred on the Project, (the "Fee") has been charged to the Company by SHCS. SHCS has charged $327,698 and $799,602 for three and six months ended 30 June 2013 (three and six months ended June 30, 2012;- $149,358 for both periods respectively) for the Fee, which is included in the statement of operation prior to completion of the Acquisition and capitalised in Exploration and evaluation assets (Note 6) after the completion of the Acquisition.

Included in accounts payable and accrued liabilities is $348,453 as at June 30, 2013 (December 31, 2012 - $973,657) due to SHCS. The amounts accrued are the Fees outstanding and billed by SHCS during the period.

The Company has provided advances to SHCS for the funding of Project expenditures of $Nil as at June 30, 2013 (December 31, 2012 - $493,124).

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

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Remuneration and short-term benefits	**$ 215,510**	$ -	**$ 471,408**	$ 85,258
Directors fees	**18,441**	-	**44,677**	-
	$ 233,951	$ -	**$ 516,085**	$ 85,258

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

17. SUBSEQUENT EVENTS

(a) Amendments to the SPA

On July 1, 2013, the Company entered into an amendment agreement with Safin (the “seller”), to amend the terms of Milestone Payment Two (the “first installment cash payments”) and the Third Installment Consideration Shares (the “third share issuance”). The second installment cash payments to the seller of an aggregate of $12,410,408 of which $6,205,204 was due and payable on June 30, 2013; a further two installments of $3,102,602 payable on September 30, 2013 and December 31, 2013 respectively and the third share issuance on June 30, 2013 are now amended as follows:-

- $2,000,000 shall be paid to the seller on or before September 30, 2013

- remaining $10,410,408 shall be paid to the seller on or before January 15, 2014

- the third share issuance of $3,570,000 at a price per common share equal to the volume weighted average price at which the common shares of the Company trade on the Exchange for the five trading days prior to issuance to be issuable within the year

- capital gains tax (“CGT”) of a total of $2,820,072 withheld with respect to the cash payments and share issuance will be made on behalf of the seller to the tax authorities following each scheduled payment above

There are no changes to Milestone Payment Three (the “second installment cash payments”) which consists of the aggregate cash payment of $15,230,480 (including CGT which shall be paid to the Kazakhstan tax authorities on behalf of the seller as and when it falls due).to the seller, payable quarterly during 2014 in four equal installments, each installment of $3,807,620 paid no later than the last day of the third month of each quarter.

(b) Amendments to the Finder’s Fee agreement

On July 1, 2013, following the amendment to the SPA, the Group entered into an amendment agreement to pay the second installment of the Finder's Fee of $966,000 to an arm's length party (the "Finder") in connection with the Acquisition on or before July 31, 2013. The third installment of the Finder's Fee of $966,000 will be on or before December 31, 2014.

(c) Receipt of Private Placement funds

On July 5, 2013, the Company received CAD$734,792 ($705,401) advances from shareholders as part of the Private Placement announced on February 20, 2013. See note 14 for further information on the private placement. The Private Placement will be closed after obtaining the necessary approvals of the TSX Venture Exchange. A total of $6,169,563 has been received to date.

SUBSEQUENT EVENTS (continued)

(d) Termination of the Alliance Agreement dated February, 2012 and entering into a consulting contract with SHCS

On July 15th, 2013, the Company entered into a Termination Deed with SHCS, a related party described in Note 16, to terminate the Alliance Agreement dated February, 2012 entered between the Group and SHCS to manage the Lomonosovskoye Project (Note 6 and 16) and agreed to pay SHCS amounting to $348,453 in respect of all amounts due to SHCS to June 30, 2013.

On the same date, the Group entered into consulting agreement with SHCS to provide financial, technical, administrative and other advice with respect to the ongoing development of the Lomonosovskoye Iron Ore Project for a monthly retainer fee of $120,000 for July and $70,000 per month thereafter. The agreement can be terminated by either party giving one month notice.

(e) Change of Directors and Management of the Company

With effect from July 15, 2013, Trevor Campbell Smith replaces David Savage as Chief Executive Officer and President of the Company.

With effect from July 15, 2013, Riad Al Sadik replaces Dan Kunz as Chairman of the Board of Directors of the Company.

(f) Incentive Stock Options

The Company announces the granting of incentive stock options to Trevor Campbell Smith to purchase up to 4,000,000 common shares at a price of $0.145 per share, subject to receipt of approval from the Ministry of Industry and New Technologies of Kazakhstan. The options vest quarterly over nine months and are exercisable until July 13, 2014.

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