**KAZAX MINERALS INC.**
Room 630, Arman Business Center
6 Saryarka Avenue
Astana, Kazakhstan, 010000

# NOTICE

**RE: CONDENSED CONSOLIDATED INTERIM FINANCIALS STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014**

The first quarter financial statements for the six month period ended June 30, 2014 have not been reviewed by the auditors of KazaX Minerals Inc.

**KAZAX MINERALS INC.**
*"Anthony Samaha"* ________
**ANTHONY SAMAHA**
Chief Financial Officer

# KazaX Minerals Inc.

Condensed Consolidated Interim Financial Statements
For the six month periods ended June 30, 2014 and 2013
(expressed in thousands of U.S. dollars, except where indicated)

**KazaX Minerals Inc.**

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(expressed in thousands of U.S. dollars, except where indicated)

| | Note | June 30, 2014 | December 31, 2013 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | $ 144.1 | $ 3,640.0 |
| Other receivables and prepaid expenses | | 1,051.9 | 358.5 |
| | | 1,196.0 | 3,998.5 |
| Equipment | | 43.6 | 98.2 |
| Exploration and evaluation assets | 3 | 78,513.1 | 76,264.3 |
| Other long term assets | | - | 29.1 |
| Total assets | | $ 79,752.7 | $ 80,390.1 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 6 | $ 1,121.8 | $ 2,682.0 |
| Safin loan | 6 | 1,218.2 | 1,258.4 |
| Asset retirement obligation – current | | 48.9 | 48.0 |
| Payable – LLLP acquisition | 3,6 | 28,606.0 | 30,989.2 |
| | | 30,994.9 | 34,977.6 |
| Convertible debentures | 8 | 15,449.0 | 12,948.9 |
| Asset retirement obligation | | 94.2 | 121.7 |
| Total liabilities | | 46,538.1 | 48,048.2 |
| **Equity** | | | |
| Share capital | | 38,925.1 | 35,355.1 |
| Reserves | | 4,722.7 | 3,920.4 |
| Deficit | | (26,224.7) | (22,725.1) |
| Total equity for owners | | 17,423.1 | 16,550.4 |
| Non-controlling interest (“NCI”) | | 15,791.5 | 15,791.5 |
| Total equity | | 33,214.6 | 32,341.9 |
| Total liabilities and equity | | $ 79,752.7 | $ 80,390.1 |

*Nature of operations (note 1)*
*Going concern (note 2)*
*Subsequent event (note 11)*

## Approved by the Board of Directors

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

**KazaX Minerals Inc.**

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(unaudited)

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

| | | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | **Notes** | **2014** | **2013 Restated (Note 4)** | **2014** | **2013 Restated (Note 4)** |
| **Expenses** | | | | | |
| Amortization | 7 | $ (1.9) | $ (2.1) | $ (4.0) | $ (11.0) |
| Professional fees | | (304.7) | (179.6) | (574.4) | (274.0) |
| General and administration | | (95.2) | (99.7) | (253.2) | (248.4) |
| Investor relations and marketing | | (27.7) | (24.3) | (28.0) | (60.2) |
| Travel and entertainment | | (82.8) | (32.9) | (130.0) | (400.9) |
| Wages and benefits | | (147.6) | (3.8) | (296.6) | (53.7) |
| Management fees | | - | (204.2) | (31.0) | (327.7) |
| Stock based compensation expense | | - | - | (25.9) | - |
| Exploration expense | | - | (233.3) | - | (2,058.2) |
| | | (659.9) | (769.9) | (1,343.1) | (3,434.1) |
| **Other (expenses) income, net** | | | | | |
| Finance income | | 0.5 | 7.7 | 12.3 | 7.7 |
| Finance cost | | (970.2) | (925.4) | (2,429.1) | (1,576.4) |
| Foreign exchange gain (loss) | | (186.7) | 134.3 | 260.3 | 1.5 |
| **Net loss** | | (1,816.3) | (1,553.3) | (3,499..6) | (5,001.3) |
| **Other comprehensive loss** | | | | | |
| Cumulative translation adjustment | | (465.1) | (704.7) | 1.0 | (1,331.5) |
| **Comprehensive loss** | | $ (2,281.4) | $ (2,258.0) | $ (3,498.6) | $ (6,332.8) |
| **Loss per share** | | | | | |
| Basic & diluted | | $ (0.01) | $ (0.01) | $ (0.02) | $ (0.03) |
| **Weighted average shares outstanding (000's)** | | | | | |
| Basic & diluted | | 218,058 | 170,725 | 209,162 | 161,189 |
| **Total shares issued and outstanding** | | 218,058 | 178,788 | 218,058 | 178,788 |

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

# KazaX Minerals Inc.

## Condensed Consolidated Interim Statements of Changes in Equity

(unaudited)

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

| | Notes | Shares ('000) | Share capital | Foreign translation reserves | Convertible debenture reserves | Other reserves | Deficit | Total for owners | NCI | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2014** | | 178,788 | $ 35,355.1 | $ ( 1,233.9) | $ 4,897.3 | $ 257.0 | $ (22,725.1) | $ 16,550.4 | $ 15,791.5 | $ 32,341.9 |
| Net loss for the period | | - | - | - | - | - | (3,499.6) | (3,499.6) | - | (3,499.6) |
| Cumulative translation adjustment | | - | - | 1.0 | - | - | - | 1.0 | - | 1.0 |
| Shares issued for mineral property acquisitions | | - | - | - | 775.4 | - | - | 775.4 | - | 775.4 |
| Shares issued for mineral property acquisitions | | 39,270 | 3,570.0 | - | - | - | - | 3,570.0 | - | 3,570.0 |
| Stock based compensation | | - | - | - | - | 25.9 | - | 25.9 | - | 25.9 |
| **Balance at June 30, 2014** | | 218,058 | $ 38,925.1 | $ (1,232.9) | $ 5,672.7 | $ 282.9 | $(26,224.7) | $ 17,423.1 | $ 15,791.5 | $ 33,214.6 |

| Restated (Note 4) | Notes | Shares ('000) | Share capital | Foreign translation reserves | Convertible debenture reserves | Other reserves | Deficit | Total for owners | NCI | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2013** | | 138,203 | $ 25,715.5 | $ - | $ - | $ 17.4 | $(13,585.9) | $ 12,147.0 | $ - | $ 12,147.0 |
| Net loss for the period | | - | - | - | - | - | (5,001.3) | (5,001.3) | - | (5,001.3) |
| Cumulative translation adjustment | | - | - | (1,331.5) | - | - | - | (1,331.5) | - | (1,331.5) |
| Share issued for mineral property acquisitions | | 36,163 | 8,726.9 | - | - | - | - | 8,726.9 | 15,791.5 | 24,518.4 |
| Proceeds from warrants exercised | | 4,417 | 543.9 | - | - | (17.4) | - | 526.5 | - | 526.5 |
| **Balance at June 30, 2013** | | 178,783 | $ 34,986.3 | $ (1,331.5) | $ - | $ - | $(18,587.2) | $ 15,067.6 | $ 15,791.5 | $ 30,859.1 |

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

**KazaX Minerals Inc.**

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

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

| | | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | **Notes** | **2014** | **2013 Restated (Note 4)** | **2014** | **2013 Restated (Note 4)** |
| **Cash used from operating activities** | | | | | |
| Net loss | | $ (1,816.3) | $ (1,553.3) | $ (3,499.6) | $ (5,001.3) |
| Items not affecting cash | | | | | |
| Amortization | | 1.9 | 2.1 | 4.0 | 11.0 |
| Accreted interest – convertible debt | | 525.9 | - | 1,011.5 | - |
| Accreted interest – other current liabilities | | 414.4 | 925.4 | 1,387.7 | 1,576.4 |
| Stock based compensation expense | | - | - | 25.9 | - |
| Foreign exchange | | 186.7 | - | (260.3) | - |
| Loss on write off of property, plant and equipment | | - | - | 53.7 | - |
| | | (687.4) | (625.8) | (1,277.1) | (3,413.9) |
| Change in non-cash operating working capital | | | | | |
| (Increase) decrease in accounts receivable, deposits, and prepaid expenses | | (528.2) | 1,536.5 | (664.2) | 1,865.1 |
| (Decrease) in accounts payable and accruals | | (884.2) | 1,867.6 | (1,560.0) | 1,368.8 |
| | | (2,099.8) | 2,778.3 | (3,501.3) | (180.0) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from warrants exercised | | - | - | - | 526.5 |
| Proceeds from convertible debenture | | 2,264.0 | - | 2,264.0 | - |
| Advances from shareholders | | - | - | | 5,464.2 |
| Payment of Safin loan | | - | - | (23.2) | - |
| | | 2,264.0 | - | 2,240.8 | 5,990.7 |
| **Cash flows used in investing activities** | | | | | |
| Purchase of property, plant and equipment | | (3.1) | (34.6) | (3.1) | (34.6) |
| Exploration and evaluation asset expenditure | | (917.9) | (6,290.7) | (2,247.8) | (7,684.3) |
| Acquisition of LLLP, net of cash acquired | | - | (1,334.3) | - | (8,480.8) |
| Interest received | | - | 7.7 | - | 7.7 |
| | | (921.0) | 7,651.9 | (2,250.9) | (16,192.0) |
| **Decrease in cash and cash equivalents** | | (756.8) | (4,873.6) | (3,511.4) | (10,381.3) |
| **Foreign exchange impact on cash and cash equivalents** | | (175.3) | (0.2) | 15.5 | (0.1) |
| **Cash and cash equivalents - beginning of period** | | 1,076.2 | 3,640.0 | 3,640.0 | 10,634.5 |
| **Cash and cash equivalents - end of period** | | $ 144.1 | $ 253.1 | $ 144.1 | $ 253.1 |

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

# 1 Nature of operations

KazaX Minerals Inc. (formerly Newbridge Capital Inc.) (the "Company") was incorporated under the Business Corporations Act of British Columbia on September 12, 2005. The Company's shares are listed for trading on the TSX Venture Exchange (the "Exchange") under the symbol "KZX". The address of the Company's corporate office and principal place of business is Room 630, Arman Business Center, 6 Saryarka Avenue, Astana, Kazakhstan, 010000.

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

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

# 2 Going concern

These 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. During the six months ended June 30, 2014 the Group incurred a net loss of $3,499.6 (2013 - $5,001.3, balance restated, see note 4) and as at June 30, 2014 had negative working capital of $29,798.9 (December 31, 2013 – $30,979.9) and an accumulated deficit of $26,224.7 (December 31, 2013 – $22,725.1). The Company has limited financial resources, has no source of operating cash flow, and no assurances that sufficient funding will be available to conduct further exploration and development of its Project or to complete the significant commitments in respect of its purchase of the Project (see Note 3).

The Company does not generate cash flow from operations and has therefore relied principally upon the issuance of securities for financing. Subsequent to June 30, 2014, the Company completed a private placement of convertible debentures to existing major shareholders of the Company for aggregate proceeds of CAD$3,200,0 in July 2014 (see Note 11).

The Directors expect to be able to obtain further funding for the Group. However, there can be no guarantee that the required funds will be raised within the necessary timeframe or on terms that will be acceptable to the Company. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities and to engage financial institutions for debt financing to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these 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.

# 3 Acquisition of LLLP

***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 US$6.933 million in cash (the "First Instalment Cash") and the Company issued approximately 23.1 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 (the "Second Instalment Consideration Shares");

c) on October 2, 2013 the Group made a further cash payment to Safin of US$2.0 million; and

d) on February 10 2014 the Company issued a further approximately 39.3 million Consideration Shares to Safin (the "Third Instalment Consideration Shares").

Under the terms of the SPA, the future cash consideration remaining to be paid totals approximately US$26.8 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. Under the terms of the SPA, in the event that an application for refund of the CGT paid in respect of the First Instalment Cash and First Instalment Consideration Shares is successful with the Kazakhstan tax authorities, the refund of these CGT funds will be to Safin's benefit. Pursuant to the SPA, all other successful CGT refunds in respect to the consideration payable to Safin, will be to the benefit of the Group.

All of the 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 July 1, 2013, the Group and Safin agreed amendments to the SPA in respect to the consideration payable to Safin. Following these amendments to the SPA, the remaining cash consideration payable to Safin is scheduled as follows:

a) by September 30, 2013, $2.0 million (first part of "Second Instalment Cash");

b) by January 15, 2014, $10.4 million (second part of "Second Instalment Cash");

c) by March 31, 2014, $3.1 million (first part of "Third Instalment Cash");

d) by June 30, 2014, $3.1 million (second part of "Third Instalment Cash");

e) by September 30, 2014, $3.1 million (third part of "Third Instalment Cash"); and

f) by December 31, 2014, $3.1 million (fourth part of "Third Instalment Cash").

As announced on July 1, 2013, following the amendment to the SPA, the Group entered into an amended agreement to pay the second instalment of a finder's fee (the "Finder's Fee") of $0.97 million to an arm's length party in connection with the Acquisition on or before July 31, 2013, which was completed. The third instalment of the Finder's Fee of $0.97 million is due to be paid on or before December 31, 2014.

As described above, the Group completed the first part of Second Instalment Cash payment of $2.0 million on October 2, 2013. The Third Instalment Consideration Shares, with value of $3,570.0, were issued on February 10, 2014. A total of 39,270.0 million common shares with a fair value of CDN$0.10 per share were issued to Safin. Following this issue of the Consideration Shares, Safin had direct ownership and direction or control over 75,652.9 common shares of the Company, representing approximately 34.7% of the 218,057.9 common shares of the Company that were issued and outstanding as at June 30, 2014.

As at June 30, 2014, the Group had not made the second part of Second Instalment Cash payment or the first and second part of Third Instalment Cash payment when due. As at June 30, 2014, the CGT obligation of the Group in respect to the Second Instalment Consideration Shares and the CGT obligation in respect of the first and second part of Second Instalment Cash, totalling an estimated $1.36 million, was also outstanding.

Under the terms of the SPA, as at June 30, 2014, the total future cash consideration to be paid to Safin totals $22.82 million. The estimated future CGT payable by the Group on behalf of Safin in respect of these future consideration payments would be $4.66 million.

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

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

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

***Acquisition accounting***

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

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

| Purchase consideration paid and accrued | Notes | | Amount |
|---|---|---|---|
| **Paid** | | | |
| Advance loan to LLLP prior to acquisition forgiven | | $ | 1,235.0 |
| Settlement of existing advances in lieu of first initial cash payment | | | 454.3 |
| First Instalment Cash payment | | | 6,479.5 |
| First Instalment Shares (23,076.0 common shares) issued | (i) | | 5,525.7 |
| Initial payment of Finder's Fee | | | 703.8 |
| First payment of capital gains taxes on behalf of Safin | | | 2,038.2 |
| Second Instalment Shares (13,087.0 common shares) | (i) | | 3,201.1 |
| Second Finder's Fee instalment | | | 966.0 |
| Third Instalment Shares | | | 2,782.8 |
| | | $ | 23,386.4 |
| **Accrued** | | | |
| Second Instalment Cash payment | | $ | 10,897.4 |
| Second payment of capital gains taxes on behalf of Safin | | | 2,527.0 |
| Third Instalment Cash payment | | | 9,924.3 |
| Third payment of capital gains taxes on behalf of Safin | | | 2,283.9 |
| Third Finder's Fee instalment | | | 608.5 |
| | | $ | 26,241.1 |
| **Total purchase consideration** | | $ | 49,627.5 |

(i) The fair value of the First Instalment Shares of 23,076.0 common shares was determined using the discounted fair value of the market price at the Acquisition date of $0.24 per share. The fair value of the Second Instalment Shares of 13,086.1common shares was based on the discounted fair value of the market price on issuance date of $0.24 per share. Upon the settlement of the Second Instalment Shares, the Company recognized accreted interest of $368.7.

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

The purchase consideration, which is payable over the next 12 months, is recognized as current liabilities on the statement of financial position. Current financial liability is:

| | December 31, 2013 face value | December 31, 2013 fair value | Accreted interest | Foreign exchange impact | Settled balance | June 30, 2014 accrued fair value |
|---|---|---|---|---|---|---|
| Third Instalment Shares | $ 3,570.0 | $ 3,172.5 | $ 397.5 | $ - | $ (3,570.0) | $ - |
| Second Instalment Cash payment | 12,410.4 | 10,346.5 | 64.0 | - | - | 10,410.5 |
| Second payment of capital gains taxes | 2,820.1 | 2,808.8 | 11.3 | (177.2) | - | 2,642.9 |
| Third Instalment Cash payment | 12,410.4 | 11,314.2 | 755.3 | - | - | 12,069.5 |
| Third payment of capital gains taxes | 2,820.1 | 2,603.7 | 156.2 | (23.7) | - | 2,736.2 |
| Third Finder's Fee instalment | 966.0 | 743.5 | 3.4 | - | - | 746.9 |
| | $ 34,997.0 | $ 30,989.2 | $ 1,387.7 | $ (200.9) | $ (3,570.0) | $ 28,606.0 |

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

| Exploration and evaluation assets recognized comprised of: | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Opening balance | $ 76,264.3 | $ - |
| Identifiable assets acquired in LLLP | - | 67,037.9 |
| Exploration and evaluation costs post acquisition (i) | 2,247.8 | 9,978.6 |
| Acquisition costs (professional fees directly related to the acquisition) | - | 481.6 |
| Foreign exchange impact (cumulative translation adjustment) | 1.0 | (1,233.7) |
| | $ 78,513.1 | $ 76,264.3 |

(i) Details of exploration and evaluation costs post acquisition capitalized:

| | Jan. 1, 2013 | Additions | Project to date Dec. 31, 2013 | Additions | Project to date June 30, 2014 |
|---|---|---|---|---|---|
| Exploratory drilling and engineering | $ - | $ 6,478.9 | $ 6,478.9 | $ 1,594.7 | $ 8,073.6 |
| Wages and benefits | - | 2,694.4 | 2,694.4 | 541.7 | 3,236.1 |
| Other direct overhead | - | 805.3 | 805.3 | 111.4 | 916.7 |
| | $ - | $ 9,978.6 | $ 9,978.6 | $ 2,247.8 | $ 12,226.4 |

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

# 4 Basis of preparation

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting, on a basis consistent with the most recent annual consolidated financial statements. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and accordingly should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2013.

These financial statements were authorized for issuance by the Board of Directors on August 28, 2014.

**Restatement of prior period**

| | | For the three months ended June 30, 2013 | | For the six months ended June 30, 2013 | |
|---|---|---|---|---|---|
| Balance | Notes | As restated | As previously reported | As restated | As previously reported |
| **Interim Statement of Loss and Comprehensive Loss** | | | | | |
| Finance cost | (i) | 925.4 | - | 1,576.4 | - |
| **Interim Statement of Change in Equity** | | | | | |
| Net loss for the period | (i) | 1,553.3 | 628.0 | 5,001.3 | 3,424.9 |
| Cumulative translation adjustment | (iii) | 704.7 | - | 1,331.5 | - |
| NCI | (ii) | - | - | 15,971.5 | - |
| Shares issued for mineral property acquisition | (ii) | | | 8,726.9 | 10,175.6 |

(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.

# 5 Future changes in accounting policies

*Financial instruments*

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

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

# 6 Financial instruments

(i) Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

| | June 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | **Carrying value $** | **Fair value $** | **Carrying value $** | **Fair value $** |
| **Financial assets** | | | | |
| *Fair value to profit and loss ("FVTPL")* | | | | |
| Cash and cash equivalents | 144.1 | 144.1 | 3,640.0 | 3,640.0 |
| Other receivables | 175.8 | 175.8 | 19.2 | 19.2 |
| **Financial liabilities** | | | | |
| *Other financial liabilities* | | | | |
| Accounts payable & accrued liabilities | 1,121.8 | 1,121.8 | 2,680.0 | 2,680.0 |
| Safin Debentures – current | 1,218.2 | 1,218.2 | 1,258.4 | 1,258.4 |
| Payable – LLLP acquisition | 28,606.0 | 28,606.0 | 30,989.2 | 30,989.2 |

On April 29, 2014, the Company announced the amicable settlement with LogiCamms Limited ("LogiCamms"), with legal proceedings to be withdrawn, subject to payment of $645.0 (AUD$700.0) by the Company to LogiCamms in 4 instalments (See Note 11). As at December 31, 2013, the Company has reversed its accrual against the capitalized expenditure in mineral properties from approximately $1.9 million to $645.0 as per settlement.

(ii) Fair value measurements

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

| | **Level 1** | **Level 2** | **Level 3** | **Total June 30, 2014** |
|---|---|---|---|---|
| Cash and cash equivalents | $ 144.1 | $ - | $ - | $ 144.1 |

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting its cash flows from operations and anticipating investing and financing activities. Senior management is actively involved in the review and approval of planned expenditures. Management believes that the ability to fund operations through cash generated from operations should be sufficient to meet the ongoing capital and operating requirements (see Note 2). As at June 30, 2014, the Company has a working capital deficit of $29,798.8.

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

(iv) Currency risk

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

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

The Company's financial assets and liabilities as at June 30, 2014 are denominated in United States Dollars, Canadian Dollars, European Euro, and Kazakhstan Tenge set out in the following table:

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

| | Canadian Dollars | US Dollars | European Euro | Kazakhstan Tenge | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalent | $ 43.0 | $ 7.1 | $ 32.9 | $ 61.1 | $ 144.1 |
| Accounts receivable | 175.8 | - | - | - | 175.8 |
| | 218.8 | 7.1 | 32.9 | 61.1 | 319.9 |
| **Financial liabilities** | | | | | |
| Accounts payables and accrued liabilities | 934.5 | - | - | 187.3 | 1,121.8 |
| Safin Debentures – current | - | 1,218.2 | - | - | 1,218.2 |
| Payable – LLLP acquisition | - | 23,226.9 | - | 5,379.1 | 28,606.0 |
| Net financial assets (liabilities) | $ (715.7) | $ (24,438.0) | $ 32.9 | $ (5,505.3) | $ (30,626.1) |

The Company's reported results will be affected by changes in the US dollar to European Euro and US dollar to Kazakstan Tenge exchange rate. As of June 30, 2014, a 10% appreciation of the Canadian dollar relative to the US dollar would have increased net financial assets by approximately $71.6. A 10% depreciation of the US Dollar relative to the Canadian dollar would have had the equal but opposite effect. A 10% appreciation of the European Euro relative to the US dollar would have decrease net financial asset by approximately $3.3 and a 10% depreciation of the European Euro would have had an equal but opposite effect. A 10% appreciation of the Kazakhstan Tenge relative to the US dollar would have increased net financial assets by approximately $550.6 and a 10% depreciation of the Kazakhstan Tenge would have had an equal but opposite effect.

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

(v) Credit risk

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

(vi) Interest risk

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

| Currency (expressed in USD) | Notes | June 30, 2014 | December 31, 2013 |
|---|---|---|---|
| Canadian Dollars | (i) | $ 43.0 | $ 3,403.2 |
| US Dollars | | 7.1 | 158.0 |
| European Euro | (ii) | 32.9 | 44.8 |
| Kazakhstani Tenge | (iii) | 61.1 | 34.0 |
| | | $ 144.1 | $ 3,640.0 |

(i) Canadian dollars of $45.9 was converted at a Canadian to US dollar exchange rate of 0.9367 (December 31, 2013 - $3,619.7 at 0.9402).

(ii) European Euro of $24.0 was converted at a US dollar to Euro exchange rate of 07305 (December 31, 2013 - $32.5 at 0.7257).

(iii) Kazakhstani Tenge of $11,203.6 was converted at a Kazakhstani Tenge to US dollar exchange rate of 0.005453157 (December 31, 2013 - $5,275.7 at 0.006465545)

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

# 7 Property, Plant & Equipment

| | Cost December 31, 2012 | Additions | Cost December 31, 2013 | Additions | Disposal | Cost June 30, 2014 |
|---|---|---|---|---|---|---|
| Computer equipment | $ 32.7 | $ 20.0 | $ 52.7 | $ - | $ (32.6) | $ 20.1 |
| Office Furniture & other | 55.1 | 31.1 | 86.2 | 3.1 | (50.1) | 39.2 |
| | $ 87.8 | $ 51.1 | $ 138.9 | $ 3.1 | $ (82.7) | $ 59.3 |

| | Accumulated Depreciation December 31, 2012 | Depreciation & Amortization | Accumulated Depreciation December 31, 2013 | Depreciation & Amortization | Disposal | Accumulated Depreciation June 30, 2014 |
|---|---|---|---|---|---|---|
| Computer equipment | $ (5.7) | $ (15.4) | $ (21.1) | $ (2.0) | $ 14.4 | $ (8.7) |
| Office Furniture & other | (6.6) | (13.0) | (19.6) | (2.0) | 14.6 | (7.0) |
| | $ (12.3) | $ (28.4) | $ (40.7) | $ (4.0) | $ 29.0 | $ (15.7) |

| Carrying amount | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Computer equipment | $ 11.4 | $ 11.6 |
| Office Furniture & other | 32.2 | 86.6 |
| | $ 43.6 | $ 98.2 |

# 8 Convertible debentures

*September 2013 Issuance*

On September 26, 2013 the Company completed a private placement of convertible unsecured non-interest bearing debentures (the "First Debenture") for aggregate proceeds of $19,000.6 (CAD$19,568.9).

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

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

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

*April 2014 Issuance*

On April 25, 2014 the Company completed a private placement of convertible unsecured non-interest bearing debentures ("Second Debenture") for aggregate proceeds of $2,450.0 (CAD$2,500.0).

The Second Debenture will mature and become payable on April 25, 2017 ("Second 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 MINT on or before the Second Maturity Date for the Second Convertible Debenture, the principal amount of the Second Debenture will automatically be converted into units of the Company ("Second Units"); provided, however that the Second Debenture will only be converted into Second Units where such conversion would not result in a reduction in the existing percentage of Shares held by persons other than insiders or their associates and affiliates and not subject to resale restriction.

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

(i) CAD$0.05 per Second Unit if conversion occurs by April 25, 2015; and

(ii) CAD$0.10 per Second Unit if conversion occurs within the following two years.

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

Each Second 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 Second Maturity Date ("Second Warrant"). In the event of an Acceleration Event, the Second Warrants will expire 90 calendar days after the Company provides notice that the Acceleration Event has occurred.

The Second Debenture and any Shares and Second Warrants issued upon conversion of the Second Debentures will be subjected to a hold period expiring August 26, 2014.

| | Six months ended June 30, 2014 | Twelve months ended December 31, 2013 |
|---|---|---|
| Opening balance | $ 12,948.9 | $ - |
| Convertible debt issued | 2,264.0 | 19,000.6 |
| Allocation of equity portion | (775.4) | (6,501.0) |
| Accreted interest and foreign exchange impact | 1,011.5 | 449.3 |
| | $ 15,449.0 | $ 12,948.9 |

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

# 9 Share capital

Authorized unlimited common shares without par value.

**Warrants**

| | Six months ended June 30, 2014 | | Twelve months ended December 31, 2013 | |
|---|---|---|---|---|
| | Number of warrants (000's) | Weighted average exercise price (CDN$) | Number of warrants (000's) | Weighted average exercise price (CDN$) |
| Outstanding - beginning of period | - | $ - | 4,617 | $ 0.13 |
| Warrants exercised | - | - | (4,417) | 0.12 |
| Expired | - | - | (200) | 0.40 |
| Outstanding - end of period | - | $ - | - | $ - |

**Stock options**

| | Six months ended June 30, 2014 | | Twelve months ended December 31, 2013 | |
|---|---|---|---|---|
| | Number of options (000's) | Weighted average exercise price (CDN$) | Number of options (000's) | Weighted average exercise price (CDN$) |
| Outstanding - beginning of period* | 4,000.0 | $ 0.17 | - | $ - |
| Granted | - | - | 4,000.0 | 0.17 |
| Outstanding - end of period | 4,000.0 | $ 0.17 | 4,000.0 | $ 0.17 |

*The option expired on July 15, 2014.

# 10 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:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Management compensation | $ 180.0 | $ 215.5 | $ 360.0 | $ 471.4 |
| Stock based compensation (non cash) | - | - | 25.9 | - |
| Directors fees | 7.5 | 18.4 | 15.0 | 44.7 |

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

The Group previously incurred costs with Stonehouse Construction Pte Ltd ("SHCS") and companies controlled by it (collectively "Stonehouse") to manage the Project. Stonehouse had officers, directors and shareholders in common with the Company. Pursuant to the Alliance Agreement, a fee of 10% of expenditures incurred on the Project, (the "Fee") was charged to the Company by Stonehouse. During the six months ended June 30, 2013 SHSC was paid $799.6 for Project expenditures and $246.9 for the Fee. On July 14, 2013, the Group entered into a Termination Deed with SHCS, to terminate the Alliance Agreement and agreed to pay SHCS $348.5 in respect of all amounts due to SHCS to June 30, 2013.

Included in accounts payable and accrued liabilities is $88.5 as at June 30, 2014 (December 31, 2013 - $88.5) due to Stonehouse. The amounts accrued are the amounts outstanding and billed by Stonehouse in 2013.

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

# 11 Subsequent events

**New Convertible Debenture**

On July 7, 2014 the Company completed a private placement of convertible unsecured non-interest bearing debentures ("Third Debentures") for aggregate proceeds of $3,000.0 (CAD$3,200.0).

The Third Debentures will mature on and become payable on July 14, 2017 (the "Third 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 MINT; and (ii) approval by the requisite majority of shareholders of the Company on or before the Third Maturity Date for the Third Debentures, the principal amount of the Third Debentures will automatically be converted into units of the Company ("Third Units"); provided, however, (iii) that the Third Debentures will only be converted into Third Units where such conversion would not result in a reduction in the existing percentage Shares held by persons other than insiders or their associates and affiliates and not subject to resale restrictions.

The conversion of the Third Debentures into Third Units shall be at a conversion price of: (i) CAD$0.05 per Third Unit if conversion occurs by July 7, 2015; and (ii) CAD$0.10 per Third Unit if conversion occurs within the following two years.

Each Third 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 ("Third Warrant"). In the event of an Acceleration Event, the Third Warrants will expire 90 calendar days after the Company provides notice that the Acceleration Event has occurred.

The Third Debentures, and any Shares and Third Warrants issued upon conversion of the Third Debentures or exercise of the Third Warrants, will be subject to a hold period expiring November 15, 2014.

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