# Kazax Minerals Inc.

Consolidated Financial Statements
Year ended December 31, 2015 and December 31, 2014
(expressed in thousands of U.S. dollars, except where indicated)

# Independent Auditor's Report

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To the Shareholders of
Kazax Minerals Inc.

We have audited the accompanying consolidated financial statements of Kazax Minerals Inc., which comprise the consolidated statement of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

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

## Auditor's responsibility

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

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

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

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kazax Minerals Inc. as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describe that the Company has incurred cumulative losses of $30.723 million as at December 31, 2015, has reported a net loss of $5.792 million during the year ended December 31, 2015, and does not have reasonable assurance that sufficient funding will be available to conduct further exploration and development of its flagship project. These conditions, along with other matters set forth in Note 2, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Grant Thornton LLP

Vancouver, Canada
May 6, 2016

Chartered Professional Accountants

# Kazax Minerals Inc.

## Consolidated Statements of Financial Position

As of December 31, 2015 and December 31, 2014

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

| | Notes | December 31, 2015 | December 31, 2014 (Restated) Note 16 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 3,660 | 7,990 |
| Other receivables and prepaid expenses | 7 | 66 | 215 |
| Other current assets | | 8 | 68 |
| | | **3,734** | **8,273** |
| **Non-current assets** | | | |
| Property and equipment | 8 | 13 | 28 |
| Exploration and evaluation assets | 3 | 83,502 | 80,637 |
| Other long term assets | 7, 10 (ii) | 126 | 171 |
| | | **83,641** | **80,836** |
| **TOTAL ASSETS** | | **87,375** | **89,109** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | 1,786 | 634 |
| Convertible debentures | 9 | 34,572 | 19,659 |
| Derivative liability | 9 | 1 | 16 |
| Payable to Safin – LLLP acquisition – current portion | 3 | 18,694 | 12,500 |
| Payable to Tobol – LLLP acquisition | 3 | 1,805 | 1,805 |
| | | **56,858** | **34,614** |
| **Non-current liabilities** | | | |
| Convertible debentures | 9 | 3,369 | 16,748 |
| Payable to Safin – LLLP acquisition – non-current portion | 3 | — | 6,677 |
| Long-term provision | 10 | 48 | — |
| Asset retirement obligation | 10 | 39 | 146 |
| | | **3,456** | **23,571** |
| **TOTAL LIABILITIES** | | **60,314** | **58,185** |
| **EQUITY** | | | |
| Share capital | 11 | 37,769 | 37,769 |
| Reserves | | 19,492 | 18,085 |
| Deficit | | (30,201) | (24,931) |
| Total equity for owners | | **27,060** | **30,923** |
| Non-controlling interest (“NCI”) | 3 | 1 | 1 |
| **TOTAL EQUITY** | | **27,061** | **30,924** |
| **TOTAL LIABILITIES AND EQUITY** | | **87,375** | **89,109** |

*Nature of operations (note 1)*
*Going concern (note 2)*
*Subsequent events (note 16)*

**Approved on behalf of the Directors:**

*“Daniel Kunz”* Director — *“Mohamad Chafic”* Director

Daniel Kunz — Mohamad Chafic

# Kazax Minerals Inc.

## Consolidated Statements of Net Loss and Comprehensive Loss

For the year ended December 31, 2015 and December 31, 2014

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

| | Notes | Year ended December 31, 2015 | Year ended December 31, 2014 (Restated) Note 16 |
|---|---|---|---|
| **Expenses** | | | |
| Amortization | 8 | (31) | (20) |
| Professional fees | | — | (1,171) |
| General and administration | | (630) | (329) |
| Investor relations and marketing | | (2) | — |
| Stock based compensation expense | | — | (27) |
| Travel and entertainment | | (97) | (185) |
| Wages and benefits | | (51) | (9) |
| Management fees | 12 | (478) | (596) |
| | | **(1,289)** | **(2,337)** |
| **Other (expenses) income, net** | | | |
| Finance income | | 68 | 12 |
| Finance cost | 3, 9 | (10,043) | (5,554) |
| Recovery of capital gain tax | 3 | 1,735 | — |
| Gain on extinguishment of convertible debentures | 9 | 1,130 | — |
| Gain on extinguishment of Payable to Safin, Tobol (incl Logicamm) | 3 | 3,031 | 5,005 |
| Foreign exchange loss | | (1,374) | (1,071) |
| **Net loss before income tax** | | **(6,742)** | **(3,945)** |
| Income tax | 13 | 1,472 | 1,296 |
| **Net loss** | | **(5,270)** | **(2,649)** |
| **Other comprehensive loss** | | | |
| *Items that will be reclassified subsequently to profit or loss* | | | |
| Cumulative translation adjustment to presentation currency | | 2,879 | (1,291) |
| **Comprehensive loss** | | **(2,391)** | **(3,940)** |
| **Loss per share** | | | |
| Basic & diluted | | (0.02) | (0.01) |
| **Weighted average shares outstanding (000's)** | | | |
| Basic & diluted | | 218,058 | 214,786 |
| **Total shares issued and outstanding (000's)** | | **218,058** | **218,058** |

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

# Kazax Minerals Inc.

## Consolidated Statements of Changes in Equity

For the year ended December 31, 2015 and December 31, 2014

(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 December 31, 2013** | | 178,788 | 35,355 | (1,234) | 4,897 | 257 | (22,725) | **16,550** | 15,792 | **32,342** |
| Restatement (Note 16) | 16 | – | – | 399 | – | – | 443 | **842** | – | **842** |
| **Balance at December 31, 2013 – *(Restated)*** | | 178,788 | 35,355 | (835) | 4,897 | 257 | (22,282) | **17,392** | 15,792 | **33,184** |
| Net loss – year ended *(Restated)* | | – | – | – | – | – | (2,649) | **(2,649)** | – | **(2,649)** |
| Acquisition of 25% interest from Tobol | 3 | – | – | – | – | 10,760 | – | **10,760** | (15,791) | **(5,031)** |
| Share issued for mineral property acquisitions *(Restated)* | 11 | 39,270 | 2,414 | – | – | – | – | **2,414** | – | **2,414** |
| Issuance of convertible debenture *(Restated)* | 9 | – | – | – | 2,984 | – | – | **2,984** | – | **2,984** |
| Deferred tax effect on convertible debenture | 13 | – | – | – | (1,296) | – | – | **(1,296)** | – | **(1,296)** |
| Stock based compensation expense | 12 | – | – | – | – | 27 | – | **27** | – | **27** |
| Cumulative translation adjustment | | – | – | 1,291 | – | – | – | 1,291 | – | 1,291 |
| **Balance at December 31, 2014 – *(Restated)*** | | 218,058 | 37,769 | 456 | 6,585 | 11,044 | (24,931) | **30,923** | 1 | **30,924** |
| Net loss – year ended | | – | – | – | – | – | (5,270) | **(5,270)** | – | **(5,270)** |
| Deferred tax effect on convertible debenture | 13 | – | – | – | (1,472) | – | – | **(1,472)** | – | **(1,472)** |
| Cumulative translation adjustment | | – | – | 2,879 | – | – | – | **2,879** | – | **2,879** |
| **Balance at December 31, 2015** | | 218,058 | 37,769 | 3,335 | 5,113 | 11,044 | (30,201) | **27,060** | 1 | **27,061** |

## Kazax Minerals Inc.

## Consolidated Statements of Cash Flows

For the year ended December 31, 2015 and December 31, 2014

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

| | Notes | Year ended December 31, 2015 | Year ended December 31, 2014 (Restated) Note 16 |
|---|---|---|---|
| **Cash used from operating activities:** | | | |
| Net loss | | **(5,270)** | **(2,649)** |
| **Items not affecting cash:** | | | |
| Amortization | 8 | 31 | 20 |
| Accreted interest – convertible debt | | 5,751 | 2,985 |
| Accreted interest – Safin and Tobol | | 4,292 | 2,569 |
| Accreted interest – derivative liability | | (15) | — |
| Stock based compensation expense | 12 | — | 27 |
| Deferred income tax recovery | 13 | (1,472) | (1,296) |
| Gain on extinguishment of convertible debts obligations | | (1,130) | — |
| Gain on extinguishment of Payable to Safin, Tobol | | (3,031) | (5,005) |
| Loss on equipment disposal | | — | 53 |
| Provision | | — | 89 |
| Foreign exchange | | 1,074 | 1,749 |
| | | 230 | (1,458) |
| **Change in non-cash operating working capital:** | | | |
| Change in accounts receivable, deposits, and prepaid expenses | | 301 | (66) |
| Change in accounts payable and accruals | | (1,771) | (5,315) |
| | | **(1,240)** | **(6,839)** |
| **Cash flows from financing activities:** | | | |
| Proceeds from convertible debentures | 9 | — | 25,249 |
| Payment of asset retirement obligation | 10 | — | (113) |
| Payment of Safin SPA cash consideration | 3 | (225) | (3,400) |
| Novation of Safin loan to LLLP | 3 | — | (1,000) |
| | | **(225)** | **20,736** |
| **Cash flows used in investing activities:** | | | |
| Equipment expenditure | | — | (3) |
| Exploration and evaluation asset expenditure | | (2,865) | (6,525) |
| Acquisition of LLLP, net of cash acquired | | — | (3,019) |
| | | **(2,865)** | **(9,547)** |
| **Decrease in cash and cash equivalents:** | | **(4,330)** | **4,350** |
| Cash and cash equivalents - beginning of period | | 7,990 | 3,640 |
| **Cash and cash equivalents - end of period** | | **3,660** | **7,990** |

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

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

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

# 1. Nature of operations

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

These consolidated financial statements of the Company for the years ended December 31, 2015 and December 31, 2014, 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 Group completed 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"), a company wholly owned by a company controlled by one of the directors of Kazax Minerals Inc. 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. On November 24, 2014 the Group completed the acquisition of a 25.0% interest in LLLP from the Kazakhstan state agency Tobol. See Note 3 for details of these acquisitions, following which, the Group currently holds a 99.9% interest in LLLP, with Safin holding the remaining 0.01%.

# 2. Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Several adverse conditions exist which may cast significant doubt on the ability of the Group to continue as a going concern. In 2015, the Group had a net loss of $5,270 (2014: $2,649) and as at December 31, 2015, a negative working capital of $53,124 (2014: $26,341), an accumulated deficit of $30,201 (December 31, 2014: $24,931), 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 3).

The Company does not generate cash flow from operations and has therefore relied principally upon the issuance of securities to, and loans from, two of the Company's directors for financing. In April 2014, two of the Company's directors advanced $2,260 (equivalent to CAD$ 2,500) through completion of a private placement of convertible debentures, in July 2014 they advanced $2,980 (equivalent to CAD$ 3,200) through completion of a private placement of convertible debentures and in September 2014, they advanced $20,000 on terms that were subsequently renegotiated in October 2014 by way of issuance of convertible debentures (see note 9).

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. 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/or debt or financing institutes or new partners to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's business, results of operations and financial condition.

On August 31, 2015 the Group negotiated to extend the maturity of Safin liability to June 30, 2016.

On August 15, 2015 the Group also negotiated to extend the maturity of Tobol liability to May 31, 2016.

In April, 2016 the Group negotiated to extend the maturity for the $20 million and $19 million convertible debts and Safin liability to a date not earlier April 29, 2017.

# 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 $6.933 million in cash (the "First Instalment Cash") and the Company issued approximately 23.1 million Consideration Shares to Safin (the "First Instalment Consideration Shares");
b) on May 28, 2013, the Company issued a further approximately 13.1 million Consideration Shares to Safin;
c) on October 2, 2013 the Group made a further cash payment to Safin of $2.0 million ("Second Instalment Cash payment");
d) on February 10, 2014 the Company issued a further approximately 39.3 million Consideration Shares to Safin (the "Third Instalment Consideration Shares");
e) on October 14¸ 2014, the Group made a further cash payment to Safin of $2.125 million and on December 23, 2014, the Group made a further cash payment to Safin of $1.275 million, totalling $3.400 million ("Third Instalment Cash payment");

Under the terms of the SPA, as at December 31, 2015 the nominal value of future cash consideration remaining to be paid totals approximately $20.894 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. As at December 31, 2015 this liability to Safin is shown at its amortized cost of $18.694 million.

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 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.

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. In October 2014, $1.884 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 and during 2015 the Group applied a CGT refund of $1.253 million to the Safin payable.

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. The estimated future CGT payable by the Group on behalf of Safin in respect of future SPA 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.

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

# 3. Acquisition of LLLP (continued)

**Overview (continued)**

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 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 to the SPA was removed.

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 Tobol SPA**

In satisfaction of the Tobol Condition, on September 17, 2014, the Group executed a share purchase agreement with 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 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 2.012 million is due for payment as at December 31, 2016. As announced on November 28, 2014, the interest in the Project is now held 99.99% by the Group and 0.01% by Safin.

In August, 2015 the Group concluded certain amendments to the Tobol SPA agreement related to payment terms which were considered as substantial change in the terms of the debt facility and, accordingly, the Company applied debt extinguishment accounting and calculated a gain on extinguishment of debt of $379 as the difference between the fair value of the amended debts immediately after the amendment ($1,635) and the amortized cost of these debts immediately prior to the amendments ($2,012). The Company calculated the fair value of the amended debts by discounting future cash flows using rates representative of current borrowing rates for debt instruments with similar features (30%).

| **Payable to Tobol** | **In thousand** |
|---|---|
| Balance, December 31, 2014 | **1,805** |
| Accreted interest | 377 |
| Gain on extinguishment | (377) |
| Balance, December 31, 2015 | **1,805** |

**Safin loan**

The loan obligation of LLLP to Safin in the amount of approximately $1.3 million was novated to the Group in October 2014 in consideration of the payment to Safin of USD$1.0 million (refer Note 3).

In April, 2015 the Group concluded certain amendments to the SPA agreement related to payment terms which were considered as substantial change in the terms of the debt facility and, accordingly, the Company applied debt extinguishment accounting and calculated a gain on extinguishment of debt of $2,652 as the difference between the fair value of the amended debts immediately after the amendment ($17,350) and the amortized cost of these debts immediately prior to the amendments ($20,002). The Company calculated the fair value of the amended convertible debts by discounting future cash flows using rates representative of current borrowing rates for debt instruments with similar features (25%).

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

# 3. Acquisition of LLLP (continued)

**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 gross consideration agreed to in exchange for the acquisition of LLP, before factoring the time value of money is as follows:

| Gross purchase consideration paid and accrued | Notes | Amount |
|---|---|---|
| Advance loan to Safin forgiven | | 1,235 |
| Settlement of existing advances in lieu of initial cash payment | | 454 |
| Cash payments | | 31,300 |
| Capital gains taxes paid on behalf of Safin | | 7,678 |
| Shares | | 11,510 |
| Finder's fees | (i) | 2,636 |
| Total | | **54,813** |

i) The Third Finder's Fee installment of $966,000 was subsequently forgiven.

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

| Purchase consideration paid and accrued | Notes | Amount |
|---|---|---|
| **Paid** | | |
| Advance loan to Safin forgiven | | 1,235 |
| Settlement of existing advances in lieu of first initial cash payment | | 454 |
| First Installment Cash payment | | 6,480 |
| First Installment Shares (23,076 thousand common shares) issued | (i) | 5,526 |
| Initial payment of Finder's Fee | | 704 |
| First payment of capital gains taxes on behalf of Safin | | 2,038 |
| Second Instalment Shares (13,086 thousand common shares) | (i) | 3,201 |
| Second Finder's Fee installment | | 966 |
| | | **20,604** |
| **Accrued** | | |
| Third Installment Shares | | 2,783 |
| Second Installment Cash payment | | 10,897 |
| Second payment of capital gains taxes on behalf of Safin | | 2,527 |
| Third Installment of Cash payment | | 9,924 |
| Third payment of capital gains taxes on behalf of Safin | | 2,283 |
| Third Finder's Fee installment | | 609 |
| | | **29,022** |
| **Total purchase consideration** | | **49,627** |

i) The fair value of the First Instalment Shares of 23,076 thousand common shares was based on the discounted fair value of the market price at the Acquisition date of $0.24 per share. The fair value of the Second Instalment Shares of 13,086 thousand common shares was based on the discounted fair value of the market price on issuance date of $0.24 per share. Upon the settlement of the Second Instalment Shares, the Company recognized an accreted interest of $369.

ii) The outstanding third tranche of consideration shares ("Third Instalment Shares") with value of $3,570.0 was issued on February 10, 2014. A total of 39,270.0 million common shares with a fair value of CAD$0.10 per share were issued to Safin. Following this issue of common shares, Safin had direct ownership and direction or control over 75,652.9 common shares of the Company.

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

# 3. Acquisition of LLLP (continued)

The purchase consideration is recognized as current and non-current liabilities on the statement of financial position. Current financial liability is $18,694 as at December 31, 2015:

| Payable to Safin | Amount |
|---|---|
| Balance, December 31, 2013 *(Restated)* | 30,989 |
| Accreted interest | 2,915 |
| Gain on extinguishment | (4,727) |
| Settled balance | (10,000) |
| Balance, December 31, 2014 *(Restated)* | **19,177** |
| Accreted interest | 4,122 |
| Settled balance | (1,953) |
| Gain on extinguishment | (2,652) |
| Balance, December 31, 2015 | **18,694** |

| Identifiable assets acquired and liabilities assumed: | Amount |
|---|---|
| Cash and cash equivalents | 37 |
| Property, plant and equipment and inventory | 5 |
| Exploration and evaluation assets | 67,038 |
| Safin loan | (1,539) |
| Accounts payable and accrued liabilities | (122) |
| NCI | (15,792) |
| | **49,627** |

Details of Exploration and evaluation assets recognized as at December 31, 2015 are as follows:

| Exploration and evaluation assets recognized comprised of: | 2015 | 2014 (Restated) |
|---|---|---|
| Opening balance | 80,637 | 76,264 |
| Identifiable assets acquired in LLLP | — | — |
| Exploration and evaluation costs post acquisition | 2,865 | 4,373 |
| Acquisition costs (professional fees directly related to the acquisition ) | — | — |
| Foreign exchange impact (cumulative translation adjustment) | — | — |
| | **83,502** | **80,637** |

Details of exploration and evaluation costs post Acquisition to December 31, 2015 are as follows:

| Exploration and evaluation cost post acquisition comprised of: | 2015 | 2014 (Restated) |
|---|---|---|
| Exploratory drilling and engineering | 2,865 | 3,580 |
| Wages and benefits | — | 649 |
| Other direct overhead | — | 144 |
| | **2,865** | 4,373 |

# 4. Basis of preparation

These financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were authorized by the Board of Directors on May 06, 2016.

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

# 5. Significant judgments, estimates and assumptions

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

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

*(i) Functional currency*

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of each material entity is the US dollar, except for the parent company, of which its functional currency is the Canadian dollar. Determination of functional currency requires judgment to determine the primary economic environment. The Company reconsiders the functional currency of its entities in light of new events or change in circumstances.

*(ii) Income taxes*

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

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

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

Although the Company has taken steps to ensure the title to mineral property interests in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

*(iv) Impairment of exploration and evaluation assets*

The application of the Group's accounting policy for determining whether it is likely that costs incurred on exploration and evaluation assets will be recovered through successful exploration and development also requires significant judgment. Management evaluates impairment with consideration of the economic and political environments and current mining codes of the countries where they perform exploration.

**Key sources of estimation uncertainty**

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Differences may be material.

# 5. Significant accounting policies (continued)

**Key sources of estimation uncertainty (continued)**

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

*(i) Depreciation*

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

*(ii) Share-based payments*

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

*(iii) Convertible debenture*

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

*(iv) Asset retirement obligation*

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

The Company recognizes the fair value of the liability for a decommissioning obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows to retire the obligation. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statement of operations. The increase in the carrying value of the asset is amortized on the same basis as the resource properties.

**Principles of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned British Columbia incorporated subsidiary, Kazco Minerals Ltd. The accounts of Kazco Minerals Ltd includes its wholly-owned Austrian incorporated subsidiary, Kazco Beteiligungs GmbH. The accounts of Kazco Beteilgungs GmbH includes its wholly-owned Kazakhstan incorporated subsidiary Eurasian Minerals & Mining LLP and 99.99% owned LLLP. All significant inter-company balances and transactions have been eliminated upon consolidation.

**Cash and Cash Equivalents**

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

**Foreign Currency Translation**

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

# 5. Significant accounting policies (continued)

**Foreign Currency Translation (continued)**

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

The consolidated financial statements are presented in US Dollars. The results and financial position of an entity shall be translated into a different presentation currency using the following procedures:
(a) assets and liabilities for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
(b) income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
(c) all resulting exchange differences shall be recognised in other comprehensive income.

**Financial Instruments**

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

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

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

**Compound financial instrument (convertible debenture)**

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

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

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

**Impairment**

*Financial assets*

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

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

# 5. Significant accounting policies (continued)

**Impairment (continued)**

*Financial assets (continued)*

Objective evidence of impairment could include the following:
- Significant financial difficulty of the issuer or counterparty
- Default or delinquency in interest or principal payments
- It has become probable that the borrower will enter bankruptcy or financial reorganization

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

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

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

*Non-financial assets*

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

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

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

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

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

**Exploration and Evaluation Expenditure**

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

Exploration and evaluation activity includes:
- Exploratory drilling and sampling
- Surveying transportation and infrastructure requirement
- Gathering exploration data through geophysical studies

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

# 5. Significant accounting policies (continued)

**Exploration and Evaluation Expenditure (continued)**

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

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

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

**Property and equipment**

*Recognition and Measurement*

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

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

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

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

*Subsequent Expenditures*

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

*Amortization*

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

| Description | Annual depreciation |
|---|---|
| Office furniture | 20% |
| Computer equipment | 43% |

# 5. Significant accounting policies (continued)

**Provisions**

*Decommissioning and restoration provision*

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a liability based on estimated future cash flows discounted at a risk free rate. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the pre-tax rate risk specific to the liability. The liability is also accreted to full value over time through periodic charges to earnings. This unwinding of the discount is charged to financing expense in the statement of loss and comprehensive loss. The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to earnings. The method of amortization follows that of the underlying asset. The costs related to a decommissioning and restoration provision are only capitalized to exploration and evaluation assets to the extent that the amount meets the definition of an asset and can bring about future economic benefit.

*Other provisions*

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

**Income Taxes**

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

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

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the date of the statement of financial position and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

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

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

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

**Share-based payment arrangements**

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

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

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

# 5. Significant accounting policies (continued)

**Segment reporting**

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

**Loss per share**

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

**Future accounting pronouncements**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards, but will adopt by their respective mandatory application date. The Company is currently assessing their impact on its consolidated financial statements.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 has also been amended not to require the restatement of comparative period financial statements for the initial application of the classification and measuring requirements of IFRS 9, but instead requires modified disclosures on transition to IFRS 9. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018. Early application of this standard is permitted.

IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue and IAS 11 Construction Contracts. The new standard provides guidance on whether revenue is to be recognized over time or at a point in time, and expands and improves disclosures about revenue. The standard does not apply to certain contracts such as lease, insurance, financing arrangements, and guarantees other than product warranties. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018. Early application of this standard is permitted.

IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. From the perspective of the lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2019. Early application of this standard is permitted.

(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:

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

* On April 29, 2014, the Company announced the amicable settlement with LogiCamms Limited (“LogiCamms”), with legal proceedings to be withdrawn, subject to payment of USD$645 thousand (AUD$700,000.) by the Company to LogiCamms in 4 instalments, which was completed by the Company during the reporting period.

** The loan obligation of LLLP to Safin in the amount of approximately $1.3 million was novated to the Group in October 2014 in consideration of the payment to Safin of USD$1.0 million (refer Note 3).

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

# 6. Financial instruments (continued)

*(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.

The Group calculated the fair value of the financial instruments by discounting future cash flows using rates representative of current borrowing rates for debt instruments with similar features.

| | **Level 1** | **Level 2** | **Level 3** | **December 31, 2015** |
|---|---|---|---|---|
| Payable to Safin – LLLP acquisition | – | 18,694 | – | 18,694 |
| Payable to Tobol – LLLP acquisition | – | 1,805 | – | 1,805 |
| Convertible debentures | – | 36,473 | – | 36,473 |
| Derivative liability | – | – | 1 | 1 |

| | **Level 1** | **Level 2** | **Level 3** | **December 31, 2014 (Restated)** |
|---|---|---|---|---|
| Payable to Safin – LLLP acquisition | – | 19,177 | – | 19,177 |
| Payable to Tobol – LLLP acquisition | – | 1,805 | – | 1,805 |
| Convertible debentures | – | 33,202 | – | 33,202 |
| Derivative liability | – | – | 16 | 16 |

*(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 financing activities should be sufficient to meet the ongoing capital and operating requirements (see Note 2). As at December 31, 2015, the Company's working capital deficit of $53,124 (December 31, 2014: $26,341).

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

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

# 6. Financial instruments (continued)

*(iv) Currency risk*

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

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

The Company's financial assets and liabilities as at December 31, 2015 are denominated in United States Dollars, Canadian Dollars, British Pound and Kazakhstan Tenge set out in the following table:

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

| **December 31, 2014** | **Canadian Dollar** | **US Dollar** | **Euro** | **Kazakhstan Tenge** | **Total** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalent | 144 | 6,939 | 8 | 899 | 7,990 |
| Accounts receivable | 38 | – | – | – | 38 |
| | **182** | **6,939** | **8** | **899** | **8,028** |
| **Financial liabilities** | | | | | |
| Accounts payables and accrued liabilities | – | (548) | – | (86) | (634) |
| Convertible debentures | (16,733) | (19,674) | – | – | (36,407) |
| Derivative liability | – | (16) | – | – | (16) |
| Payable – Safin SPA - LLLP acquisition | – | (19,177) | – | – | (19,177) |
| Payable to Tobol – LLLP acquisition | – | (1,805) | – | – | (1,805) |
| | **(16,733)** | **(41,220)** | – | **(86)** | **(58,039)** |
| Net financial assets (liabilities) | **(16,551)** | **(34,281)** | **8** | **813** | **(50,011)** |

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

# 6. Financial instruments (continued)

*(iv) Currency risk (continued)*

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

A 10% appreciation of the Kazakhstan Tenge relative to the US dollar would have increased net financial assets by approximately $3.6 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 and restricted to the sum of cash and receivables

*(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.

# 7. Other receivables and prepaid expenses

| | **Notes** | **December 31, 2015** | **December 31, 2014 (Restated)** |
|---|---|---|---|
| **Current** | | | |
| Prepaid expenses | | 23 | 177 |
| Other receivables | | 43 | 38 |
| | | **66** | **215** |
| **Non-current** | | | |
| Long term deposits | | 96 | 84 |
| Other long term assets | | 30 | 87 |
| | | **126** | **171** |

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

# 8. Property and Equipment

| Cost | January 1, 2014 | Additions | Disposals | December 31, 2014 | Additions | December 31, 2015 |
|---|---|---|---|---|---|---|
| Computer equipment | 53 | – | (33) | **20** | 14 | **34** |
| Office Furniture & other | 86 | 3 | (50) | **39** | 2 | **41** |
| | 139 | 3 | (83) | **59** | 16 | **75** |

| Accumulated Depreciation | January 1, 2014 | Depreciation & Amortization | Disposals | December 31, 2014 | Depreciation & Amortization | December 31, 2015 |
|---|---|---|---|---|---|---|
| Computer equipment | **(6)** | (15) | 15 | **(16)** | (16) | **(32)** |
| Office Furniture & other | **(7)** | (13) | 15 | **(15)** | (15) | **(30)** |
| | **(13)** | (28) | 30 | **(31)** | (31) | **(62)** |

| Carrying amount | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Computer equipment | 2 | 4 |
| Office Furniture & other | 11 | 24 |
| | **13** | **28** |

# 9. 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 $19.0 million (CAD$19.57 million).

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 that the Acceleration Event has occurred.

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

# 9. Convertible debentures (continued)

**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 $2.26 million (CAD$2.50 million).

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 MID 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.

**July 2014 Issuance**

On July 14, 2014 the Company completed a private placement of convertible unsecured non-interest bearing debentures ("Third Debenture") for aggregate proceeds of $2.98 million (CAD$3.2 million) ("Third Private Placement").

The July Debenture will mature and become payable on July 14, 2017 ("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 MID; 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 (the "Third Units"); provided, however, (iii) that the Debentures will only be converted into Third 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 Third Debentures into Third Units shall be at a conversion price of: (i) CAD$0.05 per Third Unit if conversion occurs by July 14, 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 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 Third Private Placement were to be used for general working capital purposes.

# 9. Convertible debentures (continued)

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

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

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

The principal amount owing under the October Debentures will be convertible into Shares at the option of each Holder at a price of CAD$0.20 at any time following satisfaction of the following conditions: (i) receipt of all necessary approvals from MID; (ii) approval by the requisite majority of shareholders of the Company; and (iii) where such conversion would not result in a reduction in the existing percentage of common shares of the Company held by persons other than insiders or their associates and affiliates and not subject to resale restrictions (collectively, the "Conversion Conditions").

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

The Company valued the liability component of the October Debentures by calculating the present value of the principal and interest payments, discounted at a rate of 28.64%, being management’s best estimate of the rate that a non-convertible debenture with similar terms would bear for the April 14, 2015 maturity date. The conversion feature of the October Debentures (the derivative liability component) comprises the value of the conversion option based on an option pricing model that reflects the foreign exchange feature using inputs that are consistent with the terms of the instrument. The warrant feature (the equity component) was determined as the residual of the proceeds of issuance and liability components. Based on these calculations, the liability components were $18,797 debt and $16 derivative liability and the residual amount of $1,188 was recorded as equity. As of December 31, 2015 the Group re-estimated the derivative liability at the amount of $1 and adjusted the carrying value of the derivative liability balance accordingly in the statement of financial position.

In December, 2015 the Group concluded certain amendments to the $20 million convertible debts which were considered as substantial change in the terms of the debt facility and, accordingly, the Company applied debt extinguishment accounting and calculated a gain on extinguishment of debt of $1,131 as the difference between the fair value of the amended debts immediately after the amendment ($21,824) and the amortized cost of these debts immediately prior to the amendments ($22,955). The Company calculated the fair value of the amended convertible debts by discounting future cash flows using rates representative of current borrowing rates for debt instruments with similar features (28.64%).

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

# 9. Convertible debentures (continued)

**Accounting treatment**

The Company recognized gain on extinguishment in 2015 for the amount of $1,130 in the statement of profit and loss as a result of amendments made to the terms of convertible debts during 2015 (2014: nil). Also the Company estimated the equity element of the debenture instrument issued in 2014 by discounting future cash flows and recognized related equity item for $2,986 in the statement of changes in equity.

| | Notes | December 31, 2015 | December 31, 2014 (Restated) |
|---|---|---|---|
| Opening balance | | 36,407 | 12,556 |
| Convertible debt issued | | – | 25,270 |
| Allocation of equity portion | | – | (2,986) |
| Accreted interest | | 5,543 | 2,948 |
| Foreign exchange impact | | (2,879) | (1,381) |
| Gain on extinguishment of debt | | (1,130) | – |
| | | **37,941** | **36,407** |

# 10. Asset retirement obligation

| | Notes | December 31, 2015 | December 31, 2014 (Restated) |
|---|---|---|---|
| Social Sphere Provision | (i) | 48 | 89 |
| Liquidation Fund Provision | (ii) | 39 | 57 |
| | | 87 | 146 |
| Current portion | | – | – |
| Non-current portion | | 87 | 146 |
| | | 87 | 146 |

*(i) Social Sphere Provision*

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

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

*(ii) Liquidation Fund Provision*

Pursuant to the Contract the Company is obliged to make annual allocations to the liquidation fund. These funds are accumulated in a special bank account and are restricted for use until the Competent body provides permission for expenditure. The provision is recognized at amortized cost using a discount rate of 5.5%, which is LLLP’s borrowing rate. As at December 31, 2015, the Company has deposited $96 in the Liquidation Fund.

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

# 11. Share capital

Authorized unlimited common shares without par value.

**Stock option**

| | December 31, 2015 | | December 31, 2014 (Restated) | |
|---|---|---|---|---|
| | **Number of options (000's)** | **Weighted average exercise price (CAD$)** | **Number of options (000's)** | **Weighted average exercise price (CAD$)** |
| Outstanding - beginning of period | — | — | 4,000 | 0.17 |
| Granted | — | — | — | — |
| Expired | — | — | (4,000) | (0.17) |
| Outstanding - end of period | — | — | — | — |

On July 15, 2013, the Company granted 4,000 stock options with an exercise price of CAD$0.17 to management. The options are valuated through the Black-Scholes model with the following assumptions: 111.29% volatility, 0% annual rate of dividends, 1.82% annual risk free rate, and an expected life of option of 1 year.

On July 15, 2014, the incentive stock options granted to Mr. Campbell Smith to purchase up to 4,000.0 common shares in its capital stock at a price of CAD$0.17 per share (subject to receipt of approval from MINT) expired.

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

# 12. 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 outstanding with related parties:

| | December 31, 2015 | December 31, 2014 (Restated) |
|---|---|---|
| Payable to Safin – LLLP acquisition | 18,694 | 19,177 |

The Company incurred the following expenses with related parties:

| | Year ended December 31, 2015 | Year ended December 31, 2014 (Restated) |
|---|---|---|
| Management compensation | 453 | 596 |
| Stock based compensation (non-cash) | – | – |
| Directors fees | 48 | 37 |

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

Directors fees include compensation to Director, not a holder of shares in Kazakh group entities in the amount of $30 thousand and another Director, not a holder of shares in Kazakh group entities in the amount of $18 thousand (Director, not a holder of shares in Kazakh group entities). The Company's directors do not provide any other additional services to the Group other than being members of the Board of Directors of the Company.

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

The Company does not generate cash flow from operations and has therefore relied principally upon the issuance of securities to, and loans from, two of the Company's directors for financing. In April 2014, two of the Company's directors advanced $2,260 (equivalent to CAD$ 2,500,000) through completion of a private placement of convertible debentures, in July 2014 they advanced $2,980 (equivalent to CAD$ 3,200,000) through completion of a private placement of convertible debentures and in September 2014, they advanced $20,000 on terms that were subsequently renegotiated in October 2014 by way of issuance of convertible debentures (see note 10).

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

# 13. Income tax

The Company is subject to Canadian federal and provincial tax, Austrian Tax, and Kazakhstan tax for the estimated assessable profit for the years ended December 31, 2015 and 2014. The Company has no assessable profit for the years ended December 31, 2015 and 2014.

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

| | Year ended December 31, 2015 | Year ended December 31, 2014 (Restated) |
|---|---|---|
| Current income tax | — | — |
| Deferred income tax | (1,472) | (1,296) |
| Total income tax | **(1,472)** | **(1,296)** |

| | Year ended December 31, 2015 | Year ended December 31, 2014 (Restated) |
|---|---|---|
| Net loss before income tax | **(6,742)** | **(3,945)** |
| Canadian income tax rate | 26.50% | 26.50% |
| Income tax | **(1,787)** | **(1,045)** |
| | | |
| Non-deductible expenses | — | — |
| Tax effect on deferred tax assets for which no tax benefits has been recorded | 315 | (251) |
| Total income tax | **(1,472)** | **(1,296)** |

| | December 31, 2015 | December 31, 2014 (Restated) |
|---|---|---|
| **Deferred income tax assets** | | |
| Non-capital losses | 3,882 | 2,822 |
| | **3,882** | **2,822** |
| **Deferred income tax liability** | | |
| Convertible debentures | (2,317) | (2,723) |
| | **(2,317)** | **(2,723)** |
| Tax effect of tax losses not recognized | **(1,565)** | **(99)** |
| **Deferred income tax – net asset** | — | — |

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

| | December 31, 2015 | December 31, 2014 (Restated) |
|---|---|---|
| Non-capital losses | 3,882 | 2,822 |
| Other | — | — |
| Total unrecognized deductible temporary differences | **3,882** | **2,822** |

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

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

# 13. Income tax (continued)

At December 31, 2015, the Company has non-capital losses of $14,649 available for carry forward which may be applied to reduce future year's taxable income. These losses, if not utilized, will expire as follows:

| **Expiry date (year)** | |
|---|---|
| 2026 | 6 |
| 2027 | 47 |
| 2028 | 54 |
| 2029 | 137 |
| 2030 | 118 |
| 2031 | 4,290 |
| 2032 | 2,760 |
| 2033 | 3,239 |
| 2034 | 3,998 |
| **Total** | **14,649** |

# 14. Capital management

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

The Company manages and reviews its capital structure based on the funds available for its operations and make adjustments for changes in economic conditions, capital markets and risk characteristics of the underlying assets. The Company expects it will be able to obtain equity financing and generate positive cash flow to maintain and grow operations. However, to maintain or adjust the capital structure, the Company may issue new shares, seek debt financing, acquire or dispose assets or change the timing of its planned exploration and development projects.

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

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

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

There have not been any changes to the Company's capital management policy during the periods ended December 31, 2015 and 2014.

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

# 15. Restatement

During the year ended December 31, 2014 and 2015, the Company identified certain accounting differences necessitating restatement of previously issued financial statements. The nature of the accounting differences are as follows:

a) Pursuant to the terms of the SPA (Note 3) and completion of the acquisition of a 74.99% interest in LLP on February 15, 2013, the Company agreed to make cash payments and issue common shares to Safin as consideration for the acquisition. Installment two and three were erroneously accounted for as shares payable rather than as share capital which is required as the acquisition was accounted for as an acquisition of assets.

b) As summarized in Note 3, the Company agreed to amendment to the SPA on September 17, 2014. The amendment should have been accounted for as an extinguishment and recognized at fair value as at the date of the amendment resulting in a gain in the amount of $4,727 equal to the difference between the carrying value of the payable to Safin and the fair value of the new liability.

c) The translation of convertible debts into presentation currency did not consider the foreign exchange impact that was required to be included in the foreign translation reserves within equity (Note 9).

A further adjustment was made to the restatement to reclassify amounts between liability and equity and to correct fiscal 2014 opening deficit for finance costs relating to fiscal 2013. The nature of these accounting differences relates to the items discussed above.

The impact of above to the 2014 consolidated financial statements is as follows:

| **Statement of financial position** | As reported Dec 31, 2014 | Adjustment | As restated Dec 31, 2014 |
|---|---|---|---|
| Exploration and evaluation assets | 80,975 | (338) | 80,637 |
| Payable to Tobol | 2,012 | (207) | 1,805 |
| Payable to Safin – LLLP acquisition – non-current portion | 10,348 | (3,671) | 6,677 |
| Convertible debentures | 38,368 | (1,961) | 36,407 |
| Share capital | 38,925 | (1,156) | 37,769 |
| Opening deficit | (22,725) | 443 | (22,282) |
| Opening foreign translation difference | (1,234) | 399 | (835) |
| Deficit | (30,330) | 5,399 | (24,931) |
| Reserves | 16,827 | 1,258 | 18,085 |
| Total equity for owners | 25,422 | 5,501 | 30,923 |
| Total equity | 25,423 | 5,501 | 30,924 |

| **Statement of Net Loss and Comprehensive Loss** | As reported Year ended December 31, 2014 | Adjustment | As restated Year ended December 31, 2014 |
|---|---|---|---|
| Finance cost | (5,261) | (293) | (5,554) |
| Gain on extinguishment of payables | 278 | 4,727 | 5,005 |
| Net loss before income tax | (8,379) | 4,434 | (3,945) |
| Deferred tax effect | 774 | 522 | 1,296 |
| Net loss | (7,605) | 4,956 | (2,649) |
| Cumulative translation adjustment | (90) | (1,201) | (1,291) |
| Comprehensive loss | (7,695) | 3,755 | (3,940) |

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

# 15. Restatement (continued)

| **Statement of Cash Flows** | As reported Year ended December 31, 2014 | Adjustment | As restated Year ended December 31, 2014 |
|---|---|---|---|
| Net loss | (7,605) | (4,956) | 2,649 |
| Accreted interest – convertible debt | 3,172 | (187) | 2,985 |
| Accreted interest – Tobol | – | 131 | 131 |
| Accreted interest – Safin | 2,089 | 349 | 2,438 |
| Deferred income tax recovery | (774) | (522) | (1,296) |
| Gain on extinguishment of Payable to Safin and Logicamm | 278 | 4,727 | 5,005 |

# 16. Subsequent events

In April, 2016 the Group negotiated to extend the maturity for the $20 million convertible debts and Safin liability to a date not earlier April 29, 2017.