# STANS ENERGY CORP.

**(Incorporated under the Laws of Ontario)**

## Interim Condensed Consolidated Financial Statements

## For the Three months period ended March 31, 2015 and 2014

**(Unaudited)**

**(Expressed in Canadian Dollars)**

The accompanying unaudited interim condensed consolidated financial statements of Stans Energy Corp. for the three months period ended March 31, 2015 and 2014 have been prepared by management and approved by the Board of Directors of the Company. These statements have been not reviewed by the Company's external auditors.

**Stans Energy Corp.**

**Interim Condensed Consolidated Statements of Financial Position**
**(Expressed in Canadian dollars)**

| | | | March 31, 2015 | | December 31, 2014 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current Assets** | | | | | |
| Cash | | $ | **18,242** | $ | 176,699 |
| VAT receivable | | | **126,063** | | 138,840 |
| Prepaids and other assets | Note 5 | | **87,190** | | 138,831 |
| | | | **231,495** | | 454,370 |
| **Property, plant and equipment** | Note 7 | | **94,974** | | 101,254 |
| | | $ | **326,469** | $ | 555,624 |
| **Liabilities and Shareholders' Equity** | | | | | |
| **Current Liabilities** | | | | | |
| Accounts payable and accrued liabilities | | $ | **599,571** | $ | 203,442 |
| **Equity** | | | | | |
| Common shareholders' equity | | | | | |
| Share capital | Note 8 a | | **43,124,818** | | 43,110,033 |
| Share purchase warrants | Note 8 b | | **10,325** | | - |
| Contributed surplus | Note 8 c | | **16,708,398** | | 16,672,242 |
| Accumulated other comprehensive income | | | **173,917** | | 112,617 |
| Deficit | | | **(60,076,909)** | | (59,367,964) |
| **Total common shareholders' equity** | | | **(97,539)** | | 526,928 |
| Non-controlling interest | Note 9 | | **(175,563)** | | (174,746) |
| **Total Equity** | | | **(273,102)** | | 352,182 |
| | | $ | **326,469** | $ | 555,624 |

**Going concern (Note 1)**
**Commitments (Note 17)**
**Subsequent Events (Note 18)**

Approved by the Board of Directors on May 29, 2015:

*"Gordon Baker",* DIRECTOR

*"Rodney Irwin",* DIRECTOR

*"Douglas Underhill",* DIRECTOR

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

## Stans Energy Corp.

### Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
### (Expressed in Canadian dollars)

| | | Three months ended | |
|---|---|---|---|
| | | **March 31, 2015** | March 31, 2014 |
| **Expenses** | | | |
| **General and Administrative** | | **$** | $ |
| Office and administration | Note 13 | **328,292** | 581,832 |
| Depreciation | | **6,648** | 8,647 |
| Consulting fees | | **99,528** | 67,788 |
| Professional fees | | **242,552** | 191,658 |
| Stock-based compensation | Note 8 c | **36,156** | 70,668 |
| Foreign exchange loss | | **7,619** | 85,694 |
| Interest income | | **(871)** | (9,757) |
| Gain on disposal of Property, Plant and Equipment | | **(833)** | - |
| Gain on disposal of materials | | **(7,665)** | - |
| Other revenue | | **(1,843)** | - |
| Maintenance and other costs | | **179** | 66,445 |
| **Other Operating costs** | | | |
| Expenditures on impaired assets | | **-** | 144,038 |
| **Net loss for the period** | | **709,762** | 1,207,013 |
| **Net loss for the period after tax** | | **709,762** | 1,207,013 |
| **Attributable to:** | | | |
| Non-controlling interest | | **817** | **2,697** |
| Common shareholders | | **708,945** | **1,204,316** |
| **Other comprehensive loss** | | | |
| Foreign currency translation of foreign operations | | **23,212** | 137,828 |
| **Comprehensive loss for the period** | | **732,157** | 1,344,841 |
| **Attributable to:** | | | |
| Non-controlling interest | Note 9 | **817** | 2,697 |
| Common shareholders | | **732,157** | 1,342,144 |
| **Basic and diluted loss per share** | Note 14 | **$** 0.00 | $ 0.01 |
| **Weighted average number of common shares** | | | |
| Basic and diluted | | **157,598,786** | 157,263,986 |

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

**Stans Energy Corp.**

**Interim Condensed Consolidated Statements of Changes in Equity**
**(Expressed in Canadian dollars)**

| | | Three months ended March 31, 2015 | | March 31, 2014 |
|---|---|---|---|---|
| **Share Capital** | | | | |
| Balance beginning of period | $ | **43,110,033** | $ | 43,110,033 |
| Private placement | | **25,110** | | - |
| Fair value of attached warrants on private placements | | **(10,325)** | | - |
| Balance at the end of the period | $ | **43,124,818** | $ | 43,110,033 |
| **Share purchase warrants** | | | | |
| Balance beginning of period | $ | **-** | $ | - |
| Fair value of warrants issued | | **10,325** | | - |
| Balance at the end of the period | $ | **10,325** | $ | - |
| **Contributed Surplus** | | | | |
| Balance beginning of period | $ | **16,672,242** | $ | 16,378,138 |
| Stock-based compensation | | **36,156** | | 70,668 |
| Balance at the end of the period | $ | **16,708,398** | $ | 16,448,806 |
| **Cumulative translation adjustment** | | | | |
| Balance beginning of period | $ | **112,617** | $ | 265,604 |
| Foreign currency translation adjustment | | **23,212** | | 137,828 |
| Balance at the end of the period | $ | **135,829** | $ | 403,432 |
| **Deficit** | | | | |
| Balance beginning of period | $ | **(59,367,964)** | $ | (54,011,765) |
| Net loss attributed to common shareholders | | **(708,945)** | | (1,204,316) |
| Balance at the end of the period | $ | **(60,076,909)** | $ | (55,216,081) |
| Total common shareholders' equity | $ | **(97,539)** | $ | 4,746,190 |
| **Non-controlling interest** | | | | |
| Balance beginning of period | $ | **(174,746)** | $ | (165,066) |
| Net loss attributed to non-controlling interest | | **(817)** | | (2,697) |
| Balance at the end of the period | $ | **(175,563)** | $ | (167,763) |
| Total Equity | $ | **(273,102)** | $ | 4,578,427 |

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

## Stans Energy Corp.

**Interim Condensed Consolidated Statements of Cash Flows**
**(Expressed in Canadian dollars)**

| | Three months ended | |
|---|---|---|
| | **March 31, 2015** | March 31, 2014 |
| **Cash Provided By (Used In)** | | |
| **Operations** | | |
| Net loss | $ **(709,762)** | $ (1,207,013) |
| Adjustment for non-cash items | | |
| Stock-based compensation | **36,156** | 70,668 |
| Depreciation | **6,648** | 8,647 |
| Unrealized foreign exchange loss | **7,619** | 85,694 |
| Gain on disposal of Property, Plant and Equipment | **(833)** | - |
| Expenditures on impaired assets | **-** | 144,038 |
| Changes in non-cash working capital: | | |
| VAT receivable | **(12,777)** | (25,972) |
| Prepaids and other assets | **(51,641)** | (21,547) |
| Accounts payable and accrued liabilities | **396,129** | 135,433 |
| | **(328,461)** | (810,052) |
| **Financing** | | |
| Shares issued on private placement | **25,110** | - |
| | **25,110** | - |
| **Investing** | | |
| Interest received | **871** | 9,757 |
| Disposals (additions) property, plant and equipment | **1,352** | (134,300) |
| Expenditures on mineral properties | **-** | (9,738) |
| | **2,223** | (134,281) |
| Effect of exchange rate changes on cash | **142,671** | (106,705) |
| **Net change in cash** | **(158,457)** | (1,051,038) |
| Cash and Cash Equivalents, beginning of period | **176,699** | 5,261,841 |
| **Cash and Cash Equivalents, end of period** | **$ 18,242** | $ 4,210,803 |

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

## 1. DESCRIPTION OF BUSINESS AND GOING CONCERN

Stans Energy Corp. (the "Company" or "Stans") was incorporated on September 26, 2005 under the laws of the Province of Ontario. The Company is engaged in the business of the acquisition and development of mineral deposits such as uranium, molybdenum, vanadium, beryllium, lithium and rare earth metals in the Kyrgyz Republic. Stans' common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol HRE. The head office, principal address and records office of the Company are located at 8 King St. East, Suite 205, Toronto, Ontario, M5C 1B5.

These interim condensed consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue its exploration and development activities for the foreseeable future and will be able to discharge its liabilities in the normal course of business as they become due. As at March 31, 2015, the Company had an accumulated deficit of $60,076,909 and cash of $18,242. The Company incurred a loss for the period ended March 31, 2015 of $709,762 and cash used in operations of $328,461.

The Company is currently in legal disputes with the Kyrgyzstan Government in relation to its Kutessay and Kalesay mineral properties licenses (see Note 7). This has resulted in the Company significantly reducing its exploration activities and future planned exploration activities. Further, due to depressed prices of rare earth elements and the uncertainty with its revoked Kutessay and Kalesay mineral properties licenses by the State Agency of Geology and Mineral Resources of the Kyrgyz Republic, the Company deferred its plans to refurbish and update the Kashka Rare Earth Processing Facility. In relation to these events, the Company recorded additional expenditures on properties and plant expense of $Nil for the period ended March 31, 2015, $1,115,806 for the year ended December 31, 2014 and impairment of $18,857,551 during the year ended December 31, 2013.

There is no assurance that the Company will be successful in collecting the USD $118,206,057 awarded to the Company by the Arbitration Court at the Moscow Chamber of Commerce and Industry (the "MCCI Tribunal") on June 30, 2014 related to the legal disputes in connection with the Kutessay and Kalesay exploration licenses with the Kyrgyzstan Government. There is also no assurance that the Company will be able to find alternative sources of ore for its Kashka Rare Earth Processing Facility or obtain alternative sources of financing. Accordingly this results in material uncertainties which cast significant doubt as to the Company's ability to continue to operate as a going concern. If the going concern assumption was not appropriate for the consolidated financial statements, then adjustments may be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position, classifications used, and such adjustments could be material.

On May 29, 2015, the Board of Directors approved the consolidated financial statements for the period ended March 31, 2015.

## 2. BASIS OF PRESENTATION

These unaudited interim condensed consolidated financial statements ("interim financial statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34"). The accounting policies applied in these interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2014. There have been no changes from the accounting policies applied in the December 31, 2014 financial statements.

These interim financial statements do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual audited consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013 prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

**(Expressed in Canadian dollars)**

These consolidated financial statements include the accounts of Stans and its subsidiaries. Subsidiaries are entities controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. Where the Company's interest in a subsidiary is less than 100%, the Company recognizes non-controlling interests. All intercompany balances, transactions, income, expenses, profits and losses, including unrealized gains and losses have been eliminated on consolidation. Stans and all of its subsidiaries have a reporting date of December 31.

The following companies have been consolidated within these consolidated financial statements:

| Company | Registered | % of ownership and voting rights | Principal activity | Functional currency |
|---|---|---|---|---|
| Subsidiaries | | | | |
| Stans Energy Corp. | Canada | n/a | Corporate and holding | CAD |
| Stans Energy KG LLC. | Kyrgyz Republic | 100% | Exploration | USD |
| Kutisay Mining LLC. | Kyrgyz Republic | 99.9% | Exploration | USD |
| Kashka REE Plant Ltd. | Kyrgyz Republic | 100% | Extraction | USD |
| SevAmRus CJSC | Russian Federation | 99% | Research | RUB |
| Didim Inc.(*) | Russian Federation | 99% | Research | RUB |

* The Company, through its subsidiary SevAmRus CJSC, acquired Didim Inc. on September 1, 2014 for $280 (RUB 9,900), and in March 2015 SevAmRus transferred controlling interest in Didim to Stans

## 3. SIGNIFICANT ESTIMATES AND ASSUMPTIONS AND ACCOUNTING CHANGES

### Significant Accounting Estimates and Assumptions

The preparation of these interim financial statements requires the use of certain significant accounting estimates and judgment by management in applying the Company's accounting policies. The areas involving significant judgment and estimates have been set out in Note 5 of the Company's annual audited consolidated financial statements for the year ended December 31, 2014.

### Future Changes in Accounting Policies

Information on new standards, amendments and interpretations that has not been issued but is not yet effective and that are expected to be relevant to the Company's consolidated financial statements are provided below:

IFRS 9 "Financial Instruments" ("IFRS 9") introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

**(Expressed in Canadian dollars)**

This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 15 “Revenue from Contracts with Customers” (“IFRS 15”) contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The new standard is effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

## 4. SEGMENTED INFORMATION

As at March 31, 2015 the Company’s assets were located in the following countries:

| | | March 31, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| Canada | $ | **66,003** | $ | **263,722** |
| Kyrgyz Republic | | **155,203** | | **161,993** |
| Russia | | **105,262** | | **129,609** |
| Total | $ | **326,469** | $ | **555,325** |

## 5. PREPAID EXPENSES AND OTHER ASSETS

| | | March 31, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| Prepaid expenses | $ | **76,249** | $ | 127,962 |
| Consumables | | **1,196** | | 1,188 |
| Inventories | | **9,745** | | 9,681 |
| Total | $ | **87,190** | $ | 138,831 |

## 6. IMPAIRMENT

The Company considers both quantitative and qualitative factors to assess impairment. Since early 2013, the Kyrgyzstan Government and the Company have been involved in a legal dispute with respect to its Kutessay and Kalesay exploration licenses. A chronological summary of events is described below:

(i) On April 2, 2013 the Kyrgyz State Prosecutor's Office initiated legal proceedings against the Kyrgyz State Geological and Mineral Resources Agency ("SGA") in the Inter-District Court of the City of Bishkek. The State Prosecutor's Office put forward an application to lift the three-year statute of limitations to allow them to present to the court their claim of request to nullify the minutes of the December 21, 2009 meeting between the SGA and Open Stock Company ("OSC") 'Kutisay Mining' which granted OSC 'Kutisay Mining' mining licenses for the Kutessay II and Kalesay deposits. OSC 'Kutisay Mining' was a 100% state-owned special purpose entity, created to hold mining licenses for the Kutessay II and Kalesay deposits. It was put up for an open and previously advertised government auction on December 29, 2009. Stans Energy's local subsidiary, Stans Energy KG LLC, acquired OSC 'Kutisay Mining' on December 29, 2009 through this auction, where the sum of USD $855,000 was paid to the Government of Kyrgyzstan. Stans Energy KG LLC was subsequently re-registered OSC 'Kutisay Mining' as it's fully owned subsidiary 'Kutisay Mining LLC'.

(ii) On May 3, 2013 the Inter-District Court of Bishkek, at the request of the Kyrgyz State Prosecutor's Office, issued an injunction to suspend communications between Company's subsidiary 'Kutisay Mining LLC' and the SGA, until such time that an ongoing above mentioned court case is resolved.

(iii) On October 31, 2013 Stans Energy commenced international arbitration against the Government of Kyrgyzstan for its expropriatory and unlawful treatment of the Company in relation to the Kutessay II rare earth project. The claim seeks USD $117,853,000 in compensation for losses and damage. The arbitration which was brought by Stans and its subsidiaries and took place under the Convention for the Protection of Investor's Rights to which Kyrgyzstan is a signatory. On June 30, 2014 the MCCI Tribunal awarded USD $118,206,057 for recovery by the Company. Final arguments for award enforcement of the USD $118 million MCCI Tribunal award are expected to be presented to the Ontario Court of Justice by June 29, 2015.

(iv) On March 19, 2014, the Inter-District Court of Bishkek ruled in favour of the Kyrgyz General Prosecutor's Office with respect to its claim regarding Stans' wholly owned Kutessay II project. In April 2014, the Company filed an appeal to the Bishkek City Court in response to the ruling from the Inter-District Court of Bishkek in favor of the Kyrgyz General Prosecutor's Office claim. In October 2014, Stans received a ruling of the Bishkek City Court dated July 30, 2014 to leave the March 19, 2014 decision in effect. Stans filed the supervisory appeal to the Supreme Court of the Kyrgyz Republic and on March 24, 2015 the Supreme Court ruled the final judgment to dismiss the supervisory appeal with no right for further appeal.

(v) On November 3, 2014, the SGA through its licensing committee notified Kutisay Mining LLC that it was revoking the licenses for Kutessay II and Kalesay properties. Stans filed a claim to the Inter-District Court of Bishkek contesting the SGA decision to revoke the license based on the July 30, 2014 ruling by the Bishkek City Court. On December 8, 2014 the Inter-District Court ruled to dismiss the appeal. On December 24, 2014, Stans Energy appealed the December 8, 2014 decision to the Bishkek City Court. On January 27, 2015 the Bishkek City Court ruled to leave the decision in effect and it's subject to further appeals to the Supreme Court of the Kyrgyz Republic. Stans maintains the right to appeal for a year period from the date of the last decision.

During 2013, due to the above legal matters not enabling the Company to explore and develop its mineral properties and the inability to identify a feasible alternate source of rare earth elements that could be processed at the Kashka Rare Earth Processing Facility ("plant"), the Company determined that there were indicators of impairment for its mineral properties; property plant and equipment; and other assets in Kyrgyzstan. As a result at September 30, 2013, the Company in accordance with IAS 36, Impairment of Assets, recorded an impairment of $18,857,551 which included $9,324,431 relating to its interests in the Kyzyluraan, Aktyuz, Kutessay II and Kalesay properties; $7,695,899 relating to the Kashka Rare Earth Processing Facility); and write off of $1,837,221 in prepaid expenses and other assets.

**(Expressed in Canadian dollars)**

## 7. PROPERTY, PLANT AND EQUIPMENT

| | | Equipment and Vehicles | | Office & Computer Equipment | | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance at Jan 1, 2015 | $ | 8,775,020 | $ | 139,414 | $ | 8,914,434 |
| Disposal | | - | | (2,363) | | (2,363) |
| Foreign exchange impact | | 934,540 | | 14,848 | | 949,387 |
| Balance before impairment and depreciation | | 9,709,560 | | 151,898 | | 9,861,458 |
| Depreciation and Impairment | | | | | | |
| Balance at Jan 1, 2015 | $ | (8,681,256) | $ | (131,924) | $ | (8,813,180) |
| Depreciation | | (4,848) | | (1,800) | | (6,648) |
| Disposal | | - | | 1,843 | | 1,843 |
| Foreign exchange impact | | (933,782) | | (14,718) | | (948,499) |
| Balance at March 31, 2015 | | (9,619,886) | | (146,598) | | (9,766,484) |
| **Net Book Value as of March 31, 2014** | **$** | **89,674** | **$** | **5,301** | **$** | **94,974** |

The summary of the property, plant and equipment for the year ended December 31, 2014 is as follows:

| | | Equipment and Vehicles | | Office & Computer Equipment | | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance at Jan 1, 2014 | $ | 8,045,092 | $ | 132,163 | $ | 8,177,255 |
| Disposals | | - | | (4,740) | | (4,740) |
| Foreign exchange impact | | 729,928 | | 11,991 | | 741,919 |
| Balance before impairment and depreciation | | 8,775,020 | | 139,414 | | 8,914,434 |
| Depreciation and Impairment | | | | | | |
| Balance at Jan 1, 2014 | $ | (7,896,209) | $ | (107,658) | $ | (8,003,867) |
| Depreciation | | (19,042) | | (14,415) | | (33,457) |
| Disposals | | - | | 4,740 | | 4,740 |
| Foreign exchange impact | | (766,005) | | (14,591) | | (780,596) |
| Balance at December 31, 2014 | | (8,681,256) | | (131,924) | | (8,813,180) |
| **Net Book Value as of Dec. 31, 2014** | **$** | **93,764** | **$** | **7,490** | **$** | **101,254** |

During the year ended December 31, 2014, the Company recorded an additional expenditures expense of $719,762 relating to the impaired Kashka Rare Earth Processing Facility, expenditures to maintain the plant and for completion of technical reports and researches.

**(Expressed in Canadian dollars)**

## 8. SHARE CAPITAL

(a) Authorized and issued capital

The Company has unlimited authorized common shares with no par value. A summary of common share transactions for the three months ended March 31, 2015 and year ended December 31, 2014 is as follows:

| | Number of shares | | Amount |
|---|---|---|---|
| Balance, December 31, 2013 | 157,263,986 | $ | 43,110,033 |
| Balance, December 31, 2014 | 157,263,986 | $ | 43,110,033 |
| Shares issued in private placement (i) | 334,800 | $ | 14,785 |
| **Balance, March 31, 2014** | **157,263,986** | **$** | **43,124,818** |

(i) On March 23, 2015, the Company issued 334,800 units at a price of $0.075 per unit for gross proceeds of $25,110 and net proceeds of $14,785 (less fair value of warrants). No finders' fees were paid. Pursuant to Canadian securities laws, the securities issuable under this private placement are subject to a hold period which expires on July 24, 2015. Each unit consisted of one common share in the capital of the Company and one share purchase warrant. Each warrant is exercisable to acquire one additional common share of the Company for a period of 24 months from date of issue at a price of $0.10 per common share.

(b) Warrants

A summary of the status of the common share purchase warrants during the three months ended March 31, 2014 is as follows:

| | | March 31, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| Balance, beginning of period | $ | **-** | $ | - |
| Issued (i) | | **10,325** | | - |
| Balance, end of period | $ | **10,325** | $ | **-** |

(i) On March 23, 2015, as a part of private placement, the Company issued 334,800 warrants to purchase one Company share at $0.10 per warrant before March 24, 2017. The fair value of warrants has been estimated to be $10,325 using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 157.6%; risk-free interest rate of 1.00% and an expected life of 2 years.

(c) Stock options

Under the terms of the Company's Stock Option Plan (the "Plan"), the maximum number of shares reserved for issuance under the Plan is 10% of the issued shares on a rolling basis. Options may be exercisable over periods of up to 10 years as determined by the board of directors of the Company and the exercise price shall not be less than the closing price of the shares on the day preceding the award date, subject to regulatory approval.

The following table summarizes information about stock options outstanding and exercisable at March 31, 2015:

**(Expressed in Canadian dollars)**

| | Number of options | | Weighted average exercise price |
|---|---|---|---|
| Balance at January 1, 2013 | 14,423,333 | $ | 0.90 |
| Granted | 1,500,000 | | 0.18 |
| Cancelled/Expired | (3,933,333) | | 1.13 |
| Balance at December 31, 2013 | **11,990,000** | **$** | **0.81** |
| Granted (i) | 2,700,000 | | 0.07 |
| Forfeited (ii) | (300,000) | | 0.94 |
| Granted (iii) | 800,000 | | 0.13 |
| Granted (iv) | 300,000 | | 0.18 |
| Balance at December 31, 2014 | **15,490,000** | **$** | **0.63** |
| Expired (v) | **(1,550,000)** | | **0.37** |
| Forfeited (vi) | **(65,000)** | | **0.60** |
| Balance at March 31, 2015 | **13,875,000** | | **0.57** |

(i) On March 3, 2014, the Company granted 2,700,000 stock options to directors and officers with the vesting period of 18 months. Each option entitles the holder to purchase one common share at $0.07 per share at any time on or before March 3, 2019. The fair value of these stock options of $171,131 was estimated at the grant date based on the Black-Scholes pricing model.

(ii) On April 6, 2014, 300,000 stock options issued to the Company officer were forfeited due to an officer resignation on January 6, 2014.

(iii) On June 3, 2014, the Company granted 800,000 stock options to a director and an officer with the vesting period of 18 months. Each option entitles the holder to purchase one common share at $0.13 per share at any time on or before June 3, 2019. The fair value of these stock options of $92,338 was estimated at the grant date based on the Black-Scholes pricing model

(iv) On July 8, 2014, the Company granted 300,000 stock options to its director, with the vesting period of 18 months. Each option entitles the holder to purchase one common share at $0.18 per share at any time on or before July 8, 2019. The fair value of these stock options of $46,360 was estimated at the grant date based on the Black-Scholes pricing model.

(v) On January 12, 2015, 1,550,000 stock options to purchase one common share at $0.37 expired unexercised.

(vi) In January 2015, 15,000 stock options stock options to purchase one common share at $1.85 with the expiry date May 26, 2016 and 50,000 stock options stock options to purchase one common share at $0.23 with the expiry date May 2, 2018 were Forfeited due to termination of KG employees.

The following table reflects the actual stock options issued and outstanding as of March 31, 2015 (all options are exercisable into one common share of Stans):

**(Expressed in Canadian dollars)**

| | Option price ($) | Number of options outstanding | Number of options vested and exercisable | Remaining contractual life of options outstanding, years | Vesting Exercise period (months) |
|---|---|---|---|---|---|
| 29-Apr-15 | 0.32 | 835,000 | 835,000 | 0.08 | 18 |
| 18-Jun-15 | 0.25 | 1,600,000 | 1,600,000 | 0.22 | 18 |
| 26-May-16 | 1.85 | 2,600,000 | 2,600,000 | 1.16 | 18 |
| 14-Jul-16 | 1.46 | 200,000 | 200,000 | 1.29 | 18 |
| 03-Aug-16 | 1.39 | 500,000 | 500,000 | 1.35 | 18 |
| 10-Jan-17 | 0.74 | 2,200,000 | 2,200,000 | 1.78 | 18 |
| 27-Feb-17 | 1.12 | 40,000 | 40,000 | 1.92 | 9 |
| 11-May-17 | 0.74 | 100,000 | 100,000 | 2.12 | 18 |
| 11-May-17 | 0.74 | 200,000 | 200,000 | 2.12 | 18 |
| 02-Aug-17 | 0.61 | 350,000 | 350,000 | 2.34 | 18 |
| 21-Mar-18 | 0.41 | 100,000 | 100,000 | 2.98 | 18 |
| 02-May-18 | 0.23 | 50,000 | 50,000 | 3.09 | 18 |
| 02-May-18 | 0.23 | 200,000 | 200,000 | 3.09 | 18 |
| 23-Oct-18 | 0.15 | 1,100,000 | 916,667 | 3.57 | 18 |
| 03-Mar-19 | 0.07 | 2,700,000 | 1,800,000 | 3.93 | 18 |
| 03-Jun-19 | 0.13 | 800,000 | 400,000 | 4.18 | 18 |
| 08-Jul-19 | 0.18 | 300,000 | 100,000 | 4.27 | 18 |
| | | 13,875,000 | 12,191,667 | 2.16 | |

## 9. NON-CONTROLLING INTEREST

| | SevAmRus(*) | Stans Energy KG (**) | Total |
|---|---|---|---|
| Total as of December 31, 2013 | $ (12,064) | $ (153,002) | $ (165,066) |
| Share of income (loss) | (4,611) | (5,069) | (9,680) |
| Total as of December 31, 2014 | $ (16,675) | $ (158,071) | $ (174,746) |
| Share of income (loss) | (318) | (499) | (817) |
| Total as of March 31, 2015 | $ (16,993) | $ (158,570) | $ (175,563) |

* Non-controlling interest includes Didim Inc. from September 1, 2014
** Non-controlling interest includes Kutisay Mining Corp. and Kashka REE Plant Ltd until March 13, 2014

## 10. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company includes equity, comprised of issued common shares, contributed surplus, share purchase warrants, accumulated other comprehensive loss and deficit in the definition of capital. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company includes equity, comprised of issued common shares, contributed surplus and deficit in the definition of capital.

As at March 31, 2015, managed capital was negative $(235,014) (December 31, 2014 - $352,082). Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended March 31, 2015. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

## 11. FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk relates to cash and cash equivalents and VAT receivable and arises from the possibility that any counterparty to an instrument fails to perform. The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors. As at March 31, 2015, the Company's maximum exposure to credit risk was the carrying value of cash and cash equivalents, and accounts receivable.

The Company has no significant concentration of credit risk arising from operations. The Company's cash and short-term investments are either on deposit with one of highly rated banking groups in Canada or invested in guaranteed investment certificates issued by one of highly rated Canadian banking groups. VAT receivables consist of sales tax receivable from government authorities in Canada, Kyrgyzstan and Russia. Management believes that the credit risk with respect to financial instruments included in cash, short-term investments and VAT receivable is remote.

Liquidity risk

The Company's exposure to liquidity risk is dependent on its ability to raise funds to meet purchase commitments and to sustain operations. The Company controls its liquidity risk by managing working capital and cash flows. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2015, the Company had a cash balance of $18,242 (December 31, 2014 - $176,699) to settle current liabilities of $561,483 (December 31, 2014 - $203,442). All of the Company's financial liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. Subsequent to the period end, the Company raised additional capital for total net cash proceeds of $470,990 (Note 18).

Market risk

a) Interest Rate Risk

The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of the banks. The Company does not have any interest bearing debt.

b) Foreign Currency Risk

In the normal course of operations, the Company is exposed to currency risk due to business transactions in foreign countries. Transactions related to the Company's exploration and acquisition activities are mainly denominated in United States dollars ("USD") and some in SOM and Rubles.

**(Expressed in Canadian dollars)**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rate. The Company has not entered into any derivative contracts to manage this risk. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period-end exchange rates. As at March 31, 2015, the Canadian dollar equivalent of the Company's financial instruments is as follows:

| | | **Canadian Dollar** |
|---|---|---|
| Cash | $ | 5,142 |
| Prepaid expenses and other receivables | | 49,940 |
| | | 55,082 |
| Accounts payable and accrued liabilities | | (365,193) |
| **Net assets (liabilities) exposure** | $ | (310,111) |

Based on the above net exposures at March 31, 2015, a 10% depreciation or appreciation of the above currencies against the CDN dollar would result in an increase or decrease, respectively, in our net loss by $16,520 (December 31, 2014 - $89).

## 12. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2015, the Company expensed $49,000 (three months ended March 31, 2014 - $15,688) in consulting fees to a director and officers of the Company (included in the table below). These transactions are in the normal course of operations and are measured at the exchange amount (the amount of consideration established and agreed to by the related party).

The remuneration awarded to Directors and to senior key management is as follows:

| | **Period ended** | | | |
|---|---|---|---|---|
| | | **March 31, 2015** | | March 31, 2014 |
| Salaries | **$** | **83,324** | $ | 87,880 |
| Stock-based compensation | | **36,156** | | 64,535 |
| | **$** | **119,480** | $ | 152,415 |

## 13. OFFICE AND ADMINISTRATION EXPENSES

The following expenses are included in office and administration expenses:

| | | **March 31, 2015** | | March 31, 2014 |
|---|---|---|---|---|
| Salaries and other employee benefits | **$** | **200,092** | $ | 418,432 |
| Travel | | **24,927** | | 48,040 |
| Rent | | **32,348** | | 39,026 |
| Promotion and advertising | | **-** | | 5,000 |
| Investors' relations | | **2,430** | | 15,622 |
| Other office and administration expenses | | **68,495** | | 55,712 |
| | **$** | **328,292** | $ | 581,832 |

**(Expressed in Canadian dollars)**

## 14. EARNINGS PER SHARE

Earnings per share (“EPS”) has been calculated using the weighted average number of common shares and common share equivalents issued and outstanding during the year. Stock options are reflected in diluted earnings per share by application of the treasury method.

As a result of the loss incurred in 2015 and 2014, all potentially dilutive securities are anti-dilutive. The following table details the weighted average number of outstanding common shares for the purpose of computing basic and diluted earnings per common share for the following periods:

| | | Period Ended | | |
|---|---|---|---|---|
| | | **March 31, 2015** | | March 31, 2014 |
| Net loss attributable to common shareholders | **$** | **708,945** | **$** | 613,692 |
| Basic weighted average shares outstanding | | 157,598,786 | | 157,128,383 |
| Diluted weighted average shares outstanding | | 157,598,786 | | 157,128,383 |
| Basic and diluted loss per share | **$** | **0.00** | $ | 0.01 |

## 15. COMMITMENTS

The Company is committed to pay approximately $6,900 per month for the lease of its office.

| | 2015 | 2016 | 2017 | **Total** |
|---|---|---|---|---|
| Operating leases | $62,100 | $82,800 | $48,300 | **$193,200** |

## 16. SUBSEQUENT EVENTS

(i) On April 13, 2015, the Company issued 9,419,800 units for gross proceeds of $470,990. Each unit consisted of one common share in the capital of the Company and one share purchase warrant. Each warrant is exercisable to acquire one additional common share of the Company for a period of 24 months from date of issue at a price of $0.065 per common share. Finders' fees were paid totaling $11,000 in cash and 215,500 finders' warrants, with each finder's warrant being exercisable to acquire one common share of the Company for a period of 24 months from date of issue at a price of $0.065 per common share. Pursuant to Canadian securities laws, the securities issuable under this private placement are subject to a hold period which expires on August 11, 2015.

(ii) On April 29, 2015 in the Moscow City Arbitrazh Court, the Court set aside on procedural grounds the MCCI Tribunal award to the Company.

(iii) On April 29, 2015, 835,000 stock options to purchase one common share at $0.32 expired unexercised

(iv) On May 11, 2015 the Company granted an aggregate of 3,650,000 incentive stock options to employees and directors of the company. Each stock option entitles the holder to purchase one common share of the company for $0.07 per share until May 11, 2020. The share options shall vest, in six equal instalments, over a period of 18 months with the first instalment vesting on Aug. 11, 2015, and the remaining options vesting upon six months, nine months, one year, 15 months and 18 months after the date of grant.

**(Expressed in Canadian dollars)**

(v) On May 11, 2015, the company cancelled 6,290,000 outstanding and fully vested options of the Company:

| Expiry date | Price | Number of options |
|---|---|---|
| May 26, 2016 | $1.85 | 2,600,000 |
| July 14, 2016 | 1.46 | 200,000 |
| Aug. 3, 2016 | 1.39 | 500,000 |
| Feb. 27, 2017 | 1.12 | 40,000 |
| Jan. 10, 2017 | 0.74 | 2,200,000 |
| May 11, 2015 | 0.74 | 300,000 |
| Aug. 2, 2015 | 0.61 | 350,000 |
| March 21, 2018 | 0.41 | 100,000 |