STANS ENERGY CORP.

(Incorporated under the Laws of Ontario)

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(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, 2016 and 2015 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, 2016 *(unaudited)*	December 31, 2015
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 194,354**	$ 103,873
VAT receivable		**76,305**	132,751
Prepaid expenses and other assets		**38,529**	53,973
Total Current Assets		**309,188**	290,597
Property, plant and equipment	Note 8	**627**	1,204
Total Assets		**$ 309,815**	$ 291,801
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 1,951,662**	$ 1,889,871
Loan	Note 9	**3,946,671**	2,978,126
Total Liabilities		**5,898,333**	4,867,997
Commitments (note 17)			
Equity			
Common Shareholders' Equity			
Share Capital	Note 10a	**43,399,476**	43,399,476
Warrants	Note 10b	**240,622**	240,622
Contributed surplus		**16,902,077**	16,879,904
Accumulated other comprehensive income		**278,063**	166,650
Deficit		**(66,231,098)**	(65,085,695)
Total Common Shareholders' Equity		**(5,410,860)**	(4,399,043)
Non-controlling interest	Note 11	**(177,658)**	(177,153)
Total Equity		**(5,588,518)**	(4,576,196)
Total Liabilities and Shareholders' Equity		**$ 309,815**	$ 291,801

Going Concern (Note 1)
Subsequent events (Note 7)
Segmented information (Note 6)

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

Approved by the Board of Directors on May 30, 2016

"Gordon Baker", DIRECTOR

"Albert Grenke", DIRECTOR

"Douglas Underhill", DIRECTOR

Stans Energy Corp.
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2016 and 2015
(Expressed in Canadian dollars)
Unaudited

	Note	Three months ended March 31, 2016	March 31, 2015
Expenses			
General and Administrative		**$**	$
Office and administration	***15***	**234,738**	328,292
Depreciation		**229**	6,648
Consulting fees		**68,053**	99,528
Professional fees		**1,032,437**	242,552
Stock-based compensation	***10c***	**22,173**	36,156
Unrealized Foreign exchange loss/(gain)		**(210,277)**	7,619
Interest income		**(2,320)**	(871)
Loss/(gain) on disposal of property, plant and equipment		**(2,753)**	(833)
Gain on disposal of material		**(2,079)**	(7,665)
Other revenue		**-**	(1,843)
Maintenance and other costs		**5,707**	179
Net loss for the period		**1,145,908**	709,762
Attributable to:			
Non-controlling interest		**505**	817
Common shareholders		**1,145,403**	708,945
Other comprehensive (income)/loss			
Foreign currency translation of foreign operations		**111,413**	23,212
Comprehensive loss for the period		**1,257,321**	732,974
Attributable to:			
Non-controlling interest		**505**	817
Common shareholders		**1,256,816**	732,157
Basic and diluted loss per share	***16***	**$ 0.01**	$ 0.00
Weighted average number of common shares			
Basic and diluted		**168,218,586**	157,598,786

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

Stans Energy Corp.
Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended March 31, 2016 and 2015
(Expressed in Canadian dollars)
Unaudited

		Three months ended	
		March 31, 2016	March 31, 2015
Share Capital			
Balance beginning of period		**$ 43,399,476**	$ 43,110,033
Private placement	*Note 10a*	**-**	25,110
Fair value of attached warrants on private placements		**-**	(10,325)
Balance at the end of the period		**43,399,476**	43,124,818
Share purchase warrants			
Balance beginning of period		**240,622**	-
Fair value of attached warrants on private placements		**-**	10,325
Balance at the end of the period		**240,622**	10,325
Contributed Surplus			
Balance beginning of period		**16,879,904**	16,672,242
Stock-based compensation	*Note 10c*	**22,173**	36,156
Balance at the end of the period		**16,902,077**	16,708,398
Cumulative translation adjustment			
Balance beginning of period		**166,650**	112,617
Foreign currency translation adjustment		**111,413**	23,212
Balance at the end of the period		**278,063**	135,829
Deficit			
Balance beginning of period		**(65,085,695)**	(59,367,964)
Net loss attributed to common shareholders		**(1,145,403)**	(708,945)
Balance at the end of the period		**(66,231,098)**	(60,076,909)
Total common shareholders' equity		**(5,410,860)**	(97,539)
Non-controlling interest			
Balance beginning of period	*Note 11*	**(177,153)**	(174,746)
Net loss attributed to non-controlling interest	*Note 11*	**(505)**	(817)
Balance at the end of the period		**(177,658)**	(175,563)
Total Equity		**$ (5,588,518)**	$ (273,102)

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

Stans Energy Corp.
Interim Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2016 and 2015
(Expressed in Canadian dollars)
Unaudited

	Three months ended	
	March 31, 2016	March 31, 2015
Operating activities		
Net loss for the period	**$ (1,145,908)**	$ (709,762)
Items not affecting cash:		
Stock-based compensation	**22,173**	36,156
Depreciation	**229**	6,648
Unrealized foreign exchange loss (gain)	**(210,277)**	7,619
Interest income	**(2,320)**	-
Gain on disposals of materials	**(2,079)**	-
Gain on disposal of property, plant and equipment	**(2,753)**	(833)
	(1,340,935)	(660,172)
Net change in non-cash working capital:		
(Increase)/Decrease in VAT receivable	**56,446**	(12,777)
(Increase)/Decrease in Prepaid expenses and other assets	**15,444**	(51,641)
Increase/(Decrease) in Accounts payable and accrued liabilities	**61,791**	396,129
Net cash used in operating activities	**(1,207,254)**	(328,461)
Investing activities		
Interest received	**2,320**	871
Proceeds from sale of Property, plant and equipment	**3,213**	1,352
Net cash used in investing activities	**5,533**	2,223
Financing activities		
Loan	**968,545**	-
Private placement of common shares	**-**	25,110
Net cash from financing activities	**968,545**	25,110
Effect of exchange rate changes on cash	**323,657**	142,671
Change in cash and cash equivalents	**90,481**	(158,457)
Cash and cash equivalents, beginning of period	**103,873**	176,699
Cash and cash equivalents, end of period	**$ 194,354**	$ 18,242

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

1. NATURE OF OPERATIONS 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 ("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, 2016, the Company had an accumulated deficit of $66,231,098 (March 31, 2015: $60,076,909), a working capital deficiency of $5,589,145 (March 31, 2015: $368,076) and cash of $194,354 (March 31, 2015: $18,242). The Company incurred a loss for the three months ended March 31, 2016 of $1,145,908 (March 31, 2015: $709,762) and used cash in operations amounting to $1,207,254 (March 31, 2015: $328,461).

The Company is currently in legal disputes with the government of the Kyrgyz Republic in relation to its mineral properties licenses (see Note 7). This has resulted in the Company significantly reducing its exploration activities and has deferred its plans to refurbish and update the Kashka Rare Earth Processing Facility. There is no assurance that the Company will be successful in its legal disputes with the government of the Kyrgyz Republic.

The Company has no sources of revenue and has experienced losses and negative cash flows for each of the last 2 years. The continuation of the Company as a going concern is dependent upon a successful outcome of the legal disputes with the government of the Kyrgyzstan Republic and/or upon successfully finding additional sources of financing. There is no assurance that the Company will be able to obtain alternative sources of financing. These material uncertainties 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 30, 2016, the Board of Directors approved the interim condensed consolidated financial statements for the three months ended March 31, 2016.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE WITH IAS 34

These Financial Statements form part of the period covered by the Company’s International Financial Reporting Standards (“IFRS”) annual consolidated financial statements. These Financial Statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting* and on the basis of IFRS standards and interpretations expected to be effective as at the Company’s IFRS annual reporting date, December 31, 2016.

These Financial Statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2015 prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) in effect as of March 31, 2016.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these Financial Statements. Operating results for the three months ended March 31, 2016 may not be indicative of the results that may be expected for the year ending December 31, 2016.

(Expressed in Canadian dollars unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

Readers should refer to the December 31, 2015 annual consolidated financial statements for the accounting policies used in the preparation of these Financial Statements. The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's IFRS annual consolidated financial statements will be determined as at December 31, 2016. In the event that accounting policies adopted at December 31, 2016 differ materially from the accounting policies used in the preparation of these Financial Statements, these Financial Statements will be restated to retrospectively account for the application of those policies adopted at March 31, 2016.

(a) Principles of consolidation

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 Subsidiaries	Property location	% of ownership and voting rights	Principal activity	Functional currency
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)*

4. ACCOUNTING CHANGES AND RECENT ACCOUNTING PRONOUNCEMENTS

New Standards and Interpretations issued but not yet effective

At the date of authorization of these interim condensed consolidated financial statements for the three months ended March 31, 2016, the following standards which are applicable to the Corporation were issued but not yet effective.

IFRS 9, Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments – to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation has not yet adopted this standard and is in the process of determining the impact of this standard.

(Expressed in Canadian dollars unless otherwise stated)

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. 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, 2015.

6. SEGMENTED INFORMATION

As at March 31, 2016 and December 31, 2015 the Company's assets were located in the following countries:

	March 31, 2016	December 31, 2015
Canada	**$ 190,301**	$ 229,329
Kyrgyz Republic	**102,542**	46,528
Russian Federation	**16,972**	15,944
Total	**$ 309,815**	$ 291,801

7. LEGAL PROCEEDINGS AND IMPAIRMENT

In June 2012, a committee of the Kyrgyz Parliament demanded that Stans' Licence Agreement for Kutessay II be cancelled. During the year ended December 31, 2013, the Kyrgyz State Prosecutor's Office initiated legal proceedings against the Company to revoke the mineral property licenses awarded to Stans by a government agency through an auction process held in 2009.

In March 2014, the Inter District court of Bishkek ruled in favour of the Kyrgyz State Prosecutor's Office. Stans appealed this decision in various courts in the Kyrgyz Republic ('the Republic') and in 2015 the Kyrgyz Supreme Court dismissed Stans' appeal. Consequently, Stans has no right for further appeal in the Republic.

In October 2013, Stans commenced arbitration against the Republic in connection with the legal proceeding initiated by the Republic in the Arbitration Court at the Moscow Chamber of Commerce and Industry ('the MCCI Tribunal'). In June 2014, the MCCI Tribunal awarded Stans US $118 million as a recovery of damages from the Republic. This award was subsequently challenged by the Republic in the courts of the Russian Federation, and in January 2016, the Supreme Court of the Russian Federation in its final decision upheld the ruling of the lower court to set aside the MCCI Tribunal award. Despite the setting aside of the MCCI Tribunal award, Stans continues to seek enforcement and recognition of the award before the Ontario Court of Justice. No date has been set in that matter.

In May 2015 Stans commenced an arbitration against the Republic under the 1976 rules of the United Nations Commission on International Trade Law ('the UNCITRAL Rules') claiming damages arising from the Republic's wrongful conduct toward the Company's investments in Kyrgyzstan that culminated in the termination of the mining licenses for Kutessay II and Kalesay. Stans and the Republic subsequently agreed that this arbitration ('the UNCITRAL Arbitration') would be administered by the secretariat of the Permanent Court of Arbitration in the Hague with a juridical seat in London, England. After a Tribunal was appointed in the UNCITRAL Arbitration, Stans filed a statement of claim on January 29, 2016 claiming US $219 million in damages and interest from the Republic. The Tribunal in the UNCITRAL Arbitration subsequently decided that the proceedings would be bifurcated so that certain jurisdictional defenses raised by the Republic will be heard first. Consequently, after the exchange of written pleadings on these jurisdictional issues, a hearing will take place in September 2016. The Tribunal is then scheduled to issue a decision on jurisdictional issues during the period November-December 2016. The Company has not recorded any potential benefit in this consolidated financial statements related to the UNCITRAL Arbitration and any ultimate future benefit will only be recognized when they are received.

(Expressed in Canadian dollars unless otherwise stated)

On June 28-29, 2016 Stans will be jointly arguing before the Ontario Court of Justice about the beneficial ownership of Centerra Gold (TSX: CG) shares owned by Kyrgyzaltyn JSC (Kyrgyzaltyn). At issue will be whether the Kyrgyz Republic is in fact the beneficial owner of the shares through Kyrgyzaltyn. The shares are currently begin contested as security in multiple cases of damages awarded by various International Arbitration Tribunals against the Republic.

Due to the above legal proceeding which resulted in Stans being unable to explore and develop its mineral properties and identify a feasible alternate source of rate earth elements that could be processed at the Kashka Rare Earth Processing Facility ('the Plant'), the Company during the year ended December 31, 2013 recorded an impairment and wrote off its mineral interests and its Plant in the Kyrgyz Republic.

During the year ended December 31, 2015 the Company recorded expenditure of $100,888 (2014: $719,762) relating to the maintenance of the impaired Plant and write off of other receivables of $102,831 (2014: $396,046).

8. PROPERTY, PLANT AND EQUIPMENT

	Office & Computer Equipment
Cost	
Balance at Jan 1, 2016	$ 146,181
Disposal	(2,969)
Foreign exchange impact	25,493
Balance before impairment and depreciation	168,705
Depreciation and Impairment	
Balance at Jan 1, 2016	$ (144,977)
Depreciation	(229)
Disposal	2,330
Foreign exchange impact	(25,202)
Balance at March 31, 2016	(168,078)
Net Book Value as of March 31, 2016	**$ 627**

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

	Plant, Equipment and Vehicles	Office & Computer Equipment	Total
Cost			
Balance at Jan 1, 2015	$ 8,775,020	$ 139,414	$ 8,914,434
Disposal	(397,538)	(17,547)	(415,085)
Foreign exchange impact	1,530,363	24,314	1,554,677
Balance before impairment and depreciation	9,907,845	146,181	10,054,026
Depreciation and Impairment			
Balance at Jan 1, 2015	$ (8,681,256)	$ (131,924)	$ (8,813,180)
Depreciation	(15,784)	(3,937)	(19,721)
Disposal	135,808	13,217	149,025
Foreign exchange impact	(1,346,613)	(22,333)	(1,368,946)
Balance at December 31, 2015	(9,907,845)	(144,977)	(10,052,822)
Net Book Value as of December 31, 2015	**$ -**	**$ 1,204**	**$ 1,204**

(Expressed in Canadian dollars unless otherwise stated)

9. LOAN

In June 2015, the Company entered into a Litigation Financing Agreement ('the Agreement') with a subsidiary of the Calunius Litigation Risk Fund 2 LP ("the Financer").

Under the terms of the litigation financing agreement, the Financer has agreed to assist in the financing of the Company's legal costs and to provide financing toward continuing corporate overhead costs, in relation to the international arbitration proceedings against the Republic of Kyrgyzstan. As at March 31, 2016 the amount of $3,946,671 (US $3,038,940) was financed under the Agreement.

The Agreement with the Financer requires repayment of amounts advanced upon final settlement of the arbitration claim. The Financer's fee under the Agreement becomes payable upon a final settlement of the arbitration claim and the value of the Financer's fee is dependent upon a number of variables, including the amounts advanced under the Agreement and the length of time taken to reach a settlement. The Agreement also provides that the amount of the Financer's fee shall not exceed the amount of the aggregate proceeds of the arbitration claim. To the extent that the Company is not successful in the arbitration claim, the Company will not have to repay any amounts which were provided by the Financer.

10. SHARE CAPITAL

(a) Common shares

The Company is authorized to issue an unlimited number of no par value common shares. The following table provides the details of changes in the number of issued common shares.

	Number		***Amount***
	#		$
Balance, December 31, 2013 and 2014	157,263,986		43,110,033
Shares issued in private placement (i)	334,800	$	14,785
Shares issued in private placement (ii)	9,419,800		275,714
Shares issued in private placement (iii)	1,000,000		25,768
Shares issued for debt settlement (iv)	200,000		10,000
Share issue costs*	-		(36,824)
Balance, December 31, 2015 and March 31, 2016	168,218,586		$ 43,399,476

*Includes fair value of finders' warrants of $10,789.

(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 calculated as gross proceeds less fair value of warrants of $10,325 estimated using Black-Sholes option pricing model. No finders' fees were paid. 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.

(ii) On April 13, 2015, the Company issued 9,419,800 units for gross proceeds of $470,990, and net proceeds of $275,714, calculated as gross proceeds less fair value of warrants of $195,276 estimated using Black-Sholes model. 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 fair value of $10,309 estimated using Black-Sholes option pricing model, 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.

(iii) On June 6, 2015, the Company issued 1,000,000 units for gross proceeds of $50,000, and net proceeds of $25,768, calculated as gross proceeds less fair value of warrants of $24,232 estimated using Black-Sholes option pricing model. 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 $500 in cash and 10,000 finders' warrants with fair value of $480 estimated using Black-Sholes model, 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.

(Expressed in Canadian dollars unless otherwise stated)

(iv) On December 14, 2015, the Company issued 200,000 shares for debt settlement agreement with Mr. Aryev for gross proceeds of $10,000. As per terms of the debt settlement agreement, Mr. Aryev received 200,000 common shares at the price of $0.05 per share as partial compensation for 2015 base salary.

There were no share issues or other share transactions in 2014.

(b) Warrants

On certain issuances of common shares, the Company grants warrants entitling the holder to acquire additional common shares of the Company, and the Company also grants warrants as consideration for services associated with the placement of such common share issues.

The following table provides the details of changes in the number of outstanding common share purchase warrants:

	Number	***Price Range***
	#	$
Balance, December 31, 2014	Nil	-
Issued (i)	334,800	10,325
Issued (ii)	9,635,300	205,585
Issued (iii)	1,010,000	24,712
Balance, December 31, 2015 and March 31, 2016	10,980,100	$ 240,622

(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.

(ii) On April 13, 2015, as a part of private placement, the Company issued 9,419,800 warrants and 215,500 finder’s warrants to purchase one Company share at $0.065 per warrant before April 13, 2017. The fair value of warrants has been estimated to be $195,276 and $10,309 respectively, 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.

(iii) On June 11, 2015, as a part of private placement, the Company issued 1,000,000 warrants and 10,000 finder’s warrants to purchase one Company share at $0.065 per warrant before June 11, 2017. The fair value of warrants has been estimated to be $24,232 and $480 respectively 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.

There were no warrants issued or expired in 2014.

(c) Common share purchase options

The Company has a stock option plan for the benefit of directors, officers, key employees, and consultants. The total number of shares which may be reserved and set aside for issuance to eligible persons may not exceed 10% of the issued and outstanding common shares. As at March 31, 2016, 8,250,000 common shares were reserved for the exercise of stock options granted under the Company's stock option plan (the "Plan").

(Expressed in Canadian dollars unless otherwise stated)

The following table provides the details of changes in the number of issued common share purchase options during the periods:

	Options	**Weighted-average exercise price**
	#	$
Outstanding at December 31, 2013	11,990,000	0.81
Granted (i)	3,800,000	0.09
Forfeited (iii)	(300,000)	0.94
Outstanding at December 31, 2014	15,490,000	0.63
Granted (i)	3,650,000	0.07
Expired (ii)	(3,985,000)	0.31
Forfeited (iii)	(615,000)	0.60
Cancelled (iv)	(6,290,000)	1.26
Outstanding at December 31, 2015 and March 31, 2016	8,250,000	0.09
Options exercisable at March 31, 2016	6,400,000	0.09

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
250,000	250,000	2.09 years	$0.23	May 2, 2018
1,100,000	1,100,000	2.57 years	$0.15	October 23, 2018
2,700,000	2,700,000	2.93 years	$0.07	March 3, 2019
300,000	300,000	3.18 years	$0.13	June 3, 2019
300,000	250,000	3.28 years	$0.18	July 8, 2019
3,600,000	1,800,000	4.12 years	$0.07	May 11, 2020
8,250,000	6,400,000			

(i) On May 11, 2015 the Company granted 3,650,000 stock options to directors and officers with the vesting period of 18 months (vesting quarterly in equal proportions). Each option entitles the holder to purchase one common share at $0.07 per share at any time on or before May 11, 2020. The fair value of these stock options of $182,802 was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Share price	$0.07
Expected dividend yield	Nil
Risk-free interest rate	0.98%
Expected life	5 years
Expected volatility	102.2%

On March 3, 2014, the Company granted 2,700,000 stock options to directors and officers with the vesting period of 18 months (vesting quarterly in equal proportions). 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, using the following weighted average assumptions:

Share price	$0.07
Expected dividend yield	Nil
Risk-free interest rate	1.77%
Expected life	5 years
Expected volatility	147.6%

(Expressed in Canadian dollars unless otherwise stated)

On June 3, 2014, the Company granted 800,000 stock options to a director and an officer with the vesting period of 18 months (vesting quarterly in equal proportions). 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, using the following weighted average assumptions:

Share price	$0.13
Expected dividend yield	Nil
Risk-free interest rate	1.67%
Expected life	5 years
Expected volatility	140.2%

On July 8, 2014, the Company granted 300,000 stock options to a director with the vesting period of 18 months (vesting quarterly in equal proportions). 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, using the following weighted average assumptions:

Share price	$0.18
Expected dividend yield	Nil
Risk-free interest rate	1.67%
Expected life	5 years
Expected volatility	129.5%

(ii) On January 12, 2015, 1,550,000 stock options to purchase one common share at an exercise price of $0.37 expired unexercised. On April 29, 2015, 835,000 stock options to purchase one common share at $0.32 expired unexercised. On June 18, 2015, 1,600,000 stock options held by Directors at an exercise price of $0.25 expired unexercised.

(iii) In January 2015, 65,000 stock options issued to Company employees were forfeited due to their resignation. In December 2015, 550,000 stock options (50,000 of which were granted in 2015) issued to a Company officer were forfeited due to resignation.

On April 6, 2014, 300,000 stock options issued to a Company officer were forfeited due to their resignation on January 6, 2014.

(iv) On May 11, 2015, the Company cancelled 6,290,000 outstanding and fully vested options of the Company.

11. NON-CONTROLLING INTEREST

	SevAmRus(*)	Stans Energy KG (**)	Total, $
Total as of December 31, 2014	$ (16,675)	$ (158,071)	$ (174,746)
Share of loss	(2,149)	(258)	(2,407)
Total as of December 31, 2015	$ (18,824)	$ (158,329)	$ (177,153)
Share of loss	(464)	(41)	(505)
Total as of March 31, 2016	$ (19,288)	$ (158,370)	$ (177,658)

* Non-controlling interest includes Didim Inc.
** Non-controlling interest includes Kutisay Mining Corp. and Kashka REE Plant Ltd

12. 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 and loan financing 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, 2016, managed capital was $(5,588,518) (March 31, 2015 - $(273,102). Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company raised litigation financing during the current year. There were no other changes to the Company's approach to capital management during the period ended March 31, 2016.

13. 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, 2016, the Company's maximum exposure to credit risk was the carrying value of cash and cash equivalents, and VAT 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, 2016, the Company had a cash balance of $184,354 (March 31, 2015 - $18,242) and short term investments of $10,000 (March 31, 2015 - $Nil) to settle current liabilities of $5,898,333 (March 31, 2015 - $599,571). All of the Company's financial liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. During the period ended December 31, 2015, the Company raised additional capital for total gross cash proceeds of $546,100. Refer to Note 1 for the liquidity risk related to going concern.

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. 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, 2016, the Canadian dollar equivalent of the Company's foreign financial instruments, primarily denominated in USD, is as follows:

	Canadian Dollar March 31, 2016	**Canadian Dollar December 31, 2015**
Cash	$ 149,601	$ 71,216
VAT receivable	11,133	15,423
	160,734	86,639
Accounts payable and accrued liabilities	(1,155,835)	(1,327,750)
Loan	(3,946,671)	(2,978,126)
	(5,102,506)	(4,305,876)
Net assets (liabilities) exposure	$ (4,941,772)	$ (4,219,237)

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 net loss by $449,640 (December 31, 2015 - $433,063).

14. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2016, the Company expensed $28,000 (March 31, 2015 - $49,000) in consulting fees to a director and officers of the Company (included in the table below). As of March 31, 2016, accounts payable of $47,000 (March 31, 2015 - $Nil) were due to directors and officers, and $134,000 (March 31, 2015 - $Nil) in payroll liability due an executive officer. 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).

As disclosed in Note 10(a) On December 14, 2015, the Company issued 200,000 shares for debt settlement agreement with Mr. Aryev for gross proceeds of $10,000. As per terms of the debt settlement agreement, Mr. Aryev received 200,000 common shares at the price of $0.05 per share as partial compensation for 2015 base salary.

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

	March 31, 2016	March 31, 2015
Salaries, officers and director's fees	**$ 106,000**	$ 83,324
Stock-based compensation	**19,136**	36,156
	$ 125,136	$ 119,480

(Expressed in Canadian dollars unless otherwise stated)

15. OFFICE AND ADMINISTRATION EXPENSES

	March 31, 2016	March 31, 2015
Salaries, benefits and director's fees	**$ 138,182**	$ 200,092
Investor's relations	**15,310**	2,430
Rent	**26,722**	32,348
Travel expenses	**11,549**	24,927
Other office and administration expenses	**42,975**	68,495
	$ 234,738	$ 328,292

16. 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 years:

	March 31, 2016	March 31, 2015
Net loss attributable to common shareholders	**$ 1,145,403**	$ 708,945
Basic weighted average shares outstanding	**168,218,586**	157,598,786
Diluted weighted average shares outstanding	**168,218,586**	157,598,786
Basic and diluted loss per share	**$ 0.01**	$ 0.00

17. COMMITMENTS

The Company has a lease commitment to July 31, 2017 for its principle office location which totals $110,400.

	2016	2017	Total
Operating leases	$ 62,100	$ 48,300	$ 110,400