



STANS ENERGY CORP.
(Incorporated under the Laws of Ontario)
(A development stage company)

Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(Expressed in Canadian Dollars)



Management's Report

The accompanying consolidated financial statements of Stans Energy Corp. and other information contained in the management's discussion and analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and include some amounts that are based on management's estimates and judgment.

The Board of Directors carries out its responsibility for the financial statements principally through its audit committee, which is comprised solely of independent directors. The audit committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The Company's auditors have full access to the audit committee, with and without management being present. These consolidated financial statements have been audited by KPMG LLP, Chartered Accountants.

(Signed) "*Robert Mackay*"

(signed) "*Elena Masters*"

Robert Mackay
President and Chief Executive Officer

Elena Masters
Chief Financial Officer

Toronto, Ontario, Canada

April 29, 2011



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Stans Energy Corp.

We have audited the accompanying consolidated financial statements of Stans Energy Corp. ("the Entity"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' 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 our 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, we consider 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 audits is sufficient and appropriate to provide a basis for our audit opinions.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Stans Energy Corp. as at December 31, 2010 and 2009 and the results of its consolidated operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
April 29, 2011

STANS ENERGY CORP.
(A development stage company)
CONSOLIDATED BALANCE SHEETS
As at December 31, 2010 and 2009
(Expressed in Canadian Dollars)

	December 31, 2010	December 31, 2009
Assets		
Current Assets		
Cash	\$ 1,332,737	\$ 183,094
Short-term investments	1,101,511	-
Amounts receivable	30,925	22,726
Prepaid expenses	29,764	1,754
	2,494,937	207,574
Property and equipment (Note 5)	26,858	35,007
Acquisition costs (Note 6)	108,514	-
Mineral properties (Note 6)	4,703,005	3,841,226
	\$ 7,333,314	\$ 4,083,807
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 190,648	\$ 266,636
Non-current Liabilities		
Future tax liability (Note 10 (b)(ii))	21,000	124,000
	211,648	390,636
Shareholders' Equity		
Share capital (Note 7(b))	15,918,980	10,678,245
Share purchase warrants (Note 7(c))	340,712	210,652
Contributed surplus (Note 8)	4,166,918	2,495,960
Deficit	(13,304,944)	(9,691,686)
	7,121,666	3,693,171
	\$ 7,333,314	\$ 4,083,807

See accompanying notes to consolidated financial statements.

Commitments (Note 11)
Subsequent events (Notes 6, 12)

Approved by the Board:

Signed: "Robert Mackay"

Signed: "Rodney Irwin"

STANS ENERGY CORP.**(A development stage company)****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****For the years ended December 31, 2010 and 2009****(Expressed in Canadian Dollars)**

	2010	2009
Expenses		
Office and administration	\$ 1,081,482	\$ 556,384
Amortization	16,314	16,892
Consulting fees (Note 9)	339,157	94,527
Foreign exchange loss (gain)	16,372	(2,025)
Professional fees	284,234	87,229
Modification of warrant term (Note 7(b)(vii))	89,000	-
Stock-based compensation (Note 8)	1,873,318	63,949
Write-off of mineral properties (Note 6(b))	-	2,032,792
Interest income	(1,997)	(9,381)
Debt forgiveness (Note 4)	(84,622)	-
	<hr/>	<hr/>
Loss and comprehensive loss for the year	\$ 3,613,258	\$ 2,840,367
	<hr/>	<hr/>
Basic and diluted loss per share	\$ 0.03	\$ 0.03
	<hr/>	<hr/>
Weighted average number of common shares outstanding		
Basic and diluted	120,903,101	82,051,110
	<hr/>	<hr/>

See accompanying notes to consolidated financial statements.

STANS ENERGY CORP.
(A development stage company)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended December 31, 2010 and 2009
(Expressed in Canadian Dollars)

	2010	2009
Share Capital		
Balance at beginning of year	\$ 10,678,245	\$ 9,549,798
Private placement (Note 7)	3,000,000	1,046,080
Fair value of attached warrants on private placements (Note 7)	(381,832)	(210,652)
Options/warrants exercised (Note 7)	2,751,802	183,099
Cost of issue (Note 7)	(129,235)	(20,080)
Shares issued for properties acquisition (Note 7)	-	130,000
Balance at end of year	\$ 15,918,980	\$ 10,678,245
Share purchase warrants		
Balance at beginning of year	\$ 210,652	\$ 335,685
Fair value of warrants cancelled/exercised	(251,772)	(335,685)
Fair value of warrants issued (Note 7)	381,832	210,652
Balance at end of year	\$ 340,712	\$ 210,652
Contributed Surplus		
Balance at beginning of year	\$ 2,495,960	\$ 2,180,425
Fair value of warrants cancelled	-	335,685
Stock-based compensation (Note 8)	1,873,318	63,949
Options exercised (Note 8)	(202,360)	(84,099)
Balance at end of year	\$ 4,166,918	\$ 2,495,960
Deficit		
Balance at beginning of year	\$ (9,691,686)	\$ (6,851,319)
Net loss for the year	(3,613,258)	(2,840,367)
Balance at end of year	\$ (13,304,944)	\$ (9,691,686)

See accompanying notes to consolidated financial statements.

STANS ENERGY CORP.
(A development stage company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2010 and 2009
(Expressed in Canadian Dollars)

	2010	2009
Cash Provided By (Used In)		
Operations		
Net loss	\$ (3,613,258)	\$ (2,840,367)
Items not involving cash:		
Stock-based compensation (Note 8)	1,962,318	63,949
Write-off of mineral properties	-	2,032,792
Amortization	16,314	16,892
Debt forgiveness	(84,622)	-
Changes in non-cash working capital:		
Prepaid expenses and deferred charges	(28,010)	(702)
Amounts receivable	(8,199)	68,717
Accounts payable and accrued liabilities	8,634	(118,340)
	(1,746,823)	(777,059)
Financing		
Net proceeds on shares issued	5,079,435	1,125,000
	5,079,435	1,125,000
Investing		
(Increase)/decrease in short term investments	(1,101,511)	712,825
Acquisition costs	(108,514)	-
Purchase of property and equipment	(8,165)	-
Disposition of property and equipment	-	2,803
Expenditures on mineral properties	(964,779)	(966,235)
	(2,182,969)	(250,607)
Net change in cash	1,149,643	97,334
Cash, beginning of year	183,094	85,760
Cash, end of the year	\$ 1,332,737	\$ 183,094
Supplemental cash flow information:		
Common shares issued in the acquisition of mineral properties	-	130,000
Income taxes / penalties	-	2,700
Interest paid	-	-

See accompanying notes to consolidated financial statements.

STANS ENERGY CORP.
(A development stage company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009
(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS

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 owns two operating subsidiaries, Stans Energy KG LLC, ("Stans KG") and Kutisay Mining Corp. ("Kutisay"), each of which are registered with the Ministry of Justice of the Kyrgyz Republic. Kutisay is 100% owned by Stans KG.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business.

The Company currently conducts its operations in the Kyrgyz Republic. Accordingly, operations are exposed to various regulations pertaining to its business and to various levels of political, economic, legal and other uncertainties associated with doing business in the Kyrgyz Republic. The Company is in the development stage and is subject to risks and challenges similar to other companies in a comparable stage of development. These risks include inability to obtain necessary permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership or repatriation of earnings, limitations on mineral exports and increased financing costs, dependence on key individuals, successful exploration and development.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of presentation and consolidation

The consolidated financial statements have been prepared in accordance with Canadian GAAP and include the accounts of the Company and its subsidiaries Stans KG from its date of incorporation and Kutisay from the date of acquisition. All references to the Company should be treated as references to the Company and its subsidiaries.

Use of estimates

The preparation of these consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. An area requiring significant estimates is stock-based compensation. Actual results could differ from those estimates.

Translation of foreign currencies

The Company's functional currency is the Canadian dollar. Foreign currency transactions and the accounts of its subsidiaries, all of which are considered to be integrated foreign operations, are translated into Canadian dollars using the temporal method. Under this method, assets and liabilities in foreign currencies related to integrated foreign operations are translated into Canadian dollars using current exchange rates at the balance sheet dates for monetary assets and liabilities, historical exchange rates for non-monetary assets and liabilities, and the average monthly exchange rate for revenues and expenses, except for amortization, which is translated at the historical exchange rate of the corresponding nonmonetary assets. Exchange gains and losses arising on the translation are included in operations in the period incurred.

STANS ENERGY CORP.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income taxes are recorded to reflect the expected consequences of differences between the carrying amounts of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment or substantive enactment.

Property and equipment

The Company records property and equipment at cost. Amortization is provided annually over the estimated useful lives of the individual assets, commencing on the date of acquisition. Office and computer equipment are amortized over 5 years on a straight-line basis and vehicles are amortized on a 30% declining balance basis.

Mineral properties

Property acquisition costs and related direct exploration costs less recoveries are deferred until such time as the properties are either placed into commercial production, sold, determined not to be economically viable, or abandoned. General exploration expenditures which do not relate to specific resource properties are written off in the year incurred. These deferred costs will be amortized on the unit-of-production basis over the estimated useful lives of the properties following the commencement of production, or written-off if the properties are sold, allowed to lapse or abandoned.

The cost of exploration properties includes any cash consideration paid and the fair market value of shares issued, if any, on the acquisition of property interests. Acquisition costs of properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property claim acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

Impairment of long-lived assets

The estimated fair value of the mineral properties is regularly individually assessed by management. This assessment may be estimated by quantifiable geological evidence of commodity resource or reserve or the Company's assessment of its ability to sell a property for an amount greater or less than the carrying value. If the carrying value exceeds the estimated recoverable value, the costs are written down to the estimated value.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings/loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options and warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, all options and warrants were anti-dilutive. Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

STANS ENERGY CORP.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Stock based compensation

The Company records all stock-based compensation and other stock-based payments using the fair value method. Under this method, cost is measured at the grant date using an option pricing model that takes into account the exercise price, expected life of the stock option, current price of the underlying common shares, expected volatility, expected dividends and risk-free interest rate for the expected term of the stock option. Options issued to non-employees are remeasured at each vesting and reporting date. The compensation cost related to the options issued to directors and officers is expensed over the service period that is the vesting period for directors and officers and over the performance period for awards provided to non-employees in exchange for services with a corresponding credit to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

Financial instruments

The Company designates its cash and short-term investments as held-for-trading, which is measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Held for trading assets are subsequently re-measured at fair value with the change in the fair value recognized in net earnings. Held-to-maturity assets are subsequently re-measured at amortized cost using the effective interest rate method.

Loans and receivables are subsequently re-measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently re-measured at fair value with the changes in fair value recorded in other comprehensive income.

The Company's financial instruments measured at fair value on the balance sheet consist of cash and short-term investments. Cash and short term investments are measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Recent Accounting Pronouncements Issued and Not Yet Applied

Business Combinations

In January 2009, the CICA issued Section 1582 Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period of the Company beginning on or after January 1, 2011. Early adoption is

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2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Issued and Not Yet Applied (continued)

permitted. This section replaces Section 1581 Business Combination: and harmonizes the Canadian standards with International Financial Reporting Standards ("IFRS"). The impact of this standard will depend on the specifics of the business combinations completed after adoption.

Consolidated Financial Statements and Non-Controlling Interests

CICA Section 1601, Consolidated financial statements and Section 1602 Non-controlling interest replaces CICA Section 1600 Consolidated financial statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on or after January 1, 2011. The Company has not yet determined the impact of the adoption of these changes on its consolidated financial statements.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board confirmed that Canadian generally accepted accounting principles for publicly accountable enterprises will be converged with IFRS effective January 01, 2011. The conversion to IFRS will require the Company to report under IFRS for interim and annual periods beginning January 1, 2011, with comparative information for 2010 restated under IFRS. Adoption of IFRS will require the Company to make certain accounting policy choices and could materially impact the reported interim and annual financial results of operations.

3. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, 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 to sustain future development of the business. The Company defines capital to include its share capital, share purchase warrants, contributed surplus and deficit.

The properties in which the Company currently has an interest are in the exploration stage, as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess and acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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 year ended December 31, 2010. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

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4. FINANCIAL RISK FACTORS

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and short-term investments and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash consists of cash on hand. Short-term investments consisting of financial instruments included in amount receivables consist of sales tax receivable from government authorities in Canada. Management believes that the credit risk with respect to financial instruments included in cash and short-term investments and amounts 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 December 31, 2010, the Company had a cash balance of \$1,332,737 (December 31, 2009 - \$183,094) and short-term investments of \$1,101,511 to settle current liabilities of \$190,648 (December 31, 2009 - \$266,636). All of the Company's financial liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. During 2010, the Company settled its liabilities with various vendors by negotiating debt forgiveness totaling \$84,622.

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

The Company operates in the Kyrgyz Republic with a portion of exploration expenditures payable in Canadian dollars or SOM. The Company is therefore subject to currency exchange risk arising from the degree of volatility of changes in exchange rates between the Canadian dollar and SOM. The Company currently does not currently enter into foreign currency futures and forward contracts to manage its exposure to foreign currency fluctuations.

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

- i) Cash. Sensitivity to a plus or minus 1% change in interest rates would affect net loss by \$24,342.
- ii) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and short-term investments, amounts receivable, and accounts payable and accrued liabilities that are denominated in SOM. Sensitivity to a plus or minus 5% change in the foreign exchange rates would affect net loss by \$11,978.

STANS ENERGY CORP.
(A development stage company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009
(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Net book value Amortization Dec. 31, 2010	
Office equipment	\$ 46,844	\$ 33,978	\$ 12,866
Computer equipment	15,493	11,633	3,860
Vehicles	23,381	13,249	10,132
	\$ 85,718	\$ 58,860	\$ 26,858

	Cost	Accumulated Net book value Amortization Dec. 31, 2009	
Office equipment	\$ 40,892	\$ 25,911	\$ 14,981
Computer equipment	13,280	8,862	4,418
Vehicles	23,381	7,773	15,608
	\$ 77,553	\$ 42,546	\$ 35,007

6. MINERAL PROPERTIES

Licenses

(a) Licenses to exploration rights in the Kyrgyz Republic as of December 31, 2010:

	Balance January 1, 2010	Additions	Write-off future tax liability	Balance December 31, 2010
Kyzyluraan	\$ 2,521,487	\$ -	\$ (67,056)	\$ 2,454,431
Alabugin	238,698	9,398	(22,156)	225,940
Koshdube	156,158	16,956	(13,788)	159,326
Aktyuz (i)	-	588,788		588,788
	\$ 2,916,343	\$ 615,142	\$ (103,000)	\$ 3,428,485*

** The total balance includes future tax liability of \$21,000

(i) In January 2010, the Company acquired an exploration license for \$1,051 (or USD\$1,000) for the Rare Earth Elements (REEs) Aktyuz Ore Field, which surrounds the acquisitions of the mining licenses for the past-producing REEs mine, Kutessay II, and the Kalesay Beryllium deposit.

STANS ENERGY CORP.
(A development stage company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

6. MINERAL PROPERTIES (CONTINUED)

Licenses to exploration rights in the Kyrgyz Republic as of December 31, 2009:

	Balance January 1, 2009	Additions	Property write-off	Balance December 31, 2009
Kyzyluraan	\$ 2,422,925	\$ 98,562	\$ -	\$ 2,521,487
Shaltin	1,137,811	-	(1,137,811)	-
Kapkatash	703,758	-	(703,758)	-
Alabugin	190,678	48,020	-	238,698
Baetov	191,223	-	(191,223)	-
Koshdube	110,682	45,476	-	156,158
	\$ 4,757,077	\$ 192,058	\$ (2,032,792)	\$ 2,916,343*

* The total balance includes future tax liability of \$124,000

(b) Licenses to mining rights in the Kyrgyz Republic as of December 31, 2010:

	Balance January 1, 2010	Additions	Balance December 31, 2010
Kutessay II	887,287	245,665	1,132,952
Kalesay	37,596	103,972	141,568
	\$ 924,883	\$ 349,637	\$ 1,274,520

Licenses to mining rights in the Kyrgyz Republic as of December 31, 2009:

	Balance January 1, 2009	Additions	Balance December 31, 2009
Kutessay II	-	887,287	887,287
Kalesay	-	37,596	37,596
	\$ -	\$ 924,883	\$ 924,883

On December 29, 2009, the Company acquired a mining license for the formerly producing REE mine, Kutessay II, in Kyrgyzstan. The Company acquired 100% of the Kutessay II and Kalesay beryllium deposits by acquiring 100% of Kutisay Mining Corp. ("Kutisay") on the Central Asian Stock Exchange for USD\$863,550 (CAD \$898,524). The only assets owned by Kutisay were licenses. There were no known other assets or liabilities. Thus, the purchase price of USD \$863,550 (CAD \$898,524) was allocated to mineral properties as USD\$828,447 (or CAD\$861,999) to Kutessay II and mineral property and USD\$35,103 (or CAD\$36,525) to Kalesay. The Company also paid \$26,359 in legal fees, the amount of which was proportionally allocated between the two licenses.

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6. MINERAL PROPERTIES (CONTINUED)

Kyrgyz Chemical and Metallurgical Plant Option Agreement

On February 8, 2010, the Company entered into an exclusive 12 month agreement (the "Option Agreement") with the Kyrgyz Chemical and Metallurgical Plant ("KCMP") to option the processing plants that previously isolated and recovered each of the 15 REEs from the Kutessay II mine. The KCMP assets under the Option Agreement include three plants, the associated equipment and the railway terminal used when KCMP was last in production. Under the Option Agreement, the Company was responsible for covering the costs of security, maintenance and utilities for the plants and rail terminal of approximately USD\$10,000/month. In January 2011, the Company reached an exclusive agreement with the majority owners of KCMP to purchase 100% of KCMP's rare-earth processing complex for USD \$5,500,000.

During the year ended December 31, 2010, the Company paid \$108,514 which was capitalized toward the future investment in KCMP.

2009 Acquisition of Viol

In May 2007, the Company optioned three mineral properties Alabugin, Baetov and Koshdube located in the Kyrgyz Republic, for EUR 525,000. In May 2008, Stans made an advance payment to Viol Energy Ltd. ("Viol") of EUR112,500 (CAD \$175,337), with a remaining balance of EUR412,500 to exercise the options to acquire the Alabugin, Baetov and Koshdube licenses. On May 29, 2009, the Company entered into a new agreement with Viol that eliminated production royalty and production bonus payments of EUR412,500 with respect to the Alabugin, Baetov and Koshdube licenses, and eliminated the right to receive a production royalty of USD \$0.75 per pound of U308 produced on the Shaltin, Kyzluraan and Kapkatash properties, and a production bonus of USD \$500,000 upon commercial production of U308 on any of these properties.

On July 3, 2009 the Company acquired 100% of the issued and outstanding shares of Viol by issuing 2,600,000 of its common shares that were valued at market at \$0.05 per share, totaling \$130,000. The acquisition was accounted for as an asset acquisition as Viol was not considered a business for accounting purposes. Under Kyrgyz Law, the effective date for the acquisition was December 23, 2009.

The following table summarizes the estimated fair value of Viol's assets acquired and liabilities assumed as at the date of the acquisition:

Property and equipment	\$ 11,294
Other assets	221
Mining properties (Kyzyluraan, Alabugin, Koshdube)	118,485
Total assets acquired	\$ 130,000
Total liabilities assumed	-
Net assets acquired	\$ 130,000
Purchase consideration – 2,600,000 shares	\$ 130,000

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. MINERAL PROPERTIES (CONTINUED)

2009 Write Off of Mineral Properties

In June 2009, Stans analyzed the 2005 to 2008 exploration results on all of the properties it owned or had under option and decided to return the Kapkatash and Shaltin properties to the Kyrgyz State Geological Agency ("State GA") and restructure the Naryn Valley properties.

Kapkatash and Shaltin Write Off

The amount attributable to the Kapkatash and Shaltin properties that were paid for license, exploration and overhead costs incurred over the period of exploration totaling \$703,758 and \$1,137,811 respectively were written off in the second quarter of 2009 year as no further benefit related to this property exists and the licenses were dropped.

Baetov License Write Off

During the second quarter of 2009 the exploration properties covered by the Baetov, Koshdube and Alabugin licenses were restructured to approximately 2/3 of the original exploration property. As a result, the amount attributable to the Baetov property for license, exploration and overhead costs incurred over the period of exploration totaling \$191,223 was written off.

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7. SHARE CAPITAL

(a) Authorized capital

Unlimited common shares
Unlimited preferred shares

(b) Issued - common shares

	Number of Shares	Amount
Balance, December 31, 2008	80,533,850	\$ 9,549,798
Shares issued in the acquisition of property (i)	2,600,000	130,000
Private placement (ii)	20,000,000	815,348
Shares issued on exercise of options (iii)	300,000	183,099
Balance, December 31, 2009	103,433,850	\$ 10,678,245
Private placement (v, viii)	8,000,000	2,488,933
Shares issued on exercise of options (iv, vi, ix, xi)	1,043,333	308,693
Shares issued on exercise of warrants (vii, x)	20,262,500	2,443,109
Balance, December 31, 2010	132,739,683	\$ 15,918,980

- (i) On July 3, 2009, Stans issued 2,600,000 common shares that were valued at market at \$0.05 per share, for a total of \$130,000 in consideration for all assets and liabilities of Viol (see Note 6(b)).
- (ii) On December 1, 2009, the Company completed a private placement for gross proceeds of \$1,046,080 (USD \$1,000,000) through the issuance of 20,000,000 units priced at USD \$0.05 per unit. As of December 31, 2009, 500,000 of the 20,000,000 common shares were issuable and issued in January 2010. Each unit consists of one common share and one common share purchase warrant exercisable at USD \$0.10. The Company incurred costs of \$20,080. The total fair value of warrants has been estimated to be \$210,652 using the Black-Scholes option pricing model based on the following assumptions: dividend yield of 0%, expected volatility of 69.21%, risk-free interest rate of 0.256%, and an expected life of 6 months.
- (iii) On December 31, 2009, 300,000 options to purchase the Company's shares at \$0.33 granted on January 8, 2007 with the expiry date of December 31, 2009 were exercised. The consideration received on the exercise of stock options of \$99,000 was recorded as share capital and the related contributed surplus of \$84,099 was transferred to share capital.
- (iv) On January 15, 2010, 213,333 options to purchase the Company's shares at \$0.10 with the expiry date of August 8, 2013 granted to former directors and officers were exercised. The consideration received on the exercise of stock options of \$21,333 was recorded as share capital.

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7. SHARE CAPITAL (continued)

- (v) On February 2, 2010, Stans closed a private placement of 5,000,000 units, priced at \$0.30 for gross proceeds of \$1,500,000 and net proceeds of \$1,379,015. Each unit consists of one common share and one-half common share purchase warrant exercisable at \$0.45 for a period of 18 months. The fair value of warrants has been estimated to be \$299,593 using the Black-Scholes option pricing model based on the following assumptions: dividend yield of 0%, expected volatility of 98.5%, risk-free interest rate of 0.77%, and an expected life of 18 months. Subsequent to the year end, 2,416,700 warrants were exercised.(see Note 12 (a)(iii))

PowerOne Capital Markets and Pope & Company Ltd. acted as finders in connection with the financing. Stans paid the finders a cash compensation of \$105,000 and issued non-transferable broker warrants to the finders entitling them to acquire a maximum of 350,000 units of Stans at a price of \$0.30 per unit for a period of 24 months. Each unit will consist of one common share and one-half of a common share purchase warrant. Each full common share purchase warrant will entitle the holder to acquire one additional common share of Stans at a price of \$0.45 cents per share for a period of 18 months. The fair value of warrants has been estimated to be \$82,240 using the Black-Scholes option pricing model based on the following assumptions: dividend yield of 0%, expected volatility of 98.5%, an expected life of 24 and 18 months, and risk-free interest rate of 1.11% and 0.77% respectively.

- (vi) On February 16, 2010, 500,000 options to purchase the Company's shares at \$0.10 with the expiry date of April 4, 2012 granted to a consultant were exercised. The consideration received on the exercise of stock options of \$50,000 was recorded as share capital and the related contributed surplus of \$129,938 was transferred into share capital.
- (vii) On June 1, 2010, 20,000,000 warrants to purchase the Company's shares at USD\$0.10 with the expiry date December 1, 2011 were exercised. The consideration received on the accelerated exercise of warrants of \$2,010,462 was recorded as share capital and the related fair value of warrants of \$299,652 (including \$89,000 in incremental value relating to the modification of the warrant exercise price from USD\$0.10 to CDN\$0.10) was transferred into share capital.
- (viii) On October 25, 2010, Stans closed its private placement for 3,000,000 common shares at a price of \$0.50 per share, for gross proceeds of \$1,500,000 and net proceeds of \$1,491,750.
- (ix) On November 3, 2010, 250,000 options to purchase the Company's shares at \$0.10 with the expiry date of April 4, 2012 granted to a consultant were exercised. The consideration received on the exercise of stock options of \$25,000 was recorded as share capital and the related contributed surplus of \$64,969 was transferred into share capital.
- (x) On November 17, 2010, 175,000 warrants to purchase the Company's shares at \$0.30 with the expiry date of February 2, 2012 and 87,500 warrants to purchase the Company's shares at \$0.45 with the expiry date of August 2, 2011 were exercised. The consideration received on the exercise of warrants of \$91,875 was recorded as share capital and the related fair value of warrants of \$41,120 was transferred into share capital.
- (xi) On December 24, 2010, 80,000 options to purchase the Company's shares at \$0.125 with the expiry date of December 9, 2014 granted to an officer were exercised. The consideration received on the exercise of stock options of \$10,000 was recorded as share capital and the related contributed surplus of \$7,453 was transferred to share capital.

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7. SHARE CAPITAL (continued)

(c) Warrants

- (i) As of January 1, 2009, the Company had 1,035,000 broker's warrants to purchase the Company's shares at \$0.33 per share. On February 15, 2009, 1,035,000 brokers' warrants to buy the Company's shares at \$0.33 expired unexercised and the fair value of \$335,685 was recorded in contributed surplus.
- (ii) On December 1, 2009, the Company issued 20,000,000 warrants to purchase one Company share at USD\$0.10 as a part of the private placement. The fair value of warrants has been estimated to be \$210,652 (see Note 7 (b)(ii)) and \$89,000 in incremental value relating to the modification of the warrant exercise price from USD\$0.10 to CDN\$0.10.
- (iii) On February 2, 2010, the Company issued as a part of a private placement 2,500,000 warrants to purchase one Company share at \$0.45 which will expire on August 2, 2011. The fair value of warrants has been estimated to be \$299,592. After the year end, 2,416,700 warrants were exercised (see Notes 7 (b)(v) and 12 (a)(iii))
- (iv) On February 2, 2010, the Company issued as a part of a private placement 350,000 units consisting one warrant to buy the one Company share at \$0.30 which will expire on February 2, 2012 (total of 350,000 warrants) and half warrant to buy one Company share at \$0.45 which will expire on August 1, 2011 (total of 175,000 warrants). The total fair value of warrants has been estimated to be \$20,972 and The total fair value of warrants has been estimated to be \$61,268 (see Note 7(b)(v)). On November 17, 2010 175,000 warrants at \$0.30 and 87,500 warrants at \$0.45 were exercised (see Note 7 (b)(x)). Subsequent to the year end, 175,000 warrants at \$0.30 were exercised (see Note 12(ii))

8. STOCK OPTIONS AND CONTRIBUTED SURPLUS

The Company maintains a stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to employees, officers, directors and consultants of the Company, options to acquire common shares in such numbers, for such terms, and at such exercise prices, as may be determined by the Board or such committee.

The stock option plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance for all purposes under the stock option plan shall not exceed 10% of the total issued and outstanding common shares at the time of the grant (on a non-diluted basis). The maximum number of common shares which may be reserved for issuance to any one optionee within any one year period pursuant to the stock option plan may not exceed 5% of the common shares issued and outstanding at the time of the grant. The options are valid for a maximum of five years from the date of issue. Vesting of options shall be released from time to time as determined by the Board in accordance with applicable stock exchange or other regulatory requirements. The exercise price of the options shall be fixed by the Board but shall be not less than the market price of the shares at the time the option is granted.

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8. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

The following table reflects the continuity of stock options for the years ended December 31, 2010 and 2009:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2008	8,258,333	\$0.33
Options cancelled January 3 (i)	(75,000)	0.33
Options expired January 26 (ii)	(133,333)	0.15
Options cancelled (iii)	(150,000)	0.42
Options cancelled (iv)	(360,000)	0.33
Options cancelled (v)	(450,000)	0.33
Options cancelled (vi)	(186,667)	0.15
Options issued (vii)	1,000,000	0.13
Options exercised (viii)	(300,000)	0.33
Balance, December 31, 2009	7,603,333	\$0.26
Options issued January 11 (ix)	50,000	0.37
Options issued January 12 (x)	200,000	0.37
Options issued January 12 (xi)	1,850,000	0.37
Options exercised on January 15 (xii)	(213,333)	0.10
Options exercised on February 19 (xiii)	(500,000)	0.10
Options cancelled March 8 (xiv)	(600,000)	0.42
Options issued April 29 (xv, xvi)	900,000	0.32
Options issued June 18 (xvii)	2,000,000	0.25
Options issued June 18 (xviii)	700,000	0.25
Options exercised on November 2 (xix)	(250,000)	0.10
Options issued November 2 (xx, xxi, xxii)	1,000,000	0.73
Options exercised on December 24 (xxiii)	(80,000)	0.13
Balance, December 31, 2010	12,660,000	\$0.26

- (i) On January 3, 2009, 75,000 options to purchase the Company's shares at \$0.33 granted on March 15, 2007 with the expiry date of March 15, 2012 were cancelled following an officer's resignation on October 3, 2008.
- (ii) On January 26, 2009, 133,333 broker's options to purchase the Company's shares at \$0.15 granted on January 26, 2007 expired unexercised.
- (iii) 150,000 options to purchase the Company's shares at \$0.42 granted on April 19, 2007 with the expiry date of April 19, 2012 were cancelled following a termination of the consultancy agreement.
- (iv) 360,000 options to purchase the Company's shares at \$0.33 granted on April 4, 2007 with the expiry date of April 4, 2012 were cancelled following a termination of the consultancy agreement.
- (v) In October 2009, 450,000 options to purchase the Company's shares at \$0.33 granted on January 4, 2007 with the expiry date of January 4, 2012 were cancelled following an advisor's decease.
- (vi) On November 26, 2009, 186,667 options to purchase the Company's shares at \$0.15 granted to officers and directors of JMC Capital on January 26, 2007 expired unexercised.

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8. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

- (vii) On December 9, 2009, the Company granted 1,000,000 stock options to an officer of the Company. Each stock option entitles the holder to purchase one common share of the Company for \$0.13 until December 9, 2014. The fair value of the 1,000,000 options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 98.5%; risk-free interest rate of 2.42% and an expected life of 5 years. The estimated fair value is \$93,165. The options vest over the period of 18 months from grant date. On December 24, 2010, 80,000 options were exercised.
- (viii) On December 31, 2009, 300,000 options to purchase the Company's shares at \$0.33 granted on January 8, 2007 with the expiry date of December 31, 2009 were exercised for cash proceeds of \$99,000.
- (ix) On January 11, 2010, the Company granted 50,000 stock options to a service provider. Each stock option entitles the holder to purchase one common share of the Company for \$0.37 until January 11, 2012. The fair value of these options was estimated on each vesting and reporting date using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 1.22-1.38% and the expected life of up to 2 years. The estimated fair value was \$18,393. The options vest over the period of 12 months from grant date, $\frac{1}{4}$ each quarter.
- (x) On January 12, 2010, the Company granted 1,850,000 stock options to its directors, officers and employees. Each stock option entitles the holder to purchase one common share of the Company for \$0.37 until January 12, 2015. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 98.8%; risk-free interest rate of 2.73% and an expected life of 5 years. The estimated fair value is \$495,800. The options vest over the period of 18 months from grant date.
- (xi) On January 12, 2010, the Company granted 200,000 stock options to its advisors. Each stock option entitles the holder to purchase one common share of the Company for \$0.37 until January 12, 2015. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 2.73% and an expected life of 5 years. The estimated fair value is \$52,292. The options vested immediately.
- (xii) On January 15, 2010, 213,333 options to purchase the Company's shares at \$0.10 with the expiry date of August 8, 2013 granted to former directors and officers were exercised for cash proceeds of \$21,333.
- (xiii) On February 16, 2010, 500,000 options to purchase the Company's shares at \$0.10 with the expiry date of April 4, 2012 granted to a consultant were exercised for cash proceeds of \$50,000.
- (xiv) On March 8, 2010, 600,000 options to purchase the Company's shares at \$0.42 granted on April 19, 2007 with the expiry date of April 19, 2012 were cancelled following termination of an officer's contract on December 8, 2009.
- (xv) On April 29, 2010, the Company granted 150,000 stock options to its employees. Each stock option entitles the holder to purchase one common share of the Company for \$0.32 until April 29, 2015. The total fair value of these stock options has been estimated to be \$34,500 using the Black-Scholes option pricing model based on the following assumptions: dividend yield of 0%, expected volatility of 98.51%, risk-free interest rate of 2.53%, and an expected life of 5 years. The options vest over the period of 18 months from grant date.

STANS ENERGY CORP.**(A development stage company)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****For the years ended December 31, 2010 and 2009****(Expressed in Canadian Dollars)**

8. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

- (xvi) On April 29, 2010, the Company granted 750,000 stock options to its consultants. Each stock option entitles the holder to purchase one common share of the Company for \$0.32 until April 29, 2015. The fair value of these options was estimated on each vesting and reporting date using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 1.87-3.11% and the expected life of up to 5 years. The estimated fair value of \$672,191 is classified as stock-based compensation and credited to contributed surplus as the options vest. The options vest over the period of 18 months from grant date.
- (xvii) On June 18, 2010, the Company granted 2,000,000 stock options to its directors and officers. Each stock option entitles the holder to purchase one common share of the Company for \$0.25 until June 18, 2015. The total fair value of these stock options has been estimated to be \$374,000 using the Black-Scholes option pricing model based on the following assumptions: dividend yield of 0%, expected volatility of 98.51%, risk-free interest rate of 3.02%, and an expected life of 5 years. The estimated fair value is classified as stock-based compensation and credited to contributed surplus as the options vest. The options vest over the period of 18 months from grant date.
- (xviii) On June 18, 2010, the Company granted 700,000 stock options to its consultants. Each stock option entitles the holder to purchase one common share of the Company for \$0.25 until June 18, 2012. The fair value of these options was estimated on each vesting and reporting date using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 1.48-1.78% and the expected life of up to 2 years. The estimated fair value as of December 31, 2010 of \$502,008 is classified as stock-based compensation and credited to contributed surplus as the options vest. The options vest over the period of 12 months from grant date.
- (xix) On November 2, 2010, 250,000 options to purchase the Company's shares at \$0.10 with the expiry date of April 4, 2012 granted to a consultant were exercised. The consideration received on the exercise of stock options in total of \$25,000 was recorded as share capital and the related contributed surplus of \$64,969 was transferred into share capital.
- (xx) On November 2, 2010, the Company granted 200,000 stock options to its employee. Each stock option entitles the holder to purchase one common share of the Company for \$0.73 until November 2, 2015. The total fair value of these stock options has been estimated to be \$109,770 using the Black-Scholes option pricing model based on the following assumptions: dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 2.37%, and an expected life of 5 years. The estimated fair value is classified as stock-based compensation and credited to contributed surplus as the options vest. The options vest over the period of 18 months from grant date.
- (xxi) On November 2, 2010, the Company granted 300,000 stock options to its consultants. Each stock option entitles the holder to purchase one common share of the Company for \$0.73 until November 2, 2013. The total fair value of these stock options as of December 31, 2010 has been estimated to be \$279,908 using the Black-Scholes option pricing model based on the following assumptions: dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 1.83%, and an expected life of 3 years. The estimated fair value is classified as stock-based compensation and credited to contributed surplus as the options vest. Options vest on October 31, 2013.
- (xxii) On November 2, 2010, the Company granted 500,000 stock options to its consultant. Each stock option entitles the holder to purchase one common share of the Company for \$0.73 until November 2, 2013. The fair value of these options was estimated on each vesting and reporting date using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 1.61-1.83% and the expected life of up to 3 years. The estimated fair value of \$386,784 is classified as stock-based compensation and credited to contributed surplus as the options vest. Options vest over the period of 24 months from grant date, 1/3 each anniversary date.

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8. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

(xxiii) On December 24, 2010, 80,000 options to purchase the Company's shares at \$0.13 with the expiry date of December 9, 2014 granted to an officer were exercised. The consideration received on the exercise of stock options in total of \$10,000 was recorded as share capital and the related contributed surplus of \$7,453 was transferred into share capital.

The following table reflects the actual stock options issued and outstanding as of December 31, 2010 (all options are exercisable into one common share of Stans):

Expiry Date	Exercise price (\$)	Number of Options Outstanding	Number of Options Vested	Vesting period
January 4, 2012	0.10	720,000	720,000	18 months
January 4, 2012	0.33	3,870,000	3,870,000	18 months
April 4, 2012	0.10	150,000	150,000	18 months
August 7, 2013	0.33	300,000	300,000	18 months
December 9, 2014	0.12	920,000	586,667	18 months
January 11, 2012	0.37	50,000	37,500	12 months
January 12, 2015	0.37	200,000	200,000	immediately
January 12, 2015	0.37	1,850,000	925,000	18 months
April 29, 2015	0.32	900,000	300,000	18 months
June 18, 2015	0.25	2,000,000	666,667	18 months
June 18, 2012	0.25	700,000	350,000	12 months
November 2, 2015	0.73	200,000	33,333	18 months
November 2, 2013	0.73	500,000	166,666	24 months
November 2, 2013	0.73	300,000	-	on Oct.31/13
		12,660,000	8,305,833	

9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, the Company expensed \$11,100 (2009 - \$4,700) in consulting fees to a director of the Company. The balance payable at December 31, 2010 is \$Nil (December 31, 2009 - \$Nil). 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 which approximates the arm's length equivalent value).

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10. INCOME TAXES

(a) Income taxes

The reconciliation of income taxes attributed to operations computed by applying the Federal and Provincial statutory income tax rate of 31% (2009 - 33%) and the reasons for the differences are as follows:

	2010	2009
Loss for the period	\$3,613,258	\$2,840,367
Statutory income tax rate	31%	33%
Expected tax recovery	1,120,110	937,321
Difference resulting from:		
Non-deductible stock based compensation	(608,319)	(21,103)
Shares issuance costs	74,086	66,068
Foreign tax rate differential	(65,954)	(334,763)
Other	(4,719)	(1,863)
Losses not recognized	(515,204)	(645,660)
Income tax expense	\$ -	\$ -

(b) Future income taxes

(i) The tax effect of significant differences that give rise to future income tax assets in Canada is as follows:

	2010	2009
Tax losses	\$ 1,814,150	\$ 1,518,481
Valuation allowance	(1,814,150)	(1,518,481)
Net future tax assets	\$ -	\$ -

The Company has determined that the realization of the future tax asset in Canada is not more likely than not and therefore a valuation allowance has been recorded against the future tax assets.

(ii) The tax effect of significant differences that give rise to future income tax liability in Kyrgyzstan is as follows:

	2010	2009
Mineral properties	\$ 21,000	\$ 124,000
Net future tax liability	21,000	124,000

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10. INCOME TAXES (continued)

(iii) The future income tax liability of \$21,000 (2009 - \$124,000) is related to taxable timing differences relating to the Company's subsidiary located in Kyrgyzstan. The future tax liability is estimated based on the statutory income tax rate of 10%. This liability was capitalized in mineral properties at the end of the year. The tax regime in Kyrgyzstan is subject to many risks and uncertainties.

The Company has non-capital losses of approximately \$7,256,602 in Canada that if not utilized, will begin to expire at the end of the following years:

		Canada
2025	\$	35,517
2026		507,235
2027		2,188,155
2028		1,603,323
2029		1,518,481
2030		1,403,891
	\$	<u>7,256,602</u>

These tax losses may also be subject to restrictions in the ability to use them and the tax benefit of this loss carry-forward is not reflected in these financial statements.

11. COMMITMENTS

The Company is committed to pay approximately \$5,200 per month for the lease of its office. The following table lists the Company's contractual obligations.

	2011	2012	Total
Operating leases	\$63,121	\$37,110	\$100,231

12. SUBSEQUENT EVENTS

(a) After the year end, the following transactions took place:

- (i) On January 6, 2011, 100,000 options to purchase the Company's shares at \$0.33 issued to its director were exercised.
- (ii) On January 7, 2011, 175,000 agent warrants to purchase the Company's shares at \$0.30 were exercised.
- (iii) During 2011, 2,416,700 warrants to purchase the Company's shares at \$0.45 with the expiry date August 2, 2011; 50,000 options to purchase the Company's shares at \$0.37 with the expiry date January 11, 2012; 600,000 options to purchase the Company's shares at \$0.25 with the expiry date June 18, 2012; 50,000 options to purchase the Company's share at \$0.10 with the expiry date April 4, 2012; and 166,667 options to purchase the Company's shares at \$0.73 with the expiry date November 2, 2013 were exercised.

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12. SUBSEQUENT EVENTS (continued)

- (iv) On February 1, 2011, 100,000 options to purchase the Company shares at \$0.25 with the expiry date June 18, 2012 were cancelled due to a termination of the agreement with a consultant.
 - (v) On March 1, 2011, 10,000 options to purchase the Company shares at \$0.32 with the expiry date April 29, 2015 were cancelled due to a termination of an employee.
 - (vi) In April 2011, 720,000 options to purchase the Company's shares at \$0.10 with the expiry date January 12, 2012; and 100,000 options to purchase the Company's shares at \$0.37 with the expiry date January 12, 2015 issued to the Company's consultants were exercised.
- (b) On January 13, 2011, the Company has reached an exclusive agreement with the majority owners of the KCMP to purchase 100% of KCMP's rare-earth processing complex, including a private rail terminal, for a total of USD \$5,500,000 (see Note 6 for more details).
- (c) On April 28, 2011, the Company completed the financing pursuant to which the company has issued 15,135,136 units at a price of \$1.85 per unit to gross proceeds of \$28,000,001.60 and net proceeds of \$26,139,460. Each unit consists of one common share in the capital of the company and one-half of one common share purchase warrant to buy one Company share at \$2.25 until April 28, 2013.

The agents received a cash commission equal to 6% of the gross proceeds of the offering and 908,108 broker warrants to purchase one common share of the Company at \$1.85 until April 28, 2013.

All of the common shares, warrants and broker warrants are subject to a four-month hold period ending on August 29, 2011.



STANS ENERGY CORP.

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FORM 51-102 ANNUAL MANAGEMENT'S DISCUSSION & ANALYSIS

Management has compiled the annual financial statements of Stans Energy Corp. ("Stans" or the "Company") consisting of the Consolidated Balance Sheet as at December 31, 2010 and the Consolidated Statement of Loss and Comprehensive Loss, Statement of Shareholder' Equity, and Cash Flows for the year then ended. The Company's auditor has audited the consolidated financial statements for the year ended December 31, 2010. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. This discussion and analysis was prepared by management with information available as at April 29, 2011. Additional regulatory filings for the Company can be found on the SEDAR website at www.sedar.com.

Where we say "we", "us", "our", or the "Company" we mean Stans Energy Corp. ("Stans") and its subsidiary unless otherwise indicated.

Forward-looking statements

This document may contain "forward-looking statements" within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements.

Forward-looking statements relate to future events or future performance and reflect management the Company's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral resources, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause

actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws. Accordingly, readers should not place undue reliance on forward looking statements.

Report Date

This management discussion and analysis is dated April 29, 2011 and is in respect of the year ended December 31, 2010 and should be read in conjunction with the audited consolidated financial statements for the year then ended.

Background

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 Energy owns a wholly owned subsidiary Stans Energy KG LLC in the Kyrgyz Republic (“Stans KG”).

Currently Stans is focused on the exploration and development of its mineral projects and as such it has no sources of operating revenue and continues to operate at a loss. Operating losses are expected to continue until such time as revenue generation from operating activities commences at commercial levels.

Mineral Properties

Licenses to the exploration rights in the Kyrgyz Republic as of December 31, 2010:

- Kyzyluraan
- Alabugin
- Koshdube
- Aktyuz

Mining licenses in the Kyrgyz Republic as of December 31, 2010:

- Kutessay II
- Kalesay

- (a) On May 29, 2009, the Company entered into a new agreement with Viol. that eliminates production royalty and production bonus payments totalling EUR 412,500 with respect to the Alabugin license, Baetov license and the Koshdube license, as well as eliminates the right to receive a production royalty of USD \$0.75 per pound of U308 produced on the Shaltin, Kyzyluraan and Kapkatas properties, and a production bonus of USD \$500,000 upon commercial production of U308 on any of these properties.

During the period ended September 30, 2010, the Company made additional payments for licenses as \$17,862 for Koshdube license and \$12,398 for Alabugin license. These amounts were capitalized into properties.

- (b) On July 3, 2009 the Company acquired 100% of the issued and outstanding shares of Viol by issuing 2,600,000 of its common shares that were valued at market at \$0.05 per share, totalling \$130,000. The acquisition has been accounted for as an asset acquisition as Viol was not

considered to be a business for accounting purposes. The effective date for acquisition was December 23, 2009.

The following table summarizes the estimated fair value of Viol's assets acquired and liabilities assumed as at date of the acquisition:

Property and equipment	\$ 11,294
Other assets	221
Mining properties	118,485
Total assets acquired	\$ 130,000
Total liabilities assumed	-
Net assets acquired	\$ 130,000
Purchase consideration – 2,600,000	\$ 130,000

(c) *Kutessay II and Kalesay mining licence*

On December 29, 2009, the Company acquired a mining license for the formerly producing REE mine, Kutessay II, in Kyrgyzstan. The Company acquired 100% of the Kutessay II and Kalesay beryllium deposits by acquiring 100% of Kutisay Mining Corp. (“Kutisay”) on the Central Asian Stock Exchange for USD\$863,550 (CAD \$898,524). The only assets owned by Kutisay were licenses. There were no known other assets or liabilities. Thus, the purchase price of USD \$863,550 (CAD \$898,524) was allocated to mineral properties as USD\$828,447 (CAD\$861,999) to Kutessay II and mineral property and USD\$35,103 (CAD\$36,525) to Kalesay. The Company also paid \$26,359 in legal fees, the amount of which was proportionally allocated between the two licenses.

Kutessay II produced all 15 rare earth elements along with lead, zinc, silver, bismuth, molybdenum, thorium, tin and copper. It also has niobium, tantalum and hafnium. The following important facts relate to Kutessay II:

- Formerly producing, REE, open-pit mine;
- Previously produced 80 per cent of the former Soviet Union's REE from 1960 to 1991 -- 30 years of proven metallurgy, with approximate recovery of 65 per cent;
- Good infrastructure, with rail line 48 kilometers away and electrical power on site. The mine is located 140 km by paved road from Kyrgyzstan's capital city of Bishkek;
- Contains all 15 rare earth elements and formerly produced every REE at purities up to 99.99 per cent;
- Light Rare Earth Elements (LREEs) to Heavy Rare Earth Elements (HREEs) ratio of approximately 50/50
- Kutessay II concentrate was refined into 120 different REE compounds;
- Underground exploration drifts used to prove Soviet REE reserves
- Abundance of qualified labour live in the area.

During the year, the Kyrgyz Republic Ministry of Natural Resources (MNR), reviewed and reissued mining licences for the Kutessay II and Kalesay deposits, previously purchased by Stans

Energy Corp. via auction from the public company, Kutisay Mining. The details of these licences are as follows:

Stans Energy owns a 20-year mining licence for both Kutessay II and Kalesay with the expiry date December 21, 2029. Within these licences, the Kyrgyz Republic MNR is to review each project's progress at defined interim stages regulated by the each respective licensing agreement. In September 2010, the MNR issued the licensing agreement No. 2, the title of the review period for Kutessay II and Kalesay, to December 2011 - a period chosen by the council to allow Stans the necessary time to complete a feasibility study for Kutessay II, and develop a better understanding of the region's mining potential.

(d) *Aktyuz ore field exploration licence*

In January 2010, the Company acquired an exploration license for USD\$1,000 for the REEs Aktyuz Ore Field (“AOF”), which surrounds the acquisitions of the mining licenses for the past-producing REEs mine, Kutessay II, and the Kalesay Beryllium deposit. The approximate 40 Sq. km exploration license completely covers the known REEs mineralized zones surrounding Kutessay II. Each identified mineralized horizon exhibits REE mineralization at the surface.

The following important facts relate to the Aktyuz Ore Field:

- The Aktyuz Ore Field is comprised of 5 rare earth mineralized zones, consisting of Kutessay I, Kutessay II, Kutessay III, Aktyuz, and Kuperlisai
- The Aktyuz deposit was first mined for lead in the 9th to the 12th century
- The Aktyuz deposit was mined from underground for lead, zinc, silver, tin and copper from 1942 to 1946
- The Aktyuz deposit saw limited REE underground mining for REE's from 1946 to 1951 before Kutessay II was put into production
- Surface exploration for REE only on Kutessay I, Kutessay III, and Kuperlisai

In August 2010, the MNR issued the licensing agreement No. 3, the title of the review period for AOF to December 2011.

- (e) In June 2009 Stans in conjunction with Stans Energy KG analyzed the results of exploration on all of the properties it owned or had under option and decided to return the Kapkatash and Shaltin properties to the Kyrgyz State Geological Agency and restructure the Naryn Valley properties.

Write Off

The drilling results obtained on Kapkatash and Shaltin properties demonstrated potential for the properties, but confirming this potential would require more significant financing. In 2008 and 2009, the Company was continuing to seek out a joint venture partner. According to Kyrgyz Law, Stans has to report the results and its intentions with respect to each property every half year, so the Company had to make its decision and inform the Government State Geological Agency (Kyrgyzstan) (“State GA”) about its intentions with respect to the properties by June 30, 2009. As negotiations with the larger partners did not consummate in an agreement by June 2009, Stans informed the State GA that it dropped these licenses effective June 2009.

(i) Kapkatash license write off

The license area is known to contain a number of copper-uranium showings (Kundul, Oital, Bura-Terek and others) associated with the “blue” horizon that occurs among the Lower Cretaceous red rocks, which are widespread in the study region and are best studied within the Oital and Alaiku

(Alaikuu) Troughs. The 2006-2007 Exploration programs failed to reveal any economic copper-uranium occurrences within the “blue” horizon. Limited drilling carried out in late 2007 on the most promising Bura showing demonstrated that the mineralization does not increase with depth and the U and Cu grades remain low. The possibility of discovering uranium deposits in tectonic blocks within sandy rock beds was unclear.

The amount attributable to this property that were paid for the license, costs of exploration and overhead over the period of exploration totalling \$703,758 was expensed in the second quarter of 2009 year as no further benefit related to this property exists.

(ii) Shaltin License write off

Through the 2006-2008 exploration programs, the reconnaissance drilling revealed signs of roll front uranium mineralization hosted in the Paleogene-Neogene sandy rocks near the NW-trending fault zones both at the Dzheldysu prospect and in the Western site of the license area. On the negative side, host sandy rock beds contain a lot of clayey material and dip at steep angles, which decrease their amenability to ISL mining. The further search for sandstone-hosted uranium deposits may result in large discoveries but this will require expensive geophysical studies and deep drilling (to a depth of 500 m) and therefore considerable financing and time to produce concrete results.

The amount attributable to this property that were paid for the license, costs of exploration and overhead over the period of exploration totalling \$1,137,811 was expensed in the second quarter of 2009 year as no further benefit related to this property exists.

Baetov License write off

During the second quarter of 2009 year, it was decided that Stans could cover the best part of the Narin valley potential by combining the three licenses in Naryn Valley: Baetov, Koshdule and Alabugin into two and restructured the exploration area by getting rid of the Baetov license and extending other Alabugin. The amount attributable to this property that were paid for the license, costs of exploration and overhead over the period of exploration totalling \$191,223 was written off.

Exploration and Development Activities in 2010

In April 2010, The Company received reports with recommendations on the development of Kutessay II and the exploration of the Aktyuz ore field. The 3-D model of the existing pit and orebody had been developed. The existing drift and crosscuts at 2,263 metres in elevation had been opened for resampling.

Kutessay II

Based on the information provided in the reports and work done to-date, the 2010 program for the redevelopment of the Kutessay II mine was as follows:

- Initial prospecting program on the known rare earth element-mineralized zones of the AOF, to identify and confirm drill targets. First target identified at Kutessai III mineralization zone and was scheduled for drilling in August –October. In October 2010, Stans completed drilling of two 500 meters holes at Kutessai III and expects to have the results in a complete report in English along with the detailed exploration plan for the Aktyuz Ore field by May 2011.
- Detailed geophysical program was completed, determined the shape and size of the Kutessay II deposit, below the 2,213-metre horizon.

- Bulk sampling of stockpiles in the Kutessay II pit and 2,263 metre adit, re-sampling of the 2,263-metre adit completed and samples were used to do metallurgical tests.

Aktyuz ore field

The first results of the geophysical program have produced a drill target within the AOF. The marked zone is located 500 metres southwest of the past-producing rare earth mine, Kutessay II, which was acquired by the company in December, 2009. The chargeability and resistivity images produced by the geophysical study depict the shape of the metallic sulphide anomaly as a dome structure that expands and strengthens to the image cut-off point at a depth of 400 m. Additional geophysical studies will be completed across the remainder of the fault line to a depth of roughly 400 m below surface in order to determine other additional anomalies for drilling. Two diamond drill holes were drilled into this anomaly and the results will be published with the exploration plan for the 2011 Aktyuz Ore Field program.

During the year ended December 31, 2010, licensing, exploration and evaluation expenditures in total of \$615,142 were spent on the Koshdube (\$16,956), Alabugin (\$9,398) and Aktyuz (\$588,788) properties and deferred. During the same period, development and evaluation expenditures in total of \$349,637 was spent on the Kutessay II (\$245,665) and Kalesay (\$103,972) mineral properties.

Mining properties and deferred expenditures by property

- (a) As of December 31, 2010, the following costs were incurred and capitalized as Mineral Properties and deferred exploration expenditures:

	Balance January 1, 2010	Additions	Write-off future tax liability	Balance December 31, 2010
Kyzyluraan	\$ 2,521,487	\$ -	\$ (67,056)	\$ 2,454,431
Alabugin	238,697	9,398	(22,156)	225,939
Koshdube	156,158	16,956	(13,788)	159,326
Aktyuz (i)	-	588,788	-	588,788
	\$ 2,916,343	\$ 615,142	\$ (103,000)	\$ 3,428,485*

* The total balance includes future tax liability in total of \$21,000

- (i) In January 2010, the Company acquired an exploration license for \$1,051 (USD\$1,000) for the Rare Earth Elements (REEs) Aktyuz Ore Field, which surrounds the acquisitions of the mining licenses for the past-producing REEs mine, Kutessay II, and the Kalesay Beryllium deposit.

Licenses to exploration rights in the Kyrgyz Republic as of December 31, 2009:

	Balance January 1, 2009	Additions	Property write-off	Balance December 31, 2009
Kyzyluraan	\$ 2,422,925	\$ 98,562	\$ -	\$ 2,521,487
Shaltin	1,137,811	-	(1,137,811)	-
Kapkatash	703,758	-	(703,758)	-
Alabugin	190,678	48,020	-	238,697
Baetov	191,223	-	(191,223)	-
Koshdube	110,683	45,476	-	156,158
	\$ 4,757,077	\$ 192,057	\$ (2,032,792)	\$ 2,916,343*

* The total balance includes future tax liability of \$124,000

(b) Licenses to mining rights in the Kyrgyz Republic as of December 31, 2010:

	Balance January 1, 2010	Additions	Balance December 31, 2010
Kutessay II	887,287	245,665	1,132,952
Kalesay	37,596	103,972	141,568
	\$ 924,883	\$ 349,637	\$ 1,274,520

Licenses to mining rights in the Kyrgyz Republic as of December 31, 2009:

	Balance January 1, 2009	Additions	Balance December 31, 2009
Kutessay II	-	887,287	887,287
Kalesay	-	37,596	37,596
	\$ -	\$ 924,883	\$ 924,883

Summary of material components of quarterly exploration expenditures and development

	2009				2010			
	Q1 \$	Q2 \$	Q3 \$	Q4 \$	Q1 \$	Q2 \$	Q3 \$	Q4 \$
Explorations rights/licenses	-	118,485	-	-	31,311	-	-	-
Mining licenses	-	-	-	924,883	-	-	-	-
Exploration and evaluation expenditures and overhead capitalized	19,119	17,037	2,446	2,970	20,112	101,564	231,535	230,620
Development and evaluation expenditures and overhead capitalized	-	-	-	-	15,227	181,172	62,507	90,731
Write off (expensed)	-	(1,841,569)	-	(191,223)	-	-	-	-
Future tax liability	-	-	-	56,000	-	-	-	(103,000)

The Option Agreement with the Kyrgyz Chemical and Metallurgical Plant

On February 8, 2010, the Company entered into an exclusive 12 month agreement (the "Option Agreement") with the Kyrgyz Chemical and Metallurgical Plant ("KCMP") to option the processing plants that previously isolated and recovered each of the 15 REEs from the Kutessay II mine. The KCMP assets under the Option Agreement include three plants, the associated equipment and the railway terminal used when KCMP was last in production. Under the Option Agreement, Stans was responsible for covering the costs of security, maintenance and utilities for the plants and rail terminal of approximately USD\$10,000/month. In January 2011, Stans reached an exclusive agreement with the majority owners of KCMP to purchase 100% of KCMP's rare-earth processing complex for USD \$5,500,000.

During the year ended December 31, 2010, the Company paid \$108,514 which was capitalized toward the future investment in KCMP.

In 2010 plant number one of KCMP was decommissioned under orders from the Kyrgyz Government. Stans will be working with the Russian Leading Research Institute of Chemical Technology (Legal Russian acronym VNIHT) to replace the technology used in plant one with a new process that has environmental advantages over the roasting technology used in the past.

General Financial Condition

As at December 31, 2010, the Company had a cash balance of \$1,332,737 (December 31, 2009 - \$183,094) and short-term investments of \$1,101,511 (December 31, 2009 - \$Nil) to settle current liabilities of \$190,648 (December 31, 2009 - \$266,636). All of the Company's financial liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. During the year, the Company settled its liabilities with various vendors by negotiating debt forgiveness totaling \$84,622.

A summary of selected financial information for the three years ended December 31 is as follows:

	2010	2009	2008
Interest and other income	\$1,997	\$9,381	\$62,661
Expenses	\$ (3,699,877)	\$ (2,849,748)	\$ (2,030,395)
Net Loss	\$ (3,613,258)	\$ (2,840,367)	\$ (1,967,734)
Loss per share (basic and diluted)	\$ (0.03)	\$ (0.03)	\$ (0.03)
Total Assets	\$ 7,333,314	\$ 4,083,806	\$ 5,599,564
Long Term Liabilities	\$ -	\$ -	\$ -
Cash flows used in operations	\$ (1,746,823)	\$ (777,059)	\$ (1,463,887)

Results of Operations for the year ended December 31, 2010

For the year ended December 31, 2010, Stans incurred a loss from operations of \$3,699,877, compared to \$2,840,367 for the year ended December 31, 2009. The larger loss in 2010 is attributable to a material increase in office and administrative expenses from \$556,384 in 2009 to \$1,081,482 in 2010, and increase in stock-based compensation expense from \$63,949 in 2009 to \$1,962,318 in 2010. Stans continues relying on raising additional equity financing in order to continue its exploration programs, project and asset development and to move into production.

Office and administration costs consist of expenses of \$1,081,482 (2009: \$556,384) related to travel, rent, bank charges, corporate development, salaries and benefits, and office and general:

- Salaries and benefits for the 2009 year were \$203,638 as compared to \$350,585 salaries and benefits paid in 2010 (by 72%) is due to increase in personnel.
- The significant increase in travel expenses from \$150,186 in 2009 compared to \$387,655 in 2010 (by 158%) is due to increase in trips to Kyrgyzstan and Russia in order to complete the acquisition of Kutessay II and Kalesay mining right/licenses, KCMP and seeking for new potential acquisitions.
- The significant increase in promotion and advertisement expenses from \$9,875 in 2009 compared to \$68,725 in 2010 is due to increase in marketing and promoting activities.

Interest income in 2009 was \$3,229 compared to \$1,997 in 2010 with the reduction attributable to the reduced interest rates.

Professional and consulting fees increased from \$181,756 in 2009 to \$623,391 in 2010 (by 243%) due to hiring new consultants to sustain new development activities, and legal and accounting fees in relation to financing and due diligence of potential acquisitions.

The following table sets forth a breakdown of material components of the general and administration costs of the Corporation for the two years ended:

For the year ended December 31,	2010	2009
Investor relations	\$ 68,725	\$ 9,875
Office expenses	106,393	65,841
Rent	86,029	87,513
Salaries and benefits	350,585	203,638
Travel	387,655	150,186

Stock-based compensation

For the year ended December 31, 2009, Stans recorded stock based compensation of \$63,949, as compared to \$1,962,318 for the year ended December 31, 2010. The significant difference is due to a larger number of stock option grants in 2010. The stock based compensation expense is related to the stock options vested during the period that were issued to directors, officers, employees and consultants. The estimated fair value of options is estimated on the date of the option grant for directors, officers, employees and consultants using the Black-Scholes option pricing model and remeasured on each vesting and reporting date for options issued to consultants.

Results of Operations for the three month period ended December 31, 2010

For the three period ended December 31, 2010, Stans incurred a loss from operations of \$1,762,299, compared to \$385,302 for the same period in 2009. The larger loss in 2010 is attributable to a significant increase in operating activities and the estimated fair value of options expensed in Q4.

Office and administration costs consist of expenses related to travel, rent, bank charges, corporate development, salaries and benefits, and office and general. This category of expenses increased from \$105,538 in 2009 to \$361,694 in 2010, primarily due to:

- Salaries and benefits in three months of 2010 were \$117,179 as compared to \$14,497 salaries and benefits paid in the same period of 2009. The increase in 2010 salaries and benefits is due to increase in personnel.
- The significant increase in travel expenses from \$33,506 in 2009 compared to \$160,719 in 2010 is due to increase in trips to Kyrgyzstan and Russia seeking for new potential acquisitions.
- The significant increase in promotion and advertisement expenses from \$533 in 2009 compared to \$11,304 in 2010 is due to increase in marketing and investor relationships activities.

Professional and consulting fees increased from \$58,885 in 2009 to \$283,802 in 2010 due to hiring new consultants to sustain new development activities, and legal and accounting fees in relation to financing and due diligence of potential acquisitions.

There was insignificant difference in interest income in three months of 2010 \$1,403 and 2009 \$Nil.

The following table sets forth a breakdown of material components of the general and administration costs of the Corporation:

For the three months period ended December 31,	2010	2009
Investor relations, promotions and advertizing	\$ 11,304	\$ 533
Office expenses	25,720	3,716
Rent	21,913	20,626
Salaries and benefits	117,179	14,497
Travel	160,719	33,506

Stock-based compensation

For the three month period ended December 31, 2010, the Company recorded stock based compensation of \$1,096,415, as compared to \$33,624 for the period ended December 31, 2009. The significant difference is due to a larger number of stock option grants in 2010 that were vested and consequently expensed in Q4, and due to a significant increase in fair value of unvested options issued to the Company consultants. The stock based compensation expense is related to the stock options vested during the period that were issued to directors, officers, employees and consultants.

Summary of Quarterly Results

	2009				2010			
	Q1 \$	Q2 \$	Q3 \$	Q4 \$	Q1 \$	Q2 \$	Q3 \$	Q4 \$
Interest Income and debt forgiveness	3,139	90	-	6,152	84,646	-	570	1,403
Expenses:								
Stock-based compensation	14,759	9,618	5,948	33,624	259,487	350,308	256,108	1,096,415
Mineral Property write-off	-	1,841,569	-	191,223	-	-	-	-
Foreign exchange (gain) loss	3,049	1,041	(113)	(6,002)	(631)	(8,356)	5,169	20,190
Operating Expenses	221,814	195,698	164,911	166,457	269,507	376,943	427,640	647,097
Loss for the period	236,483	2,047,836	170,746	385,302	443,717	718,895	688,347	1,762,299
Loss per share (basic and diluted)	\$(0.003)	\$(0.025)	\$(0.002)	\$(0.005)	\$(0.004)	\$(0.006)	\$(0.005)	\$(0.013)

This summary of quarterly results should be read in conjunction with the financial statements and notes included in the Company's annual report.

Related Party Transactions

During the year ended December 31, 2010, the Company expensed \$11,100 (2009 - \$4,700) in consulting fees to a director of the Company. The balance payable at December 31, 2010 is \$Nil (December 31, 2009 - \$Nil). 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 parties which approximates the arm's length equivalent value).

Property and Equipment

	Cost	Accumulated Amortization	Net book value Dec. 31, 2010
Office equipment	\$ 46,844	\$ 33,978	\$ 12,866
Computer equipment	15,493	11,633	3,860
Vehicles	23,381	13,249	10,132
	\$ 85,718	\$ 58,860	\$ 26,858
	Cost	Accumulated Amortization	Net book value Dec. 31, 2009
Office equipment	\$ 40,892	\$ 25,911	\$ 14,981
Computer equipment	13,280	8,862	4,418
Vehicles	23,381	7,773	15,608
	\$ 77,553	\$ 42,546	\$ 35,007

Disclosure of Outstanding Share Data

As at December 31, 2010, and as of the date of this Discussion, the following is a description of the outstanding equity securities and exercisable securities previously issued by the Company:

(a) Issued - common shares

	Number of Shares	Amount
Balance, December 31, 2010	132,739,683	\$ 15,918,980
Shares issued on exercise of options and warrants (i-v)	4,253,367	2,536,416
Shares issued in a private placement (vi)	15,135,136	26,139,460
Balance, April 29, 2011	152,303,186	\$ 44,594,856

*The amount recorded on exercise of warrants and options includes the previously recorded fair value of warrants/options transferred into share capital.

- (i) In January 2011, 100,000 options to purchase the Company's shares at \$0.33 issued to its director; 50,000 options to purchase the Company's shares at \$0.37 and 100,000 options to purchase the Company shares at \$0.25 issued to the Company consultants were exercised.
- (ii) In February 2011, 50,000 options to purchase the Company's shares at \$0.37 and 166,667 options to purchase the Company's shares at \$0.73 issued the Company consultants were exercised.
- (iii) In March 2011, 50,000 options to purchase the Company's share at \$0.10; and 500,000 options to purchase the Company's shares at \$0.25 issued the Company consultants were exercised.
- (iv) In April 2011, 720,000 options to purchase the Company's shares at \$0.10; and 100,000 options to purchase the Company's shares at \$0.37 issued to the Company's consultants were exercised.
- (v) During the first quarter of 2011, 2,416,700 warrants to purchase the Company's shares at \$0.45 and 175,000 agent warrants to purchase the Company's shares at \$0.30 were exercised.
- (vi) On April 28, 2011, the Company completed the financing pursuant to which the company has issued 15,135,136 units at a price of \$1.85 per unit to gross proceeds of \$28,000,001.60 and net proceeds of \$26,139,460. Each unit consists of one common share in the capital of the company and one-half of one common share purchase warrant to buy one Company share at \$2.25 until April 28, 2013.

(b) Warrants

- (i) As of January 1, 2009, the Company had outstanding 1,035,000 broker's warrants to buy the Company shares at \$0.33. On February 15, 2009, 1,035,000 brokers' warrants to buy the Company shares at \$0.33 expired unexercised.
- (ii) On December 01, 2009, the Company issued 20,000,000 warrants to buy the one Company share at USD\$0.10 with the expiry date December 01, 2010. The total fair value of warrants has been estimated to be \$210,652. On June 1, 2010, warrants were exercised.
- (iii) On February 02, 2010, the Company issued as a part of private placement 2,500,000 warrants to buy the one Company share at \$0.45 which will expire on August 1, 2011. The total fair value of warrants has been estimated to be \$299,593. During the first quarter of 2011, 2,416,700 warrants were exercised.
- (iv) On February 2, 2010, the Company a part of private placement issued 175,000 warrants to the agent on the private placement to buy the one Company share at \$0.45 which will expire on August 1, 2011. The total fair value of warrants has been estimated to be \$20,972 and 350,000

warrants to buy the one Company share at \$0.30 which will expire on February 1, 2012. The total fair value of warrants has been estimated to be \$61,268. On November 17, 2010, 175,000 warrants to purchase the Company's shares at \$0.30 and 87,500 warrants to purchase the Company's shares at \$0.45 were exercised. On January 7, 2011, 175,000 were exercised.

- (v) On April 28, 2011, the Company completed the financing pursuant to which the company has issued 15,135,136 units. Each unit consists of one common share in the capital of the company and one-half of one common share purchase warrant (total of 7,567,568 warrants) to buy one Company share at \$2.25 until April 28, 2013.

Stifel Nicolaus Canada Inc. acted as lead agent, and Clarus Securities Inc. acted as co-manager. The agents received 908,108 broker warrants to purchase one common share of the Company at \$1.85 until April 28, 2013.

(c) Stock options

The following table reflects the continuity of stock options for the up to the date of this Discussion:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2010	12,660,000	\$0.26
Options exercised (expiry date Jan. 4, 2012)	(100,000)	0.33
Options exercised (expiry date Jan. 12, 2015)	(200,000)	0.37
Options exercised (expiry date June 18, 2012)	(600,000)	0.25
Options exercised (expiry date Jan. 4, 2012)	(720,000)	0.10
Options exercised (expiry date Apr. 4, 2012)	(50,000)	0.10
Options exercised (expiry date Nov. 2, 2013)	(166,667)	0.73
Options cancelled (expiry date June 18, 2012)(i)	(100,000)	0.25
Options cancelled (expiry date Apr. 29, 2015)(ii)	(10,000)	0.32
Balance, April 29, 2011	10,713,333	\$0.19

- (i) On February 1, 2011, 100,000 options to purchase the Company shares at \$0.25 with the expiry date June 18, 2012 were cancelled due to a termination of an agreement with a consultant.
- (ii) On March 1, 2011, 10,000 options to purchase the Company shares at \$0.32 with the expiry date April 29, 2015 were cancelled due to a termination of an employee.

Proposed Transactions

The board of directors of the Company is not aware of any proposed transactions involving a proposed asset or business or business acquisition or disposition which may have an effect on financial conditions, results of operations and cash flows.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance finance arrangements.

Commitments

The Company is committed to pay approximately \$5,200 per month for the lease of its office. The following table lists the Company's contractual obligations.

	2011	2012	Total
Operating leases	\$63,121	\$37,110	\$100,231

Liquidity And Capital Resources

The activities of Stans are financed through the completion of equity offerings involving the sale of securities which generally include private placements and rights offering with the shareholders of Stans.

As at December 31, 2010, Stans had net working capital of \$2,304,289 (December 31, 2009 - \$(59,063)) comprised of cash, short-term investments, amounts receivable, prepaid expenses and accounts payable and accrued liabilities. Stans does not generate revenue from operations and any significant improvements in working capital would result from the issuance of share capital. During 2010 the gross cash proceeds from the issue of share capital amounted to \$3,500,000, and on April 28, 2011 the gross cash proceeds amounted to \$28,000,002.

The proceeds from the private placements will be used for a feasibility study on Kutessay II and Kalesay, purchase of the KCMP rare-earth-processing complex, refurbishment and upgrades to the KCMP rare-earth-processing complex, Aktyuz exploration, and for working capital.

Outlook

Although economic conditions in the financial market appear to have made a modest recovery, it remains difficult under current economic conditions to secure debt or equity financing for some companies and in particular for junior resource companies. The Company's near-term goal continues to be to preserve its cash resources by minimizing operating costs, however due the availability of permits to conduct drilling operations on the mineral properties, the Company intends to expend funds on a drilling program on this key project when and if all required approvals have been received. The Company will continue to review strategic acquisitions and/or partnership opportunities that may become available, and will carefully monitor market conditions in relation to the resumption of planned exploration programs on other key properties.

If the current market conditions persist for an extended period of time, there can be no assurance that additional funding will be available to the Company or if available, that this funding will be on acceptable terms.

Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board confirmed that Canadian generally accepted accounting principles for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective January 01, 2011. The conversion to IFRS will require the Company to report under IFRS for interim and annual periods beginning January 1, 2011, with comparative information for 2010 restated under IFRS. Adoption of IFRS will require the Company to make certain accounting policy choices and could materially impact the reported interim and annual financial results of operations.

First-Time Adoption of IFRSs

IFRS 1, “First-Time Adoption of International Financial Reporting Standards” (“IFRS 1”), provides entities adopting IFRSs for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRSs. The company is analyzing the various accounting policy choices available and will implement those determined to be most appropriate in our circumstances. The most significant IFRS 1 exemptions for the Company are as follows:

Business Combinations

An exemption is available which allows the company, on transition to IFRSs, to either restate all past business combinations or to apply a more limited restatement approach.

Policy selection: If the exemption is chosen, specific requirements must be met, such as: maintaining the classification of the acquirer and the acquiree, recognizing or derecognizing certain acquired assets or liabilities as required under IFRSs and remeasuring certain assets and liabilities at fair value. The Company will elect, on transition to IFRSs, to apply the elective exemption such that transactions entered into prior to the transition date will not be restated.

Property, Plant and Equipment

An exemption is available which would allow the company to report items of property, plant and equipment (“PP&E”), in its opening balance sheet on the transition date, at a deemed cost instead of the actual cost that would be determined under IFRSs. The deemed cost of an item may be either its fair value at the date of transition to IFRSs or an amount determined by a previous revaluation under Canadian GAAP (as long as that amount was close to either its fair value, cost or adjusted cost). The exemption can be applied on an asset-by-asset basis.

Policy selection: The Company will not elect to report any items of PP&E in its opening balance sheet on the transition date, at deemed cost instead of the actual cost that would be determined under IFRSs. The Company will report the items at cost.

Share-Based Payments

An exemption is available which would allow the company to elect not to apply IFRS 2, “Share-Based Payments” to equity instruments granted on or before November 7, 2002 or which vested before the company’s date of transition to IFRSs on January 1, 2010.

Policy selection: The Company will elect not to apply IFRS 2 to equity instruments which vested before the Company’s date of transition to IFRSs on January 1, 2010.

Expected Areas of Significance

Although IFRS uses a conceptual framework similar to GAAP, there are significant differences in recognition, measurement and disclosure. During the second quarter of 2010, the Company substantially completed assessing and quantifying IFRS transition adjustments, Phase 2 of its IFRS conversion project.

IFRS conversion adjustments completed and preliminary conclusions, subject to the Company’s auditor’s review, were determined. The key areas where changes in accounting policies are expected that may impact the company’s consolidated financial statements are as follows:

Impairment of non-current assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. International Accounting Standard (“IAS”) 36, “Impairment of Assets”, uses a one-step approach for both testing for and measuring

impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in more writedowns where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. However, the extent of any new writedowns may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses.

Possible impact under IFRS: There is no impact on adoption of this standard.

Share-based compensation

There are a number of differences in accounting for stock based compensation however the differences depend on the contractual nature of the stock based compensation. IFRS 2 “Share based payments”

(i) does not provide an exemption for the recognition of an expense when an employee share purchase plan provides a discount to employees that does not exceed the per-share amount of share issuance costs that would have been incurred to raise a significant amount of capital by a public offering and is not extended to other holders of the same class of shares;

(ii) the entity should treat each installment as a separate share options grant;

(iii) requires that share-based payments to non-employees be measured at the date the entity obtains the goods or the counterparty renders service;

(iv) requires cash-settled share-based payments to be measured at the fair value of the liability not intrinsic value; and

(v) requires the transaction to be accounted for as a cash-settled transaction if the entity has incurred a liability to settle in cash or other assets, or as an equity-settled transaction if no such liability has been incurred; and

Possible impact under IFRS: Options granted in 2009 and 2010 and having a vesting period in instalments after the transition date to IFRSs on January 1, 2010, will be valued under IFRS 2.

Property, plant and equipment (‘PP&E’)

Canadian GAAP does not require that “asset parts” of a main asset are depreciated separately whereas IAS 16 “Property, plant and equipment” requires that significant asset parts are recognized and depreciated separately so that the cost of replacing a part may be recognized. When there are impairment indicators for PP&E, Canadian GAAP first determines whether undiscounted cash flows are sufficient to recover carrying value and if not, impairment is measured based on fair value whereas IFRS requires that when there are impairment indicators, carrying value is compared to the recoverable amount, being the greater of fair value less cost to sell or value in use (i.e., discounted cash flows). Mineral properties in a development and evaluation stage are covered under IAS 16.

Possible impact under IFRS: The Company does not expect the impact on the transition as there has been no revaluation. For the majority of assets, residual value is zero. For the remaining assets, residual value has been assumed under Canadian GAAP to be equal to salvage value therefore no impact is anticipated. Mineral properties in a development and evaluation stage have been capitalized at cost under Canadian GAAP and on transition to IFRSs will be covered under PP&E. There have not been any instances where impairment indicators have been met for PP&E in Stans.

Deferred Exploration for and Evaluation of Mineral Resources

Canadian GAAP is more comprehensive than IFRS, which only provides guidance up to the point that technical feasibility and commercial viability of extracting is demonstrated. Canadian GAAP allows for the capitalization of certain exploration and development costs. IFRS allows accounting in line with

Canadian GAAP for the exploration and evaluation phase but expenditures beyond the exploration and evaluation (E&E) phase, must be considered in line with the capitalization criteria for PP&E and/or intangible assets. IFRS 6 “Exploration for and Evaluation of Mineral Resources” requires entities to select and consistently apply an accounting policy specifying which E&E expenditures are capitalized and which are expensed.

Possible impact under IFRS: The Company expects to establish an accounting policy to capitalize, as incurred, all costs relating to E&E until such time as it is determined that a property has economically recoverable reserves.

In 2009, the Company wrote-off three exploration properties in total of \$2,032,792 resulted from a determination that no economically recoverable reserves on these properties existed. Although the original cause of the impairment has not changed, the underlying assumptions and estimated supporting the calculation of recoverable amount have changed. The Company will not reverse previously recorded write downs on its transition to IFRSs due to the properties are still being impaired. The Company will assess the carrying value of its assets for impairment in accordance with IFRS 6 after the date of its transition to IFRSs, January 1, 2010.

The list and comments above should not be regarded as a complete list of changes that will result from transition to IFRSs. It was intended to highlight those areas we believe to be most significant.

Recent accounting pronouncements

(i) Business Combinations

In January 2009, the CICA issued Section 1582 Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period of the Company beginning on or after January 1, 2011. Early adoption is permitted. This section replaces Section 1581 Business Combination: and harmonizes the Canadian standards with International Financial Reporting Standards (“IFRS”). The impact of this standard will depend on the specifics of the business combinations completed after adoption.

(ii) Consolidated Financial Statements And Non-Controlling Interests

CICA Section 1601, Consolidated financial statements and Section 1602 Non-controlling interest replaces CICA Section 1600 Consolidated financial statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on or after January 1, 2011. The Company has not yet determined the impact of the adoption of these changes on its consolidated financial statements.

Critical Accounting Estimates

The application of certain accounting policies requires the Company to make estimates based on assumptions that may be undertaken at the time the accounting estimate is made. The Company has determined that the following accounting estimates are critical and could have a material effect on the financial statements of the Company if there is a change in an estimate.

Acquisition, Exploration and Evaluation Expenditures: Stans is in the initial stage of acquiring and exploring the mineral properties and does not derive any income from any source. It is Stans' policy to defer expenditures related to the acquisition and exploration of the mineral properties (including direct administrative expenditures, if any) until such time as the rights in the mineral properties are obtained and it is brought into commercial production. The cost of acquiring the mineral properties and all related deferred exploration and development expenditures will be amortized on a unit of production basis. The recorded book value of the mineral properties is not intended to reflect its present or future value. Should mineral properties become impaired as evidenced by unfavourable exploration results, or a decision to discontinue further work, the acquisition cost and related deferred exploration and development expenditures will be expensed.

Contingencies: An estimated contingent loss is recorded when it is determined from available information that a loss is probable and that the amount can be reasonably estimated. Contingent liabilities involve the exercise of judgment and an estimate of future outcomes.

Stock-based compensation: An estimated stock-based compensation charge is recorded based on critical accounting estimates that have a high degree of uncertainty. Actual results could differ from those estimates.

Business Risks, Uncertainties and Going Concern

The Company currently conducts all of its operations in the Kyrgyzstan. Accordingly, operations are exposed to various regulations pertaining to its business and to various levels of political, economic, legal and other uncertainties associated with doing business in Kyrgyzstan.

The Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. These risks include, but are not limited to, dependence on key individuals and successful exploration and development. The application of going concern is dependent upon the Company's ability to attain commercial production and generate future profitable operations.

Substantial expenditures are required to establish reserves, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. In the absence of cash flow from operations, Stans relies on capital markets to fund its exploration and evaluation activities. There can be no assurance that adequate funding will be available for those purposes when required.

Development of Stans' resource properties will only continue upon obtaining satisfactory results of properties' assessments. Mineral exploration and development involves a high degree of risk and may not be developed into a producing mine. The long-term profitability of Stans' operations will be in part directly related to the cost and success of its exploration and subsequent evaluation programs, which may be affected by a number of factors. These factors include the particular attributes of the mineral deposits including the quantity and quality of the Uranium and Rare Earth Elements, proximity to, or cost to develop, infrastructure for extraction, financing costs, mineral prices and the competitive nature of the industry. Also of key importance are governmental regulations including those relating to prices, taxes, royalties, land tenure and use, the environment and the importing and exporting of minerals. The effects of these factors cannot be accurately predicted, but any combination of them may result in the Company not receiving an adequate return on invested capital.

Mining Industry

Mining operations generally involve a high degree of risk. Stans operations are subject to the hazards and risks normally encountered in the exploration, development and production of Uranium and Rare Earth

Elements, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

The development project has no operating history upon which to base estimates of future cash operating costs. For development projects, resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the mineral body, expected recovery rates of minerals, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of Uranium and REEs.

No Revenues

To date, Stans has not recorded any revenues from operations nor has Stans commenced commercial production on any property. There can be no assurance that significant losses will not occur in the near future or that Stans will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of the properties. The Company expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the property will require the commitment of substantial resources to conduct time consuming development. There can be no assurance that Stans will generate any revenues or achieve profitability.

Dependence on Outside Parties

Stans has relied upon consultants, engineers and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to construct mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the Uranium and Rare Earth Elements from the minerals and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

Licenses and Permits, Laws and Regulations

Stans could encounter regulatory and/or permitting delays. Stans utilizes its best efforts to ensure timely application for any government permits necessary for carrying out its business in Kyrgyzstan. However, its past ability to obtain all necessary permits in the timely fashion is not a guarantee of future results as events like bureaucracy, minor changes in legislation and even government holidays that are beyond Stans' control could substantially impede the timing of receiving essential permits and delay or stall Stans' exploration efforts..

Key Personnel

The Company is depending on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company does not have key person insurance on these individuals.

Industry Risk

Stans' ability to continue funding its exploration program and possible future profitability is directly related to uranium and REE market prices. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of Stans. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities, and exchange rate stability can all cause significant price fluctuation. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political development. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on Stans' business, financial condition and results of operations.

Share Price Volatility

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities.

Shareholders' Interest in the Company may be Diluted in the Future

The Company will require additional funds for its planned activities. If Stans raises additional funding by issuing equity securities, such financing could substantially dilute the interests of its Shareholders. Sales of substantial amounts of common shares or the availability of securities for sale, could adversely affect the prevailing market prices for the Company's Common Shares. A decline in the market prices of Common Shares securities could impair the ability of the Company to raise additional capital through the sale of new common shares should Stans desire to do so.

The Corporation will do its best to minimize these business risks by employing management, technical staff and consultants with extensive industry experience; maintaining a low cost structure; maintaining prudent financial practices; controlling timing and magnitude of operating and capital costs; and maintaining insurance in accordance with industry standards.

Country of Operation Risks*Distorted economy of Kyrgyzstan.*

Kyrgyzstan is a predominantly agricultural economy, however state revenues are heavily dependent on gold export. Therefore gold price fluctuations and/or drop in output can trigger substantial declines in GDP, and cause rapid fluctuations in purchasing power parity, interest rates, tax regime, foreign exchange, etc. The purchasing power volatility can result in mismatch between estimated and actual operating expenditures of Stans and its subsidiary.

Political instability.

There has been a high turnover in key government positions and the cabinet of Kyrgyzstan in the past two years. On the one hand, this turnover is indicative of a transition to a more representative and competitive political system with a greater diversity of views and platforms. On the other hand, inconsistency of the political direction may have an adverse effect on the progress of regulatory, fiscal and other institutional reforms. Furthermore, the timing of the Stans' work progress may be adversely affected as additional

efforts may be required to accommodate those regulatory changes and additional business costs may be triggered.

Financial Instruments and Financial Risk Factors

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Financial instruments included in amount receivables consist of sales tax receivable from government authorities in Canada. Management believes that the credit risk with respect to financial instruments included in cash and cash equivalents and amount receivables is remote.

Liquidity Risk

The Company's exposure to liquidity risk is dependent on the 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 December 31, 2010, the Company had a cash balance of \$1,332,737 (December 31, 2009 - \$183,094) and short-term investments of \$1,101,511 to settle current liabilities of \$190,648 (December 31, 2009 - \$266,636), thus it is not exposed to liquidity risk.

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 its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company does not have interest bearing debt.

(b) Foreign Currency Risk

The Company operates in the Kyrgyz Republic with a portion of exploration expenditures payable in Canadian dollars or SOM. The Company is therefore subject to currency exchange risk arising from the degree of volatility of changes in exchange rates between the Canadian dollar and SOM. The Company does not currently enter into foreign currency futures and forward contracts to manage its exposure to foreign currency fluctuations.

Approval

The Board of Directors of Stans Energy Corp. has approved the disclosure contained in this MD&A.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.