STANS ENERGY CORP.

(Incorporated under the Laws of Ontario)

Consolidated Financial Statements
For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian Dollars)

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Management's Report

The consolidated financial statements, the notes thereto and other financial information contained in the Management Discussion and Analysis have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are the responsibility of the management of Stans Energy Corp. The financial information presented in the Management Discussion and Analysis as filed on SEDAR is consistent with the data that is contained in the consolidated financial statements. The consolidated financial statements, where necessary, include amounts which are based on the best estimates and judgment of management.

The Board of Directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Audit Committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the Directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal controls and review financial reporting issues.

The consolidated financial statements have been audited by KPMG LLP, in accordance with Canadian generally accepting auditing standards.

(Signed) "*Robert Mackay*"

Robert Mackay

President and Chief Executive Officer

(signed) "*Anna Kuranova*"

Anna Kuranova

Chief Financial Officer

Toronto, Ontario, Canada

April 30, 2012

KPMG LLP
Chartered Accountants
Bay Adelaide Centre
333 Bay Street Suite 4600
Toronto ON M5H 2S5

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

To the Shareholders of Stans Energy Corp.

We have audited the accompanying consolidated financial statements of Stans Energy Corp., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 opinion.

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, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
April 30, 2012

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KPMG Canada provides services to KPMG LLP.

Stans Energy Corp.
Consolidated statements of financial position
(Expressed in Canadian dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Assets		(Note 16)	(Note 16)
Current Assets			
Cash	$ **7,239,574**	$ 1,332,737	$ 183,094
Short-term investments	**11,890,674**	1,101,511	-
Accounts receivable	**191,103**	-	-
Prepaids and other assets (Note 6)	**1,274,264**	60,689	24,480
	20,595,615	2,494,937	207,574
Property, plant and equipment (Note 7)	**6,118,688**	26,858	35,007
Acquisition costs	**-**	108,514	-
Mineral properties (Note 8)	**6,111,842**	4,510,131	3,751,220
	$ **32,826,145**	$ **7,140,440**	**$ 3,993,801**
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	$ **414,179**	$ 190,648	$ 266,636
Share purchase warrant (Note 16 (iv))	**-**	-	5,720,000
	414,179	190,648	5,986,636
Non-current Liabilities			
Deferred tax liability	**107,955**	57,211	120,802
Shareholders' Equity			
Share capital (note 9 (a))	**42,347,789**	18,349,980	10,678,245
Share purchase warrants (Note 9 (b))	**6,082,329**	130,060	335,685
Contributed surplus (Note 9 (c))	**6,335,978**	3,415,566	2,160,275
Accumulated other comprehensive income (loss)	**(192,070)**	(205,867)	-
Deficit	**(22,270,015)**	(14,797,158)	(15,287,842)
	32,304,011	6,892,581	(2,113,637)
	$ **32,826,145**	$ **7,140,440**	$ **3,993,801**

Commitments (Note 17)
Subsequent Events (Note 18)

Approved by the Board of Directors on April 30, 2012:

"Gordon Baker", DIRECTOR

"Rodney Irwin", DIRECTOR

"Douglas Underhill", DIRECTOR

See accompanying notes.

Stans Energy Corp.
Consolidated Statements of Loss and Comprehensive Loss
For the Years ended December 31, 2011 and 2010
(Expressed in Canadian dollars)

		2011		2010
				(Note 16)
Expenses				
General and Administrative				
Office and administration (Note 13)	**$**	**2,841,531**	$	1,081,482
Amortization		**32,063**		16,314
Consulting fees		**229,417**		339,157
Professional fees		**340,220**		284,234
Stock-based compensation (Note 9 (c))		**4,157,899**		1,121,967
Foreign exchange loss (gain)		**(437,794)**		16,372
Gain on warrant revaluation (Note 16 (iv))		**-**		(3,200,000)
Debt forgiveness		**-**		(84,622)
Interest income		**(116,183)**		(1,997)
Other Operating costs				
Mineral property write-off		**374,960**		-
Net loss (income) for the year	**$**	**7,422,113**	$	(427,093)
Deferred tax expense (recovery)		**50,744**		(63,591)
Net loss (income) for the year after tax	**$**	**7,472,857**	$	(490,684)
Other comprehensive loss				
Foreign currency translation of foreign operations		13,797		205,867
Comprehensive loss (income) for the year	**$**	**7,486,654**	$	**(284,817)**
Basic loss (income) per share (Note 13)		0.05		(0.00)
Diluted loss (income) per share		0.05		(0.00)
Weighted average number of common shares				
Basic		**147,046,087**		**120,903,101**
Diluted		**147,046,087**		**128,699,323**

See accompanying notes.

Stans Energy Corp.
Consolidated Statements of Changes in Equity
For the Years ended December 31, 2011 and 2010
(Expressed in Canadian dollars)

		2011		2010
				(Note 14)
Share Capital				
Balance at beginning of year	$	**18,349,980**	$	10,678,245
Private placement		**28,000,001**		3,000,000
Fair value of attached warrants on private placements		**(6,082,329)**		(381,832)
Options/warrants exercised		**3,990,591**		5,182,802
Cost of issue		**(1,910,454)**		(129,235)
Balance at end of year	$	**42,347,789**	$	18,349,980
Share purchase warrants				
Balance at beginning of year	$	**130,060**	$	-
Fair value of warrants issued		**6,082,329**		130,060
Fair value of warrants exercised		**(130,060)**		-
Balance at end of year	$	**6,082,329**	$	130,060
Contributed Surplus				
Balance at beginning of year	$	**3,415,567**	$	2,495,960
Stock-based compensation		**4,157,899**		1,121,967
Options exercised		**(1,237,488)**		(202,361)
Balance at end of year	$	**6,335,978**	$	3,415,566
Cumulative translation adjustment				
Balance at beginning of year	$	**(205,867)**	$	-
Foreign currency translation adjustment		**13,797**		(205,867)
Balance at end of year	$	**(192,070)**	$	(205,867)
Deficit				
Balance at beginning of year	$	**(14,797,158)**	$	(15,287,842)
Net income (loss) for the year		**(7,472,857)**		490,684
Balance at end of year	$	**(22,270,015)**	$	(14,797,158)

See accompanying notes.

Stans Energy Corp.
Consolidated Statements of Cash Flows
For the Years ended December 31, 2011 and 2010
(Expressed in Canadian dollars)

	2011	2010
		(Note 14)
Cash Provided By (Used In)		
Operations		
Net income (loss)	$ **(7,472,857)**	$ 490,684
Adjustment for non-cash items		
Stock-based compensation	**4,157,899**	1,121,967
Debt forgiveness	**-**	(84,622)
Amortization	**32,063**	16,314
Deferred tax expense (recovery)	**50,744**	(63,591)
Mineral property write-off	**374,960**	
Gain on share purchase warrant revaluation		(3,200,000)
Changes in non-cash working capital:	**-**	-
Accrued Interest receivable	**(90,674)**	(1,997)
Amounts receivable	**(1,404,677)**	(36,209)
Accounts payable and accrued liabilities	**223,533**	(75,988)
	(4,129,009)	(1,833,442)
Financing		
Shares issued on exercise of options, warrants and private placements	**28,712,590**	5,079,435
	28,712,590	5,079,435
Investing		
Decrease in short-term investments	**(10,789,163)**	(1,101,511)
Acquisition costs	**-**	(108,514)
Additions to property and equipment	**(6,123,893)**	(9,474)
Expenditures on mineral properties	**(1,813,394)**	(964,779)
	(18,726,450)	(2,184,278)
Effect of exchange rate changes on cash	**49,706**	87,928
Net change in cash	**5,906,837**	1,149,643
Cash, beginning of year	**1,332,737**	183,094
Cash, end of the year	**$ 7,239,574**	$ 1,332,737

See accompanying notes.

1. NATURE OF THE CORPORATION

Stans Energy Corp. (the "Company" or "Stans") was incorporated on September 26, 2005 under the laws of the Province of Ontario. The Company is engaged in the business of the acquisition and development of mineral deposits such as uranium, molybdenum, vanadium, beryllium, lithium and rare earth metals in the Kyrgyz Republic.

Stans' common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol HRE.

The head office, principal address and records office of the Company are located at 8 King St. East, Suite 205, Toronto, Ontario, M5C 1B5.

These financial statements were authorized for issue by the Company's Board of Directors on April 30, 2012.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and property, plant and equipment is dependent upon the discovery of economically recoverable reserves, the ability of the Company to raise financing, the achievement of profitable operations or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

These financial statements have been prepared on a basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue to do so is dependent on the ability of the Company to raise the necessary financing and the attainment of profitable operations. There are no assurances that the Company will be successful in achieving these goals.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board ("IASB"). In 2010, the Canadian Institute of Chartered Accountants ("CICA") handbook was revised to IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011.

These are the Company's first annual financial statements presented in accordance with IFRS as issued by the IASB. IFRS 1 First-Time Adoption of IFRS ("IFRS 1") has been applied and the impact of the transition from Canadian GAAP to IFRS is explained in note 14. Subject to the elections the Company made in accordance with IFRS 1 outlined in note 14, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation and Preparation

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss.

These consolidated financial statements include the accounts of Stans and its subsidiaries. The results of

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

the subsidiaries are included in the consolidated statement of comprehensive loss from the effective date of acquisition. All intercompany transactions and balances are eliminated upon consolidation. Stans and all of its subsidiaries have a reporting date of December 31. The following companies have been consolidated within these consolidated financial statements:

Company	Registered	% of ownership and voting rights	Principal activity	Functional currency
Stans Energy Corp.	Canada	n/a	Holding	CAD
Stans Energy KG LLC	Kyrgyz Republic	100%	Exploration	USD
Kutisay Mining Corp.	Kyrgyz Republic	100%	Exploration	USD
Kashka REE Plant Ltd.	Kyrgys Republic	100%	Extraction	USD
SevAmRus CJSC	Russian Federation	99%	Holding	RUB

Functional and Presentation Currency

These consolidated financial statements have been presented in Canadian dollars. Functional currency is also determined for each of the Company's subsidiaries, and items included in the financial statements of the subsidiary are measured using that functional currency.

Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency of the entity at the exchange rate in effect at the balance sheet date, whereas non-monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the transaction date. Revenues and expenses denominated in a foreign currency are translated at the average rate in effect during the period with the exception of depreciation that is translated at the historical rate.

Assets, liabilities and transactions of subsidiaries with a functional currency in different than Stans are translated into Canadian dollars on consolidation. On consolidation, assets and liabilities are translated into Canadian dollars at the closing rate at the reporting date. Income and expenses are translated into the Canadian dollars at the average rate over the reporting period. Exchange differences are presented as other comprehensive income or loss and recognized in accumulated comprehensive income (loss) in equity. On disposal, or partial disposal, of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The cost of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date. The Company recognizes identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

If the transaction doesn't meet the definition of a business combination the transaction is recorded as an acquisition of an asset.

Significant accounting estimates, judgments and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include: valuation and depreciation of property, plant and equipment, the recoverability of mineral properties and exploration and evaluation expenditures incurred on the projects, valuation of share-based payments, recognition of deferred income tax amounts, determining the functional currency of Stans and of each of its subsidiaries, and the assumption of no material restoration, rehabilitation and environmental costs.

There are also significant judgments exercised in order to arrive at the stated amounts. Depreciation and depletion of property, plant and equipment is determined based on estimates of useful lives and reserves, both of which require significant judgment. The assessment of impairment of any property, plant and equipment assets depends on estimates of recoverable amounts, which takes into account factors requiring significant judgment including reserves, economic and market conditions and the useful lives of assets.

Mineral properties and exploration and evaluation expenditures

The costs of acquiring licenses and other expenditures associated with the acquisition of exploration and evaluation assets are capitalized under mineral properties on a property-by-property basis.

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.

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

- acquiring the rights to explore;
- researching and analyzing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- surveying transportation and infrastructure requirements; and
- compiling pre-feasibility and feasibility studies.

Capitalization of exploration and evaluation expenditures commence on acquisition of a beneficial interest or option in mineral rights. Capitalized costs considered to be tangible are recorded as a component of mining interests at cost less impairment charges, if applicable. No amortization is charged during the exploration and evaluation phase as the asset is not available for use.

Intangible exploration and evaluation expenditures are transferred to tangible mining interests when the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made.

The Company has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves on these properties and upon future profitable production from these reserves or sufficient proceeds from their disposal thereof.

Property, plant and equipment

Property, plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is recognized using the cost of an item of property, plant and equipment, less its estimated residual value, over its estimated useful life. Each asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

The Company has applied the following depreciation methods:

Office and Computer Equipment	Amortized over 5 years on a straight-line basis
Vehicles (corporate)	Amortized on a 30% declining balance method
Vehicles (subsidiaries)	Amortized over 5 years on a straight-line basis
Buildings	Amortized over 20 years on a straight-line basis
Equipment	Amortized over 3-15 years on a straight-line basis depending on equipment type

Impairment

(a) Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In the case of exploration and evaluation assets, impairment reviews are carried out on a property-by-property basis, with each property representing a potential cash-generating unit.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset in prior years, adjusted for additional amortization which would have been recorded had the amount not been impaired. A reversal of an impairment loss is recognized as a gain in the statement of loss and comprehensive loss.

(b) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income (loss) and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income (loss).

Share-based payment transactions

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions ("share-based payments"). Equity instruments issued to employees are measured by reference to the fair value at the date on which they are granted. The costs of share-based payments are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Taxation

The tax expense for the period is comprised of current and deferred tax.

<u>Current income tax</u>

The current tax payable is based on taxable earnings for the year. The tax rates and tax laws to compute the amount payable are those that are enacted at the date of the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax

Deferred tax is recognized, using the liability method, on unused tax losses, unused tax credits and temporary differences between the carrying value of assets and liabilities in the statement of financial position, and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are not recognized if the temporary difference arises in a transaction other than a business combination that at the time of the transaction affects neither the taxable nor the accounting earnings or loss. Deferred tax is determined using tax rates and tax laws that are substantively enacted at the date of the statement of financial position and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable earnings will be available against which those deductible temporary differences can be utilized.

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

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Dilutive potential common shares shall be deemed to have been converted into common shares at the beginning of the period or, if later, at the date of issue of the potential common shares. For the purpose of calculating diluted loss per share, the Company assumes the exercise of its dilutive options and warrants. The assumed proceeds from these instruments are regarded as having been received from the issue of common shares at the average market price of its shares during the period.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Cash	FVTPL
Short-term investments	FVTPL
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Share purchase warrants denominated in a foreign currency	FVTPL

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost. Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

IFRS requires an entity to classify financial assets and liabilities that are recognized on the statement of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The carrying amount of the Company's financial instruments, specifically cash, short-term investments, amounts receivable and accounts payable and accrued liabilities approximate the fair value of those financial instruments due to the short-term maturity of such instruments. The fair value of cash and short-term investments have been determined as a level 1 fair value determination. The share purchase warrant liability at January 1, 2010 has been recorded at fair value determined as a level 2 fair value determination of the fair value hierarchy.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate of the obligation can be made.

The amount recognized as a provision is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflect current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Decommissioning liabilities

Decommissioning liabilities arise from the development, construction and normal operation of mining properties and property, plant and equipment, as mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations.

The estimated present value of decommissioning liabilities is recorded in the period in which the liabilities are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated on a unit-of-production basis. The liability will be increased each period to reflect the interest element and will also be adjusted for changes in the discount rates and in the estimate of the cost and timing of the work to be carried out.

Future remediation costs are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Changes in estimates are reflected by either increasing or decreasing the liability and the related asset. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. The estimates are dependent on labour costs, known environmental impacts, the effectiveness of remedial and restoration measures, inflation rates and pre-tax interest rates that reflect current market assessment of time value for money and the risk specific to the obligation. The Company also estimates the timing of the outlays, which is subject to change depending on continued exploitation and newly discovered coal resources or reserves.

Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

The IASB and the IFRS Interpretations Committee ("IFRIC") have issued a number of standards and interpretations with an effective date after the date of these financial statements. Set out below are only those standards that may have a material impact on the financial statements in future periods. The Company is currently evaluating the impact of these future policies on its financial statements but expects that such impact will not be material. The following standards have been issued but are not yet effective:

(a) IFRS 9 Financial Instruments was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

(b) IFRS 10 Consolidated Financial Statements was issued by the IASB in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(c) In May 2011, the IASB issued IFRS 11 Joint Arrangements, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

(d) IFRS 12 Disclosure of Interests in Other Entities was issued by the IASB in May 2011. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(e) IFRS 13 provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The effective date is for annual periods beginning on January 1, 2013.

(f) IAS 1 Presentation of Financial Statements was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

4. FUTURE CHANGES IN ACCOUNTING POLICIES (Continued)

(g) IFRIC 20 Stripping Costs in the Production Phase of a Mine was issued by the IASB in October 2011 and clarifies the requirements for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods.

5. SEGMENTED INFORMATION

As at December 31, 2011, December 31, 2010 and January 1, 2010, the Company's assets were located in the following countries:

	December 31, 2011		December 31, 2010		January 1, 2010	
Canada	$	18,245,142	$	2,261,779	$	229,643
Kyrgyz Republic		14,124,076		4,878,661		3,764,158
Russia		456,927		-		-
Total	$	32,826,145	$	7,140,440	$	3,993,801

6. PREPAID EXPENSES AND OTHER ASSETS

		December31, 2011		December31 2010,		January 1, 2010
Prepaid expenses	$	875,073	$	29,764	$	1,754
Consumables		399,159		-		-
Other		32		30,925		22,726
Total	$	1,274,264	$	60,689	$	24,480

7. PROPERTY, PLANT AND EQUIPMENT

(a) Property, plant and equipment

			Land, Plant, Equipment and Vehicles		Office & Computer Equipment		Total
Cost							
Balance at Jan 1, 2011		$	23,381	$	62,337	$	85,718
	Additions (b)		6,075,869		48,024		6,123,894
	Disposals		-		-		-
Balance at Dec 31, 2011			6,099,250		110,361		6,209,612
Accumulated amortization							
Balance at Jan 1, 2011		$	(13,249)	$	(45,611)	$	(58,860)
	Amortization		(17,437)		(14,626)		(32,063)
	Disposals		-		-		-
Balance at Dec 31, 2011			(30,686)		(60,237)		(90,923)
Net Book Value		$	6,068,564	$	50,124	$	6,118,688
Amount included in above as at December 31, 2011:							
Assets not being depreciated (a)		$	5,676,853		-	$	5,676,853

(i) Assets not being depreciated relate to land, and other assets that are in various stages of being readied for use.

(b) Kyrgyz Chemical and Metallurgical Plant Option Agreement

On May 26, 2011, the Company completed its USD$5,500,000 acquisition of 100% of Kyrgyz Chemical Metallurgical Plant (KCMP). The complex has been legally renamed "Kashka REE Plant Ltd.". As the complex did not meet the definition of a business, the acquisition has been accounted for as an asset acquisition.

(ii)

Kashka REE Plant Ltd		
Plant	$	1,576,853
Equipment		3,760,201
Land		162,946
Total, USD	$	5,500,000

7. PROPERTY, PLANT AND EQUIPMENT (continued)

			Land, Plant, Equipment and Vehicles		Office & Computer Equipment		Total
Cost							
Balance at Jan 1, 2010		$	23,381	$	54,172	$	77,553
	Additions		-		9,474		9,474
	Disposals		-		(1,309)		(1,309)
Balance at Dec 31, 2010			23,381		62,337		85,718
Accumulated amortization							
Balance at Jan 1, 2010		$	(7,773)	$	(34,773)	$	(42,546)
	Amortization		(5,476)		(10,838)		(16,314)
	Disposals		-		-		-
Balance at Dec 31, 2010			(13,249)		(45,611)		(58,860)
Net Book Value		$	10,132	$	16,726	$	26,858
Amount included in above as at December 31, 2010:							
Assets not being depreciated		$	-		-	$	-

8. MINERAL PROPERTIES

The Company, through its subsidiaries in Kyrgyz Republic, holds the following licenses:
Licenses to the exploration rights:
Kyzyluraan
Aktyuz
Mining licenses:
Kutessay II
Kalesay

Licenses to exploration and mining rights in the Kyrgyz Republic as of December, 31 2011:

	Balance January 1, 2011	Change in the period			Balance December 31, 2011
		Additions	Write-off	Foreign exchange translation	
Kyzyluraan	$ 2,341,053	103,928	-	93,524	$ 2,538,505
Alabugin	220,950		(220,950)		- 0
Koshdube	156,061		(156,061)		- 0
Aktyuz (i)	588,788	1,234,980	-	22,927	1,846,695
Kutessay II	1,064,608	254,517	-	43,395	1,362,520
Kalesay	138,671	219,969	-	5,482	364,122
	$ 4,510,131	1,813,394	(377,011)	165,328	$ 6,111,842

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

	Balance January 1, 2010	Change in the period		Balance December 31, 2010
		Additions	Foreign exchange translation	
Kyzyluraan	$ 2,462,406	-	(121,353)	$ 2,341,053
Alabugin	233,105	9,398	(21,553)	220,950
Koshdube	152,499	16,956	(13,394)	156,061
Aktyuz (i)	-	588,788	-	588,788
Kutessay II	866,496	245,665	(47,553)	1,064,608
Kalesay	36,714	103,972	(2,015)	138,671
	$ 3,751,220	964,779	(205,868)	$ 4,510,131

(i) **2011 Write Off of Mineral Properties**

In 2011, Stans analyzed exploration results on all of the properties it owned or had under option and decided to return the Alabugin and Koshdube properties to the Kyrgyz State Geological Agency (“State GA”). The amounts attributable to the Alabugin and Koshdube properties that were paid for license, exploration and overhead costs incurred over the period of exploration totaling $220,949 and $156,061 respectively were written in 2011 as no further benefit related to this property exists and the licenses were dropped.

9. SHARE CAPITAL

(a) Authorized and issued capital

The Company has unlimited authorized common shares with no par value. The movement in the Company's issued and outstanding capital during the period is as follows:

	Number of shares	Amount
Balance, January 1, 2010	103,433,850	$ 10,678,245
Private placement	8,000,000	2,488,933
Shares issued on exercise of options	1,043,333	308,693
Shares issued on exercise of warrants	20,262,500	4,874,109
Balance, December 31, 2010	132,739,683	18,349,980

	Number of shares	**Amount**
Balance, January 1, 2011	132,739,683	$ 18,349,980
Shares issued on exercise of options/warrants	7,549,167	3,990,591
Shares issued on private placement (i)	15,135,136	20,007,218
Balance, December 31, 2011	155,423,986	$ 42,347,789

(i) During 2010, 1,043,333 options to purchase common shares were exercised by the option holders. The consideration received on the exercise of stock options of $106,333 was recorded as share capital and the related contributed surplus of $202,360 was transferred into share capital.

(ii) During 2010, 20,000,000 warrants to purchase common shares were exercised by the warrant holders. The consideration received on the accelerated exercise of warrants of $2,010,462 was recorded as share capital and related warrant obligation of $2,520,000 was transferred into share capital.

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. Volatility has been estimated based on a group of peer companies.

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. Volatility has been estimated based on a group of peer companies.

9. SHARE CAPITAL (continued)

(iii) 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.

(iv) On November 17, 2010, 262,500 warrants to purchase the Company's shares 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.

(v) 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 $26,089,548 (less fair value of warrants). 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.

The fair value of warrants has estimated to be $6,082,329 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 1.79%, and an expected life of 24 months. Volatility has been estimated based on a group of peer companies.

(vi) During 2011, 4,786,667 options to purchase common shares were exercised by the option holders. The consideration received on the exercise of stock options of $1,406.167 was recorded as share capital and the related contributed surplus of $1,237,488 was transferred into share capital.

(vii) During 2011, 2,762,500 warrants to purchase the Company's shares were exercised. The consideration received on the exercise of warrants of $340,712 was recorded as share capital and the related fair value of warrants of $1,577,587 was transferred into share capital.

(b) Warrants

The changes in share purchase warrants during the period ended December 31, 2011 and the year ended December 31, 2010 are as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Balance, beginning of year	2,762,500	20,000,000
Issued	8,475,676	3,025,000
Exercised	(2,762,500)	(20,262,500)
Balance, end of year	8,475,676	2,762,500

As at December 31, 2011, the outstanding number of warrants exercisable into one common share is as follows:

Date of issuance	Number of warrants	Exercise price	Recorded fair value	Expiry date
April 28, 2011	7,567,568	$2.25	$ 5,136,989	April 28, 2013
April 28, 2011	908,108	$1.85	$945,340	April 28, 2013

9. SHARE CAPITAL (continued)

(c) Stock options

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

The following table reflects the continuity of stock options for the year ended December 31, 2011 and 2010 (all options are exercisable into one common share):

	Number of Options		Weighted average exercise price
Balance, January 1, 2010	7,603,333	$	0.26
Granted	6,700,000		0.37
Exercised	(1,043,333)		0.10
Cancelled	(600,000)		0.42
Balance, December 31, 2010	12,660,000		0.32
Granted	4,200,000		1.78
Exercised	(4,786,667)		0.29
Cancelled	(110,000)		0.31
Balance, December 31, 2010	11,963,333	$	0.84

The weighted average market share price at the date of exercise in 2011 was $1.18 (2010 - $0.49).

During the years ended December 31, 2011 and 2010, the following stock options were granted to officers, directors and employees. The fair value of the options granted was estimated based on the Black-Scholes option pricing model, using the following weighted average assumptions:

		2011		2010
Number of options granted		3,800,000		4,200,000
Exercise price	$	1.82	$	0.33
Risk-free interest rate		2.34%		2.84%
Expected life		5		5
Expected volatility (based on a group of peer companies)		100%		99%
Dividend yield		0%		0%
Grant date fair value per option	$	1.29	$	0.24

During the years ended December 31, 2011 the Company granted 400,000 (2010 – 2,500,000) options to consultants with a total fair value of $36,000 (2010 – $699,600). The fair value of services received was determined based on confirmation with each consultant of the amount which would otherwise have been paid if the services were to be settled in cash, in accordance with the Company's accounting policy.

9. SHARE CAPITAL (continued)

The following table reflects the actual stock options issued and outstanding as of December 31, 2011 (all options are exercisable into one common share of Stans):

Expiry Date	Option price ($)	Number of Options Outstanding	Number of Options Vested	Vesting Exercise period (months)
January 4, 2012	0.33	920,000	920,000	18
August 7, 2013	0.33	300,000	300,000	18
December 9, 2014	0.12	920,000	920,000	18
January 12, 2015	0.37	1,850,000	1,850,000	18
January 12, 2015	0.37	50,000	50,000	immediate
April 29, 2015	0.32	890,000	890,000	18
June 18, 2015	0.25	2,000,000	2,000,000	18
November 2, 2015	0.73	200,000	133,333	18
November 2, 2013	0.73	333,333	166,667	24
November 2, 2013	0.73	300,000	-	on 10/31/13
May 26, 2016	1.85	3,500,000	1,166,667	18
July 14, 2016	1.46	200,000	33,333	18
August 3, 2016	1.39	500,000	83,333	18
		11,963,333	8,513,333	

10. CAPITAL MANAGEMENT

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

As at December 31, 2011, managed capital was $32,304,011 ($6,892,581 at December 31, 2010). 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, 2011. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

11. FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors. There were no changes to the financial objectives, policies and processes for the period ended December 31, 2011.

Company's credit risk is primarily attributable to cash 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 GICs and 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, 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, 2011, the Company had a cash balance of $7,239,574 (December 31, 2010 - $1,332,737) and short-term investments of $11,890,674 (December 31, 2010 $1,101,511) to settle current liabilities of 414,179 (December 31, 2010 - $190,648). All of the Company's financial liabilities have contractual maturities of less than 12 months and are subject to normal trade terms.

Market risk

a) Interest Rate Risk

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

b) Foreign Currency Risk

In the normal course of operations, the Company is exposed to currency risk due to business transactions in foreign countries. Transactions related to the Company's exploration and acquisition activities are mainly denominated in United States dollars ("USD") and some in SOM and Rubles. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rate. The Company has not entered into any derivative contracts to manage this risk. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period-end exchange rates. At December 31, 2011, the Canadian dollar ("CDN") equivalent of the Company's financial instruments by currency of denomination is as follows:

11. FINANCIAL RISK MANAGEMENT (continued)

	Canadian Dollar Equivalent of SOMs' denominated	Canadian Dollar Equivalent of USD denominated	Canadian Dollar
Cash	$ 735,336	$ 5,259,587	$ 5,994,923
Prepaid expenses and other receivables	799,417	-	799,417
	1,534,753	5,259,587	6,794,340
Accounts payable and accrued liabilities	(3,357)	(16,400)	(19,757)
Net assets (liabilities) exposure	$ 1,531,396	$ 5,243,187	$ 6,774,583

Based on the above net exposures at December 31, 2011, a 10% depreciation or appreciation of the above currencies against the CDN dollar would result in an increase or decrease, respectively, in our net loss by $626,958 (December 31, 2010 - $45,654).

12. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, the Company expensed $12,400 in consulting fees to a director of the Company. These transactions are in the normal course of operations and are measured at the exchange amount (the amount of consideration established and agreed to by the related party).

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

	December 31, 2011		December 31, 2010
Salaries and Benefits	$ 827,948		$ 153,684
Stock-based compensation	4,157,899		1,121,967
	$ 4,985,847		$ 1,275,651

13. EMPLOYEE BENEFITS EXPENSES

The following employee benefits expenses are included in office and administration:

	Year ended December 31, 2011	Year ended December 31, 2010
Salaries	$1,328,808	$ 350,585
Stock-based compensation	4,157,899	1,121,697
	$ 5,486,707	$ 1,472,282

14. EARNINGS PER SHARE

Earnings per share (''EPS'') has been calculated using the weighted average number of common shares and common share equivalents issued and outstanding during the period. Stock options and common share purchase warrants are reflected in diluted earnings per share by application of the treasury method. There were no anti-dilutive securities for 2010. As a result of the loss incurred in 2011, all potentially dilutive securities are anti-dilutive. The following table details the weighted average number of outstanding common shares for the purpose of computing basic and diluted earnings per common share for the following periods:

		2011		2010
Net loss (income) for the period	$	7,472,857	$	(490,684)
Basic weighted average shares outstanding		147,046,087		120,903,101
Diluted weighted average shares outstanding		147,046,087		128,699,323
Basic earnings per share	$	0.05	$	(0.00)
Diluted earnings per share	$	0.05	$	(0.00)

15. INCOME TAXES

	Year ended December 31, 2011	Year ended December 31, 2010
Deferred tax expense (recovery)	50,744	(63,591)

Reconciliation of effective tax rate:

The provision for income tax differs from the amount that would have resulted by applying statutory income tax rates to income or loss before taxes. The difference results in the following:

	December 31, 2011	December 31, 2010
Loss (income) before tax	(7,422,113)	(427,093)
Statutory income tax rate	28.25%	31%
Income tax expense (recovery) at statutory rates	(2,096,747)	132,399
Non-deductible stock based compensation	1,174,606	347,810
Non-taxable gain on warrant revaluation	-	(992,000)
Share issuance costs	(122,538)	(74,086)
Foreign tax rate differential	163,528	65,954
Change in unrecognized deferred tax asset	962,154	515,204
Other	(30,260)	(58,872)
Deferred tax expense (recovery)	50,744	(63,591)

Due to Canadian federal and provincial enacted corporate income tax rate changes, the statutory income tax rate for the Company decreased from 31% in 2010 to 28,25% in 2011.

Unrecognized deferred tax assets:
Gross deductible temporary differences have not been recognized in respect of the following items:

	December 31, 2011	December 31, 2010
Deductible temporary differences	1,701,724	274,946
Deductible temporary difference – investment in subsidiaries	4,588,500	3,590,448
Loss carry forwards	11,376,351	8,418,396
	17,666,575	12,283,790

The tax losses not recognized expire as per the amount and year noted below. Deferred tax assets have not been recognized in respect of these items as it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

Non- Capital losses

As at December 31, 2011, the Company had the following tax losses to carry forward:

	Amount	Expiry
Canada	10,319,525	2028-2031
Kyrgyzstan	1,064,942	2012-2016

Deferred tax liabilities:

Mineral properties	(107,955)	(57,211)

16. FIRST TIME ADOPTION OF IFRS

Overview

These are the Company's first audited consolidated financial statements prepared using IFRS.

First-time adoption of IFRS – exemptions applied

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening statement of financial position on the Company's Transition Date. However, IFRS 1 also dictates certain mandatory exceptions and allows certain optional exemptions from full retrospective application on the transition to IFRS. In preparing the Transition Date statement of financial position, the Company has applied the following mandatory exceptions:

Financial assets and liabilities that had been de-recognized before January 1, 2010 under previous CGAAP have not been recognized under IFRS. The Company has also elected to apply the following exemptions:

(a) Business combinations
The Company has elected to not apply IFRS 3 to business combinations that occurred before the date of transition to IFRS. IFRS 3 has been applied by the Company to business combinations that occurred on or after January 1, 2010.

(b) Cumulative translation differences
As permitted by the IFRS 1 election for cumulative translation differences, the Company has deemed cumulative translation differences for foreign operations to be zero at the date of transition. Any gains and losses on subsequent disposal of foreign operations will not be impacted by translation differences that arose prior to the date of transition.

(c) Share-based payment
IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards which had vested at the date of transition on January 1, 2010.

(d) Estimates
IFRS 1 requires that an entity's estimates at the date of transition to IFRS must be consistent with estimates made under the entity's previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statements of loss and comprehensive loss and statements of financial position for the year ended December 31, 2010 and on the Transition Date have been reconciled to IFRS, with the resulting differences explained below.

The adoption of IFRS does not have a significant impact on the statement of cash flows for the year ended December 31, 2010. Therefore, no reconciliation is presented in the consolidated financial statements.

16. FIRST TIME ADOPTION OF IFRS (continued)

The January 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

		Canadian GAAP January 1, 2010	Effect of transition to IFRS	Note		IFRS January 1, 2010
Assets						
Current Assets						
Cash	$	183,094	-		$	183,094
Amounts receivable		22,726	-			22,726
Prepaid expenses		1,754	-			1,754
		207,574				207,574
Property and equipment		35,007	-			35,007
Mineral properties		3,841,226	(90,006)	(i)(iii)		3,751,220
	$	4,083,807	(90,006)		$	3,993,801
Liabilities and Shareholders' Equity						
Current Liabilities						
Accounts payable and accrued liabilities	$	266,636	-		$	266,636
Current portion of share purchase warrant		-	5,720,000	(iv)		5,720,000
		266,636	5,720,000			5,986,636
Non-current Liabilities						
Deferred Tax Liability	$	124,000	(3,198)	(iii)	$	120,802
		390,636	5,716,802			6,119,247
Shareholders' Equity						
Share Capital		10,678,245	-			10,678,245
Share purchase warrants		546,337	(210,652)	(iv)		335,685
Contributed Surplus		2,160,275				2,160,275
Deficit		(9,691,686)	(5,596,156)	(i) (iv)		(15,287,842)
		3,693,171	5,806,808			(2,113,637)
	$	4,083,807	(90,006)		$	3,993,801,

16. FIRST TIME ADOPTION OF IFRS (continued)

The December 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP December 31, 2010	Effect of transition to IFRS	Note	IFRS December 31, 2010
Assets				
Current Assets				
Cash	$ 1,332,737			$ 1,332,737
Short-term investments	1,101,511			1,101,511
Amounts receivable	30,925			30,925
Prepaid expenses	29,764			29,764
	2,494,937			2,494,937
Property and equipment	26,858			26,858
Acquisition Costs	108,514			108,514
Mineral properties	4,703,005	(192,874)	(i) (iii)	4,510,131
	$ 7,333,314	(192,874)		$ 7,140,440
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	$ 190,648	-		$ 190,648
Non-current Liabilities				
Deferred Tax Liability	21,000	36,211	(iii)	57,211
	211,648	36,211		247,859
Shareholders' Equity				
Share Capital	15,918,980	2,431,000	(iv)	18,349,980
Accumulated other comprehensive (loss) income	-	(205,867)	**(i)** (iii)	(205,867)
Share purchase warrants	340,712	(210,652)		130,060
Contributed Surplus	4,166,918	(751,352)	(ii)	3,415,566
Deficit	(13,304,944)	(1,492,214)	**(i)** (iv)	(14,797,158)
	7,121,666	(229,085)		6,892,581
	$ 7,333,314	(192,874)		$ 7,140,440

16. FIRST TIME ADOPTION OF IFRS (Continued)

The Company's Canadian GAAP statement of loss and comprehensive statement of loss (income) for the year ended December 31, 2010 have been reconciled to IFRS as follows:

		Canadian GAAP		Effect of transition to IFRS	Note	IFRS
Expenses						
Office and administration	$	1,081,482	$	-		1,081,482
Amortization		16,314		-		16,314
Consulting fees		339,157		-		339,157
Foreign exchange loss (gain)		16,372		-	(i)	16,372
Professional fees		284,234		-		284,234
Modification of warrant term		89,000		(89,000)		-
Stock-based compensation		1,873,318		(751,351)	(ii)	1,121,967
Interest income		(1,997)		-		(1,997)
Gain on share purchase warrant revaluation		-		(3,200,000)	(iv)	(3,200,000)
Debt forgiveness		(84,622)				(84,622)
Deferred tax expense		-		(63,591)		(63,591)
Net loss (income) for the period	$	3,613,258	$	(4,103,942)		(490,684)
Other comprehensive loss (income)						
Foreign currency translation of foreign operations		-		205,867	(i)	205,867
Comprehensive loss (income) for the period	$	3,613,258		(3,898,075)		(284,817)

Changes to accounting policies resulting from the conversion to IFRS

(i) Change in functional currency

Under Canadian GAAP, the Company had determined that its Kyrgyz subsidiaries were integrated foreign operations and that the functional and reporting currency was the Canadian dollar. IFRS requires that the functional currency of each entity in a consolidated group be determined separately based on the currency of the primary economic environment in which the entity operates. Under IFRS, the functional currency of the Kyrgyz subsidiaries was determined to be the United States dollar (USD).

(ii) Share-based payments

IFRS requires each tranche of a share-based award with different vesting dates to be considered a separate grant for purpose of fair value calculation, and the resulting fair value is amortized over the vesting period of the respective tranches. Furthermore, forfeiture estimates are recognized in the period they are estimated.

Under IFRS, a fair value measurement is required for each vesting installment within the option grant. Each installment must be valued separately, based on assumptions determined from historical data, and recognized as compensation expense over each installment's individual tranche vesting period. As at December 31, 2010, change resulted in a decrease in contributed surplus of $751,352 and a corresponding decrease in stock-based compensation expense.

16. FIRST TIME ADOPTION OF IFRS (Continued)

(iii) Mineral properties

The impact of the change in functional currency of the Company's Kyrgyz subsidiaries resulting from the conversion to IFRS was an increase in mineral properties of $33,994 as at January 1, 2010, a decrease of $205,867 as at December 31, 2010.

(iv) Deferred income taxes

Under IFRS, deferred tax assets or liabilities are not recognized on temporary differences that arise from the initial recognition of an asset in a transaction that is not a business combination, and at the time of the transaction affected neither income for accounting or tax purposes. Under Canadian GAAP, deferred tax assets and liabilities are recognized on this type of temporary difference by adjusting the carrying value of the asset for the related deferred tax amount. The impact of a deferred tax liability write off on mineral properties is a decrease of $ 124,000 at January 1, 2010 and a decrease of $21,000 at December 31, 2010. On transition January 1, 2010, the accounting under IFRS resulted in an increase of $120,802 in a deferred tax liability and a decrease of $63,591 on December 31, 2010.

(v) Share purchase warrants in currency other than presentation currency

Under Canadian GAAP, the Company accounted for its USD-denominated common share purchase warrants as equity instruments measured at their fair value on the date of issue. Under IFRS, the USD-denominated warrants are considered derivative instruments and have been reclassified as a liability measured at fair value on each reporting date. On initial recognition and at each subsequent reporting date the USD-denominated warrants are adjusted to fair value and changes in fair value are recognized in the statement of loss and comprehensive loss.

On transition January 1, 2010, the accounting under IFRS resulted in an increase of $5,720,000 in warrants liability with a decrease in warrants of $210,652 and increase in deficit $5,509,348. The fair value of warrants on the transition date has been estimated to be $5,720,000 using the Black-Scholes option pricing model based on the following assumptions: dividend yield of 0%, expected volatility of 69%, risk-free interest rate of 2.83%, and an expected life of 5 months. Volatility has been estimated based on a group of peer companies on a consistent manner as volatility was determined on the original allocation which was performed under CGAAP.

During the year ended December 31, 2010, the decrease of $5,720,000 in warrants liability, the decrease of $3,200,000 in net loss for the year, and an increase in common shares of $2,431,000 being a fair value of warrant on the date of exercise June 1, 2010. The fair value of warrants on June 1, 2010 has been estimated to be $2,431,000 based on the intrinsic value of the option as this equals fair value on the date of expiry.

17. COMMITMENTS

The Company is committed to pay approximately $6,000 per month for the lease of its office.

	2012	2013	2014	2015	2016	2017	Total
Operating leases	$ 48,000	$ 72,000	$ 72,000	$ 72,000	$ 72,000	$ 42,000	$ 378,000

18. SUBSEQUENT EVENTS

(a) Options granted

Date	Options granted	To	Exercise price	Expiry date	Vesting period
Jan.10,2012	3,050,000	Officers, directors and employees	$0.74	Jan.17, 2017	18 months
Jan.10,2012	150,000	Advisor	$0.74	Jan.17, 2017	18 months
Jan.24,2012	500,000	Employee	$1.18	Jan.24, 2017	18 months
Feb.27,2012	40,000	Consultant	$1.12	Feb.27,2017	9 months
March 7,2012	300,000	Officer	$0.94	March 7,2017	18 months

(b) Options exercised

(a) In January 2012 920,000 options to purchase the Company's shares at $0.33 with the expiry date of January 4, 2012 granted to directors and officers were exercised. The consideration received on the exercise of stock options of $303,600 was recorded as share capital and the related contributed surplus of $258,520 was transferred to share capital.

(b) On February 21 2012 920,000 options to purchase the Company's shares at $0.125 with the expiry date of December 9, 2014 granted to former officer were exercised. The consideration received on the exercise of stock options of $115,000 was recorded as share capital and the related contributed surplus of $ 85,124 was transferred to share capital.