STANS ENERGY CORP.

(Incorporated under the Laws of Ontario)

Consolidated Financial Statements
For the Years Ended December 31, 2012 and 2011

(Expressed in Canadian Dollars)

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 23, 2013

KPMG LLP
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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, 2012 and December 31, 2011, the consolidated statements of loss and comprehensive loss, changes in 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 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

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, 2012 and December 31, 2011, and consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
April 23, 2013

Stans Energy Corp.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

			December 31, 2012		December 31, 2011
Assets					
Current Assets					
Cash and cash equivalents	Note 6	$	11,998,354	$	19,130,248
Accounts receivable			427,579		191,103
Prepaids and other assets	Note 8		1,489,954		1,274,264
			13,915,887		20,595,615
Property, plant and equipment	Note 9		7,608,477		6,118,688
Mineral properties	Note 10		7,142,447		6,111,842
		$	28,666,811	$	32,826,145
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accrued liabilities		$	414,132	$	414,179
Non-current Liabilities					
Deferred tax liability	Note 18		638,771		107,955
Equity					
Common shareholders' equity					
Share capital	Note 11 a		43,110,033		42,347,789
Share purchase warrants	Note 11 b		6,082,329		6,082,329
Contributed surplus	Note 11 c		9,842,589		6,335,978
Accumulated other comprehensive income (loss)			(79,610)		(192,070)
Deficit			(31,344,065)		(22,270,015)
Total common shareholders' equity			27,611,276		32,304,011
Non-controlling interest	Note 12		2,632		-
Total Equity			27,613,908		32,304,011
		$	28,666,811	$	32,826,145

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

Segmented Information (Note 7)
Commitments (Note 19)
Subsequent Event (Note 20)

Approved by the Board of Directors on April 23, 2013:

"Gordon Baker", DIRECTOR

"Rodney Irwin", DIRECTOR

"Douglas Underhill", DIRECTOR

Stans Energy Corp.

Consolidated Statements of Loss and Comprehensive Loss
For the Years ended December 31, 2012 and 2011
(Expressed in Canadian dollars)

		December 31, 2012	December 31, 2011
Expenses			
General and Administrative		**$**	$
Office and administration	Note 16	**3,143,615**	2,841,531
Amortization		**95,541**	32,063
Consulting fees		**255,232**	229,417
Professional fees		**363,411**	340,220
Stock-based compensation	Note 11 c	**3,850,256**	4,157,899
Foreign exchange loss (gain)		**213,610**	(437,794)
Interest expense (income)		**(152,720)**	(116,183)
Loss on disposal of Property, Plant and Equipment		**4,593**	-
Maintenance and other costs		**526,239**	-
Other Operating costs			
Mineral property write-off		**246,824**	374,960
Net loss for the period		**8,546,601**	7,422,113
Deferred tax expense	Note 18	**530,816**	50,744
Net loss for the period after tax		**9,077,417**	7,472,857
Attributable to:			
Non-controlling interest		**3,367**	-
Common shareholders		**9,074,050**	7,472,857
Other comprehensive loss			
Foreign currency translation of foreign operations		**(112,460)**	13,797
Comprehensive loss for the period		**8,964,957**	7,486,654
Attributable to:			
Non-controlling interest	Note 12	**3,367**	-
Common shareholders		**8,961,590**	7,486,654
Basic and diluted loss per share	Note 17	**$** 0.06	$ 0.05
Weighted average number of common shares			
Basic		**157,128,383**	147,046,087
Diluted		**157,128,383**	147,046,087

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

Stans Energy Corp.

Consolidated Statements of Changes in Equity
For the Years ended December 31, 2012 and 2011
(Expressed in Canadian dollars)

		December 31, 2012		December 31, 2011
Share Capital				
Balance beginning of period	$	**42,347,789**	$	18,349,980
Private placement		-		28,000,001
Fair value of attached warrants on private placements		-		(6,082,329)
Options/warrants exercised		**762,244**		3,990,591
Cost of issue		-		(1,910,454)
Balance at the end of the period	$	**43,110,033**	$	42,347,789
Share purchase warrants				
Balance beginning of period	$	**6,082,329**	$	130,060
Fair value of warrants issued		-		6,082,329
Fair value of warrants exercised		-		(130,060)
Balance at the end of the period	$	**6,082,329**	$	6,082,329
Contributed Surplus				
Balance beginning of period	$	**6,335,978**	$	3,415,567
Stock-based compensation		**3,850,256**		4,157,899
Options exercised		**(343,645)**		(1,237,488)
Balance at the end of the period	$	**9,842,589**	$	6,335,978
Cumulative translation adjustment				
Balance beginning of period	$	**(192,070)**	$	(205,867)
Foreign currency translation adjustment		**112,460**		13,797
Balance at the end of the period	$	**(79,610)**	$	(192,070)
Deficit				
Balance beginning of period	$	**(22,270,015)**	$	(14,797,158)
Net income (loss) attributed to common shareholders		**(9,074,050)**		(7,472,857)
Balance at the end of the period	$	**(31,344,065)**	$	(22,270,015)
Total common shareholders' equity	$	**27,611,276**	$	32,304,011
Non-controlling interest				
Balance beginning of period	$	-	$	-
Non-controlling interest (common capital)		**5,999**		-
Net income (loss) attributed to non-controlling interest		**(3,367)**		-
Balance at the end of the period	$	**2,632**	$	-
Total Equity	$	**27,613,908**	$	32,304,011

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

Stans Energy Corp.

Consolidated Statements of Cash Flows
For the Years ended December 31, 2012 and 2011
(Expressed in Canadian dollars)

		December 31, 2012		December 31, 2011
Cash Provided By (Used In)				
Operations				
Net income (loss)	$	**(9,077,417)**	$	(7,472,857)
Adjustment for non-cash items				
Stock-based compensation		**3,850,256**		4,157,899
Loss on disposal of Property, Plant and Equipment		**4,593**		-
Amortization		**95,541**		32,063
Unrealized foreign exchange loss		**257,249**		-
Deferred tax expense		**530,816**		50,744
Mineral property write-off		**246,824**		374,960
Changes in non-cash working capital:				
Amounts receivable		**(236,476)**		(281,777)
Prepaid expenses and other assets		**(215,690)**		(1,213,574)
Accounts payable and accrued liabilities		**(47)**		223,533
		(4,544,351)		(4,129,009)
Financing				
Shares issued on exercise of options, warrants and private placements		**418,599**		28,712,590
		418,599		28,712,590
Investing				
Interest received		**185,444**		1,511
Additions to property and equipment		**(1,726,331)**		(6,123,893)
Expenditures on mineral properties		**(1,386,368)**		(1,813,394)
		(2,927,255)		(7,935,776)
Effect of exchange rate changes on cash		**(78,887)**		49,706
Net change in cash		**(7,131,894)**		16,697,511
Cash and Cash Equivalents, beginning of year		**19,130,248**		2,432,737
Cash and Cash Equivalents, end of year	**$**	**11,998,354**	$	19,130,248

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

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

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 23, 2013.

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

These consolidated financial statements for the year ended December 31, 2012 (“financial statements”) have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”).

These financial statements have been prepared on a going concern basis under the historical cost method except for certain financial assets and liabilities which are measured at fair value. The significant accounting policies are presented in Note 3 and have been consistently applied in each of the periods presented. Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these financial statements are presented in Note 5.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

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

Company	Registered	% of ownership and voting rights	Principal activity	Functional currency
Subsidiaries				
Stans Energy Corp.	Canada	n/a	Holding	CAD
Stans Energy KG LLC.	Kyrgyz Republic	100%	Exploration	USD
Kutisay Mining LLC.	Kyrgyz Republic	99.9%	Exploration	USD
Kashka REE Plant Ltd.	Kyrgys Republic	99.9%	Extraction	USD
SevAmRus CJSC	Russian Federation	99%	Holding	RUB
Stans Energy Cyprus Corporation Limited	Republic of Cyprus	100%	Holding	USD

Functional and Presentation Currency

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

Transactions denominated in foreign currencies are translated into the Canadian Dollar as follows:

- Monetary assets and liabilities are translated at the rates of exchange at the consolidated balance sheet date;
- Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date;
- Revenue and expenses are translated at the exchange rate at the date of the transaction, except depreciation, depletion and amortization, which are translated at the rates of exchange applicable to the related assets, and
- Exchange gains and losses on translation are included in earnings.

When the gain or loss on certain non-monetary items, such as long-term investments classified as available-for-sale, is recognized in other comprehensive income ("OCI"), the translation differences are also recognized in OCI.

For any subsidiaries whose functional currency differs from the Canadian dollar, foreign currency balances and transactions are translated into the Canadian dollar as follows:

- Assets and liabilities are translated at the rates of exchange at the consolidated balance sheet date;
- Revenue and expenses are translated at average exchange rates throughout the reporting period or at rates that approximate the actual exchange rates; items such as depreciation are translated at the rate implicit in the historical rate applied to the related asset; and
- Exchange gains and losses on translation are included in OCI.

The exchange gains and losses are recognized in earnings upon the substantial disposition, liquidation or closure of the entity that gave rise to such amounts.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments with a maturity of three months or less at the date of acquisition, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Short-term investments

Short-term investments include short-term money market instruments with terms to maturity at the date of acquisition of between three and twelve months. The carrying value of short-term investments is equal to cost and accrued interest.

Long-term investments

Investments in entities that are not subsidiaries, joint ventures or investments in associates are designated as available-for-sale investments. These investments are measured at fair value on acquisition and at each reporting date. Any unrealized holding gains and losses related to these investments are excluded from net earnings and are included in OCI until an investment is sold and gains or losses are realized, or there is objective evidence that the investment is impaired. Objective evidence of an impairment loss includes a significant or prolonged decline in the fair value of the investment below its cost. When there is evidence that an investment is impaired, the cumulative loss that was previously recognized in OCI is reclassified from AOCI to the consolidated statement of operations.

Inventories

In process inventories and finished goods are valued at the lower of cost or net realizable value (“NRV”). Consumables (materials and supplies) are valued at the lower of average cost and NRV.

Write downs of inventory are recognized in the consolidated statement of operations in the current period. The Company reverses write downs in the event that there is a subsequent increase in NRV.

Business combinations

A business combination is a transaction or other event in which control over one or more businesses is obtained. Business acquisitions are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the purchase consideration over such fair value being recorded as goodwill and allocated to cash generating units (“CGUs”). Non-controlling interest in an acquisition may be measured at either fair value or at the non-controlling interest’s proportionate share of the fair value of the acquiree’s net identifiable assets.

If the fair value of the net assets acquired exceeds the purchase consideration, the difference is recognized immediately as a gain in the consolidated statement of operations.

Acquisition related costs are expensed during the period in which they are incurred, except for the cost of debt or equity instruments issued in relation to the acquisition which is included in the carrying amount of the related instrument.

If the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

Mineral properties and Exploration and evaluation (“E&E”) costs

Exploration and evaluation costs are those costs required to evaluate a mineral property and determine commercial viability. E&E costs include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources and whether measured and indicated mineral resources can be converted to proven and probable reserves.

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;
- 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 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.

Exploration and evaluation expenditures are transferred to the mineral properties balance within property, plant and equipment 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 are recorded at cost and carried net of accumulated depreciation, depletion and amortization and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the estimate of reclamation and remediation and, for qualifying assets, capitalized borrowing costs.

Repairs and maintenance costs are expensed as incurred. However, expenditures on major maintenance rebuilds or overhauls are capitalized when it is probable that the expenditures will extend the productive capacity or useful life of an asset.

(a) Asset categories

The Company categorizes property, plant and equipment based on the type of asset and/or the stage of operation or development of the property.

Land, plant, equipment and vehicles includes land, mobile and stationary equipment, and refining and processing facilities for all properties regardless of their stage of development or operation, and vehicles.

(b) Depreciation, depletion and amortization

The Company has applied the following depreciation methods:

Office and Computer Equipment	Amortized over 5 years on a straight-line basis
Vehicles	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

Land is not depreciated.

The Company reviews useful lives and estimated residual values of its property, plant and equipment annually. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Acquired or capitalized exploration and evaluation costs and assets under construction are not depreciated. These assets are depreciated when they are put into production in their intended use.

(c) Impairment

The carrying amounts of the Company's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. In addition, capitalized exploration and evaluation costs are assessed for impairment upon demonstrating the technical feasibility and commercial viability of a project.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or groups of assets, in which case, the individual assets are grouped together into CGUs for impairment purposes.

An impairment exists when the carrying amount of the asset, or group of assets, exceeds its recoverable amount. The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the consolidated statement of operations. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized such that the recoverable amount has increased.

(d) Derecognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal of the asset or when no future economic benefits are expected to accrue to the Company from its continued use. Any gain or loss arising on derecognition is included in the consolidated statement of operations in the period in which the asset is derecognized. The gain or loss is determined as the difference between the carrying value and the net proceeds on the sale of the assets, if any, at the time of disposal.

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.

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	Loans and receivables
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

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.

Cash and cash equivalents are designated as fair value through profit and loss and are measured at cost, which approximates fair value. Accounts receivables and certain other assets are designated as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities.

Impairment of 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 payments

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.

Income tax

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

Current income tax

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.

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.

Earnings (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.

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.

4. ACCOUNTING CHANGES AND RECENT ACCOUNTING PRONOUNCEMENTS

Accounting changes

Financial instruments

IFRS 7 “Financial instruments – Disclosures” (“IFRS 7”) was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduced new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained.

The amendments to IFRS 7 were effective for the Company beginning on January 1, 2012 and there was no impact on the Company’s financial statements upon adoption.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that will be effective for accounting periods beginning on or after January 1, 2013. Many of these pronouncements are not applicable or consequential to the Company and have been excluded from the following discussion.

Stripping costs

In October 2011, IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" ("IFRIC 20") was issued, which provides guidance on the accounting for costs related to stripping activity in the production phase of surface mining. When the stripping activity results in the benefit of useable ore that can be used to produce inventory, the related costs are to be accounted for in accordance with International Accounting Standard ("IAS") 2 "Inventories". When the stripping activity results in the benefit of improved access to ore that will be mined in future periods, the related costs are to be accounted for as additions to non-current assets when specific criteria are met.

IFRIC 20 is effective for annual periods beginning on or after January 1, 2013. The Company expects that there will be no significant impact on the Company's financial statements upon adoption of IFRIC 20 on January 1, 2013.

Consolidation and related standards

In May 2011, the IASB issued the following suite of consolidation and related standards, all of which are effective for annual periods beginning on or after January 1, 2013.

IFRS 10 "Consolidated Financial Statements" ("IFRS 10"), which replaces parts of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") and all of Standing Interpretations Committee ("SIC") 12 "Consolidation – Special Purpose Entities", changes the definition of control which is the determining factor in whether an entity should be consolidated. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company will adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013 and expects no significant impact on the Company's financial statements upon adoption of IFRS 10 on January 1, 2013.

IFRS 11 "Joint Arrangements" ("IFRS 11"), which replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers", requires a venturer to classify its interest in a joint arrangement as either a joint operation or a joint venture. For a joint operation, the joint operator will recognize its assets, liabilities, revenue, and expenses, and/or its relative share thereof. For a joint venture, the joint venturer will account for its interest in the venture's net assets using the equity method of accounting. The Company will adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The application of this standard will not have an impact on the Company's consolidated financial statements.

IAS 28 "Investments in Associates and Joint Ventures (2011)" ("IAS 28 (2011)") was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investments in associates, it now also addresses joint ventures that are to be accounted for by the equity method. The application of the equity method has not changed as a result of this amendment. The Company expects no significant impact on the Company's financial statements upon adoption of IFRS 10 and IFRS 11 on January 1, 2013.

IFRS 12 "Disclosure of Interests in Other Entities" ("IFRS 12") is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and structured entities. This standard carries forward the disclosures that existed under IAS 27, IAS 28 and IAS 31, and also introduces additional disclosure requirements that address the nature of, and risks associated with an entity's interests in other entities. The Company's financial statements in subsequent periods will include new disclosures as required by IFRS 12. The Company expects no impact on the Company's financial statements upon adoption of IFRS 12 on January 1, 2013.

Financial instruments

In October 2010, the IASB issued IFRS 9 "Financial Instruments" ("IFRS 9") which proposes to replace IAS 39 "Financial Instruments: recognition and measurement". The replacement standard has the following significant components: establishes two primary measurement categories for financial assets — amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available-for-sale, and loans and receivable categories.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015 (as amended from January 1, 2013 by the IASB in December 2011). The Company will evaluate the impact of the change to its consolidated financial statements based on the characteristics of its financial instruments at the time of adoption.

5. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

i. Significant Judgments in Applying Accounting Policies

The areas which require management to make significant judgments in applying the Company's accounting policies in determining carrying values include, but are not limited to:

(a) Capitalization of exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company and whether these costs are economically recoverable, which may be based on various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, operating management expertise and existing permits. Judgments made may change if new information becomes available.

(b) Depreciation, depletion and amortization

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation, depletion and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

(c) Taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes, due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

ii. Significant Accounting Estimates and Assumptions

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

(a) Mineral Resources

The Company estimates its measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. Changes in measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, reclamation and remediation obligations, depreciation, depletion and amortization.

(b) Impairment of assets

The carrying value of property, plant and equipment, as well as exploration and evaluation assets is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in the consolidated statement of operations. The assessment of fair values would require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of assets could impact the impairment analysis.

(c) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees and others by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, dividend yield and forfeiture rate. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11c.

6. CASH AND CASH EQUIVALENTS

		December 31, 2012		December 31, 2011
Cash held in bank accounts	**$**	**4,598,354**	$	7,239,574
Guaranteed investment certificates		**7,400,000**		11,890,674
	$	**11,998,354**	$	19,130,248

7. SEGMENTED INFORMATION

As at December 31, 2012 and December 31, 2011, the Company's assets were located in the following countries:

		December 31, 2012		December 31, 2011
Canada	$	**11,828,351**	$	18,245,142
Kyrgyz Republic		**16,091,857**		14,124,076
Russia		**745,838**		456,927
Cyprus		**765**		-
Total	$	**28,666,811**	$	32,826,145

8. PREPAID EXPENSES AND OTHER ASSETS

		December 31, 2012		December 31, 2011
Prepaid expenses	$	**1,002,628**	$	875,073
Consumables		**477,162**		399,159
Inventories		**10,131**		-
Other		**33**		32
Total	$	**1,489,954**	$	1,274,264

9. PROPERTY, PLANT AND EQUIPMENT

			Land, Plant, Equipment and Vehicles		Office & Computer Equipment		Total
Cost							
Balance at Jan 1, 2012		$	6,099,250	$	110,361	$	6,209,611
	Additions		1,708,930		17,401		1,726,331
	Disposals		(14,889)		-		(14,889)
	Foreign exchange impact		(136,644)		4,818		(131,826)
Balance at Dec 31, 2012			7,656,647		132,580		7,789,227
Accumulated amortization							
Balance at Jan 1, 2012		$	(30,686)	$	(60,237)	$	(90,923)
	Amortization		(76,965)		(18,478)		(95,443)
	Disposals		10,296		-		10,296
	Foreign exchange impact		(1,152)		(3,528)		(4,680)
Balance at Dec 31, 2012			(98,507)		(82,243)		(180,750)
Net Book Value		$	7,558,140	$	50,337	$	7,608,477
Amount included in above as at Dec 31, 2012:							
Assets not being depreciated (a)		$	6,657,348		-	$	6,657,348

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

	Land, Plant, Equipment and Vehicles	Office & Computer Equipment	Total
Cost			
Balance at Jan 1, 2011	$ 23,381	$ 62,337	$ 85,718
Additions	6,075,869	48,024	6,123,893
Disposals	-	-	-
Balance at Dec 31, 2011	6,099,250	110,361	6,209,611
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 Dec 31, 2011:			
Assets not being depreciated (a)	$ 5,676,853	-	$ 5,676,853

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

10. 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 2012:

	Balance at January 1, 2012	Changes in the period			Balance at December 31, 2012
		Additions	Write-off	Foreign exchange translation	
Kyzyluraan	$ 2,538,505	188,807	-	(45,247)	$ 2,682,065
Aktyuz	1,846,695	48,363	-	(32,916)	1,862,142
Kutessay II (i)	1,362,520	1,129,098	(246,824)	(24,286)	2,220,508
Kalesay	364,122	20,100	-	(6,490)	377,732
	$ 6,111,842	1,386,368	(246,824)	(108,939)	$ 7,142,447

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

		Balance at January 1, 2011	Changes in the period				Balance at December 31, 2011
			Additions	Write-off	Foreign exchange translation		
Kyzyluraan	$	2,341,053	103,928	-	93,524	$	2,538,505
Alabugin (ii)		220,950		(220,950)			-
Koshdube (ii)		156,061		(156,061)			-
Aktyuz		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

(i) 2012 Write Off of Project Costs on Kutessay II property

In 2012, Management analyzed engineering reports on all of the properties it owned or had under option and decided to write off certain amounts attributable to the Kutessay II property as no future economic benefit related to these expenses exists (due to the changes in the original design criteria: from open pit to underground, and detecting the unstable area, where the tailing pond was). The amount attributable to the Kutessay II property that was paid for project work incurred in year 2012 totalled $246,824 and was written off in 2012.

(ii) 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 off in 2011 as no further benefit related to this property exists and the licenses were dropped.

11. 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, 2011	132,739,683	$	18,349,980
Shares issued on exercise of options/warrants (ii, iii)	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
Shares issued on exercise of options (iv)	1,840,000		762,244
Balance, December 31, 2012	**157,263,986**	**$**	**43,110,033**

(i) On April 28, 2011, the Company completed the financing pursuant to which the company has issued 5,135,136 units at a price of $1.85 per unit to gross proceeds of $28,000,001 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.

(ii) 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.

(iii) 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.

(iv) During the year ended December 31, 2012, 1,840,000 options to purchase common shares were exercised by the option holders. The consideration received on the exercise of stock options of $418,599 was recorded as share capital and the related contributed surplus of $343,645 was transferred into share capital.

(b) Warrants

The changes in share purchase warrants during the year ended December 31, 2012 and the year ended December 31, 2011 are as follows:

	December 31, 2012	December 31, 2011
Balance, beginning of year	8,475,676	2,762,500
Issued	-	8,475,676
Exercised	-	(2,762,500)
Balance, end of year	**8,475,676**	8,475,676

As at December 31, 2012, 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

(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 10 years as determined by the board of directors of the Company and the exercise price shall not be less than the closing price of the shares on the day preceding the award date, subject to regulatory approval.

The following table reflects the continuity of stock options for the year ended December 31, 2012 and 2011 (all options are exercisable into one common share):

	Number of options		Weighted average exercise price
Balance at January 1, 2011	12,660,000	$	0.32
Granted	4,200,000		1.78
Exercised	(4,786,667)		0.29
Cancelled	(110,000)		0.31
Balance at December 31, 2011	11,963,333	$	0.84
Granted	4,690,000		0.79
Exercised	(1,840,000)		0.23
Cancelled	(390,000)		0.87
Balance at December 31, 2012	14,423,333	$	0.90

The weighted average market share price of options exercised in the year was $1.03 (2011 - $1.18).

During the years ended December 31, 2012 and 2011, 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:

		2012		2011
Number of options granted		3,950,000		3,800,000
Weighted average exercise price	$	0.81	$	1.82
Risk-free interest rate		1.43%		2.34%
Expected life		5		5
Expected volatility (based on a group of peer companies)		100%		100%
Dividend yield		0%		0%
Weighted average fair value per stock option granted	$	0.60	$	1.29

During the year ended December 31, 2012 the Company granted 740,000 (2011 – 400,000) options to consultants with a total fair value of $316,500 (2011 – $36,000). These options were valued at the fair value of the services provided by each of the consultants. As these options were granted for services that were not reliably measurable, the fair value of these options granted was estimated based on the Black-Scholes option pricing model, using the above assumptions.

The following table reflects the actual stock options issued and outstanding as of December 31, 2012 (all options are exercisable into one common share of Stans):

Expiry Date	Option price ($)	Number of options outstanding	Number of options vested and exercisable	Remaining contractual life of options outstanding, years	Vesting Exercise period (months)
07-Aug-13	0.33	300,000	300,000	0.60	18
12-Jan-15	0.37	1,800,000	1,800,000	2.03	18
12-Jan-15	0.37	50,000	50,000	2.03	immediate
29-Apr-15	0.32	835,000	835,000	2.33	18
18-Jun-15	0.25	2,000,000	2,000,000	2.46	18
02-Nov-13	0.73	333,333	333,333	0.84	24
02-Nov-13	0.73	300,000	-	0.84	on 10/31/13
26-May-16	1.85	3,415,000	3,415,000	3.40	18
14-Jul-16	1.46	200,000	166,667	3.54	18
03-Aug-16	1.39	500,000	416,667	3.59	18
10-Jan-17	0.74	3,200,000	1,600,000	4.03	18
24-Jan-17	1.18	500,000	250,000	4.07	18
27-Feb-17	1.12	40,000	40,000	4.16	9
07-Mar-17	0.94	300,000	150,000	4.18	18
11-May-17	0.74	100,000	33,333	4.36	18
11-May-17	0.74	200,000	66,667	4.36	18
02-Aug-17	0.61	350,000	58,333	4.59	18
		14,423,333	11,515,000	3.10	

12. NON-CONTROLLING INTEREST

Non-controlling interest

	SevAmRus	Stans Energy KG(*)	Total
Balance at January 1, 2012	$ -	$ -	$ -
Share of capital	35	5964	5,999
Share of income (loss)	(2,044)	(1,323)	(3,367)
Balance at December 31, 2012	$ (2,009)	$ 4,641	$ 2,632

* Non-controlling interest changed on May 15, 2012; includes Kutisay Mining Corp., Kashka REE Plant Ltd.

13. 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, 2012, managed capital was $27,611,276 ($32,304,011 at December 31, 2011). 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, 2012. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

14. FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk relates to cash and cash equivalents, accounts receivable and arises from the possibility that any counterparty to an instrument fails to perform. The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors. As at December 31, 2012, the Company's maximum exposure to credit risk was the carrying value of cash and cash equivalents, accounts receivable.

The Company has no significant concentration of credit risk arising from operations. The Company's cash and short-term investments are either on deposit with one of highly rated banking groups in Canada or invested in guaranteed investment certificates issued by one of highly rated Canadian banking groups. Amounts receivables consist of sales tax receivable from government authorities in Canada, Kyrgyzstan and Russia. Management believes that the credit risk with respect to financial instruments included in cash, short-term investments and 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, 2012, the Company had a cash balance of $4,598,354 (December 31, 2011 - $7,239,574) and short-term investments of $7,400,000 (December 31, 2011- $11,890,674) to settle current liabilities of $414,132 (December 31, 2011 - $414,179). 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, 2012, the Canadian dollar ("CDN") equivalent of the Company's financial instruments by currency of denomination is as follows:

	Canadian Dollar Equivalent of SOMs' denominated	Canadian Dollar Equivalent of USD denominated	Canadian Dollar Equivalent of RUB denominated	Canadian Dollar
Cash	$ 87,795	$ 4,353,886	$ 17,513	$ 4,459,194
Prepaid expenses and other receivables	608,722	-	721,182	1,329,904
	696,517	4,353,886	738,695	5,789,098
Accounts payable and accrued liabilities	(65,807)	(1,795)	(4,914)	(72,516)
Net assets (liabilities) exposure	$ 630,710	$ 4,352,091	$ 733,781	$ 5,716,582

Based on the above net exposures at December 31, 2012, 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 $525,070 (December 31, 2011 - $626,958).

15. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2012, the Company expensed $12,400 (2011 - $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, 2012	December 31, 2011
Salaries and Benefits	**$ 1,169,809**	$ 827,948
Stock-based compensation	**3,455,847**	4,157,899
	$ 4,625,656	$ 4,985,847

16. OFFICE AND ADMINISTRATION EXPENSES

The following expenses are included in office and administration expenses:

		December 31, 2012		December 31, 2011
Salaries and other employee benefits	**$**	**1,915,439**	$	1,328,808
Travel		**496,818**		557,938
Rent		**155,824**		115,818
Promotion and advertising		**104,481**		226,243
Investors' relations		**102,668**		63,406
Other Office Expenses		**368,385**		549,318
	$	**3,143,615**	$	2,841,531

17. 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 2011. As a result of the loss incurred in 2012, 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:

		December 31, 2012		December 31, 2011
Net loss (income) for the period	**$**	**9,074,050**	$	7,472,857
Basic weighted average shares outstanding		157,128,383		147,046,087
Diluted weighted average shares outstanding		157,128,383		147,046,087
Basic and diluted earnings per share	**$**	**0.06**	$	0.05

18. INCOME TAXES

	Year ended December 31, 2012	Year ended December 31, 2011
Deferred tax expense (recovery)	530,816	50,744

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:

	31-Dec-12	31-Dec-11
Loss before tax	(8,546,601)	(7,422,113)
Statutory income tax rate	26.50%	28.25%
Income tax expense (recovery) at statutory rates	(2,264,849)	(2,096,747)
Non-deductible stock based compensation	1,020,318	1,174,606
Foreign tax rate differential	463,952	163,528
Change in unrecognized deferred tax asset	1,320,765	839,617
Other	(9,370)	(30,260)
Deferred tax expense (recovery)	530,816	50,744

Due to Canadian federal and provincial enacted corporate income tax rate changes, the statutory income tax rate for the Company decreased from 28.25% in 2011 to 26.5% in 2012

Unrecognized deferred tax assets:

Gross deductible temporary differences have not been recognized in respect of the following items:

	31-Dec-12	31-Dec-11
Deductible temporary differences	1,333,027	1,701,724
Deductible temporary difference – investment in subsidiaries	6,140,760	4,588,500
Loss carry forwards	20,302,977	11,376,351
	27,776,764	17,666,575

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, 2012, the Company had the following tax losses to carry forward:

	Amount	Expiry
Canada	13,010,485	2028-2031
Kyrgyzstan	6,841,125	2013-2017
Cyprus	173,981	2013-2017
Russia	277,386	2021-2022

Deferred tax liabilities:

Mineral properties	(491,936)	(107,955)
PPE	(146,835)	-

19. COMMITMENTS

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

	2013	2014	2015	2016	2017	Total
Operating leases	$ 82,800	$ 82,800	$ 82,800	$ 82,800	$ 48,300	$ 379,500

20. SUBSEQUENT EVENT

On April 02, 2013 the Kyrgyz State Prosecutor's Office has initiated legal proceedings against the Kyrgyz State Geological and Mineral Resources Agency (SGA) in the Inter-District Court of the City of Bishkek.

The State Prosecutor's Office has put forward an application to lift the three-year statute of limitations to allow them to present to the court their claim of request to nullify the minutes of the December 21, 2009 meeting between the SGA and Open Stock Company (OSC) 'Kutisay Mining' which granted OSC 'Kutisay Mining' mining licenses for the Kutessay II and Kalesay deposits. OSC 'Kutisay Mining' was a 100% state-owned special purpose entity, created to hold mining licenses for the Kutessay II and Kalesay deposits. It was put for an open and previously advertised government auction on December 29, 2009. Stans Energy's local subsidiary, Stans Energy KG, acquired OSC 'Kutisay Mining' on December 29, 2009 through this auction, where the sum of $855,000 USD was paid to the Government, which at the time was double the value that the Kyrgyz authorities had attributed to the property. Stans Energy KG then re-registered OSC 'Kutisay Mining' as it's fully owned subsidiary ‘Kutisay Mining LLC’.

‘Kutisay Mining LLC’ is named as a third party to the proceedings. Stans and its legal representation are of the position that the claim filed by the State Prosecutor's Office is without any legal merit, and that the company's 100% owned mining licenses for both properties were obtained lawfully, through transparent government auction, on December 29, 2009.

Management is of the opinion, that it is not possible to quantify reasonably the amount of loss should the Court be subjected to political pressure.