STANS ENERGY CORP.

8 King St. East, Suite 205, Toronto, ON, M5C 1B5
Tel: 647 426 1865 Fax 647 426 1869
info@stansenergy.com

FORM 51-102
ANNUAL MANAGEMENT'S DISCUSSION & ANALYSIS

This management's discussion and analysis ("MD&A") relates to the financial condition and results of operations of Stans Energy Corporation together with its owned subsidiaries, as of April 23, 2013 and is intended to supplement and complement Stans Energy Corporation's audited annual consolidated financial statements for the year ended December 31, 2012 and the notes thereto. Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from management's expectations. Readers are encouraged to read the Cautionary Statement on Forward Looking Information included with this MD&A and to consult Stans Energy Corporation's audited consolidated financial statements for 2012 and corresponding notes to the financial statements which are available on SEDAR website at www.sedar.com. The December 31, 2012 audited consolidated financial statements and MD&A are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as at and for the year ended December 31, 2012, as well as our outlook.

This section contains forward-looking statements and should be read in conjunction with the risk factors described in "Risk Analysis". In certain instances, references are made to relevant notes in the consolidated financial statements for additional information.

Where we say "we", "us", "our", the "Company" or "Stans", we mean Stans Energy Corporation or Stans Energy Corporation and/or one or more or all of its subsidiaries, as it may apply.

Cautionary Statement on Forward-Looking Information

This document may contain "forward-looking statements" within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements.
Forward-looking statements relate to future events or future performance and reflect management the Company's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral resources, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws. Accordingly, readers should not place undue reliance on forward looking statements.

Description of the Business

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, and rare earth metals in the Kyrgyz Republic. Stans owns three operating subsidiaries, Stans Energy KG LLC, ("Stans KG"), Kutisay Mining LLC. ("Kutisay"), Kashka REE Plant Ltd., each of which is registered with the Ministry of Justice of the Kyrgyz Republic. Kutisay is 99.9% owned by Stans KG and Kashka REE Plant is 99.9% owned by Stans KG; SevAmRus CJSC ("SevAmRus), a 99 % owned subsidiary incorporated under the laws of the Russian Federation; and Stans Energy Cyprus Corporation Limited, a 100% owned subsidiary registered by the Registrar of Companies in the Republic of Cyprus.

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

Stans' common shares are also listed on the OTCQX market under the symbol HREEF.

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

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

Operating losses and operating cash flow of Stans are affected by various factors, including regulatory compliance, the level of exploration activity and capital expenditures, general and administrative costs, and other discretionary costs and activities. Stans is also exposed to fluctuations in currency exchange rates, political risks, and varying levels of taxation that affect losses and cash flow. Stans seeks to manage the risks associated with its business operations; however, many of the factors affecting these risks are beyond the Company's control.

Mineral Properties

Licenses to the exploration rights in the Kyrgyz Republic as of December 31, 2012:

- Kyzyluraan
- Aktyuz

Mining licenses in the Kyrgyz Republic as of December 31, 2012:

- Kutessay II
- Kalesay

Kutessay II and Kalesay mining licence

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

During 2010, the Kyrgyz Republic Ministry of Natural Resources (MNR), reviewed and reissued mining licences for the Kutessay II and Kalesay deposits, previously purchased by Stans Energy Corp. via auction from the public company, OSC "Kutisay Mining". The details of these licences are as follows:

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

As of June 2012, Stans Energy signed a new Licence Agreement #3 within the Company's existing mining licence, which is valid through 2029. Through the course of negotiations with the previous administration for the SGA, a 30 day work stoppage was put in place for perceived non-compliance with terms set out in Licence Agreement #3. The Company in the Inter-district Court of Bishkek then contested this work stoppage. On October 16, 2012, the Inter-district Court ruled in favor of the Company; that the work stoppage was in fact illegal, and that the Company assumed all measures for the appropriate fulfillment of obligations as set out in Licence Agreement #3. The Court ruled that the non-fulfillment of specific sections of Licence Agreement #3, which was used as the basis for a work suspension, was not the fault of the Company, but due to the fault of the previous administrations of the State Geological Agency and the lack of action by the State Property Fund. See also "**Other Developments**" below.

Licences Agreement #3 is in good standing with the State Agency for Geology and Subsoil Use and a report outlining progress in 2012 has been issued to the Agency for continuation of the field program for 2013.
As per the Licence Agreement #3, Stans Energy has committed to the following initiatives:

Main Development Stages and Types of Works	Completion Date
Improvement of the 3 mine buildings and facilities	*December 2012*
Reconstruction of head water intake facilities in Aktyuz Township	*May 2013*
Reconstruction of the road connecting the open pit mine and Mill	*June 2013*
Construction of IM-50 chemical agent production site	*October 2013*
Reconstruction of tailings pond infrastructure	*October 2013*
Construction of the 1st phase of camp for mine development	*October 2013*
Opening of 1,800 meters of underground mine workings	*December 2014*
Ore mining - 20,000 th. Tonnes	*December 2013*
Ore mining - 200,000 th. Tonnes	*December 2014*
$1-2 Million USD to be spent on Supplementary exploration of deep horizons and flanks of the deposit	*May 2012 — December 2014*

The upgrade and renovation of the administrative building, the machining and electric shop, and the instrumentation and automation shop have been completed by the dates specified in the Licence Agreement.

Technical report

In March, 2010, Stans retained Kazakhstan Mineral Company (KMC) to prepare an independent technical report including an Australian Joint Ore Reserves Committee-(JORC)-compliant mineral resource estimate for the rare earth oxides (REOs) underneath the Kutessay II open pit mine, Kemin district, Kyrgyzstan.

The technical report was completed by conducting an underground channel sampling program, which confirmed the accuracy of historical sample data, comprising 5,552 channel and core samples, each measuring 1.5 metres in length. The report was authored by the qualified person Vladimir V. Danilov, a member of the Australian Institute of Geoscientists. The JORC-compliant estimate reports a combined measured and indicated mineral resource of 42,980 metric tonnes (mt) RE2O3, at an average grade of 0.264 per cent, plus an additional inferred mineral resource of 3,560 mt RE2O3, at an average grade of 0.204 per cent. The resource remains open to depth below previously explored levels. The mineral resource estimate does not include stockpiled mineralized material from historic mining operations. The Kutessay II mineral resources are summarized in the associated table.

Volume	Metric tonnes	Grade (sum)TRE2O3	Contained (sum)TRE2O3	Resource classification
1000 m[3]	1000 mt	%	mt	
		NORTHERN DEPOSIT		
393.6	1,088	0.390	4,240	Measured
61.6	170	0.372	630	Indicated
455.1	1,258	0.387	4,870	Measured + indicated
7.9	22	0.586	130	Inferred
		CENTRAL DEPOSIT		
4,612.2	12,460	0.259	32,280	Measured
943.8	2,547	0.229	5,830	Indicated
5556.0	15,007	0.254	38,110	Measured + indicated
638.8	1,724	0.199	3,430	Inferred
		TOTAL NORTHERN PLUS CENTRAL DEPOSITS		
5,005.8	13,548	0.270	36,520	Measured
1,005.4	2,717	0.238	6,460	Indicated
6,011.1	16,265	0.264	42,980	Total measured + indicated
646.8	1,746	0.204	3,560	Inferred

Historically, Kutessay II also produced lead, molybdenum, silver and bismuth; however, there was no reliable historical data to quantify the remaining resources of these elements in the deposit under the rules of JORC. Representative metallurgical testing will help to determine the potential for these additional byproducts. Currently, this initiative is ongoing.

REO grade and tonnage across elevations

Measured and indicated resource tonnage and grade vary at different elevations, from the lowest pit walls to below the lowest exploration adit. The following table gives the estimate of the total measured and indicated RE2O3 mineral resource for each 10 metres (m) in elevation.

Level, m	(sum)RE2O3, %	(sum)RE2O3, mt
2380	0.236	1
2370	0.217	114
2360	0.264	347
2350	0.304	708
2340	0.308	1668
2330	0.294	3104
2320	0.289	3119
2310	0.302	3356
2300	0.299	3435
2290	0.286	3312
2280	0.293	3347
2270	0.286	3187
2260	0.280	3095
2250	0.270	2723
2240	0.218	2064
2230	0.217	1988
2220	0.218	1854
2210	0.213	1767
2200	0.205	1583
2190	0.202	1478
2180	0.215	708
2176	0.178	6

Mineralization

REO tonnage and grade estimates vary across host rock types. The majority of REOs are found in quartz-chlorite metasomatites and quartz-sericite metasomatites, with the highest grade REOs found in biotite hornfels. A summary of the rock types hosting rare earth mineralization in the associated table.

Volume	Metric tonnes	Grade(sum)RE2O3	Contained(sum)RE2O3	Resource classification
1000 m3	1,000 t	%	t	
		Schist and gneiss not included below		
479.7	1,285.7	0.178	2,284.0	Measured
158.4	424.6	0.148	630.2	Indicated
638.2	1,710.3	0.170	2,914.7	Measured + indicated
38.4	102.9	0.128	131.1	Inferred
		Quartz-chlorite metasomatite		
1,970.8	340.8	0.338	18,043.0	Measured
320.7	869.1	0.327	2,845.0	Indicated
2,291.5	1209.0	0.330	20,888.0	Measured + indicated
182.8	495.5	0.308	1,526.6	Inferred
		Quartz-sericite metasomatite		
1,581.0	4,252	0.220	9,365.0	Measured
264.2	710.6	0.195	1,384.7	Indicated
1,845.2	4,963.5	0.217	10,749.3	Measured + indicated
188.0	505.8	0.150	756.9	Inferred

		Quartz-muscovite metasomatite		
135.3	365.3	0.142	517.1	Measured
95.1	256.7	0.156	400.2	Indicated
230.3	621.9	0.148	917.2	Measured + indicated
115.9	312.9	0.168	526.4	Inferred
		Granophyre		
442.2	1185.2	0.251	2,974.3	Measured
107.0	286.9	0.219	626.8	Indicated
549.3	1,472.6	0.245	3,601.1	Measured + indicated
102.2	273.8	0.162	444.6	Inferred
		Altered gneiss		
65.0	174	0.168	293.2	Measured
4.2	11	0.121	13.6	Indicated
70.0	185	0.165	306.8	Measured + indicated
0.1	0.1	0.102	0.3	Inferred
		Brecciated schist		
268.5	754.6	0.3	2,298.5	Measured
50.0	140.4	0.3	488.9	Indicated
318.5	894.0	0.3	2,787.4	Measured + indicated
19.3	54.0	0.331	180.0	Inferred
		Biotite hornfels		
63.1	189	0.417	789	Measured
5.8	18	0.489	86	Indicated
69.0	207	0.423	875	Measured + indicated
0.1	0.1	0.441	1	Inferred

Historical rare earth element breakdown

The historical data used to identify the breakdown of the 15 rare earth elements within the Kutessay II resource could not be verified under the rules of JORC, and therefore KMC has recommended that Stans conduct further work to confirm the accuracy of the historical data. In January 2011, Stans hired the Academy of Sciences in Kyrgyzstan to determine an accurate estimate of the concentration of each rare earth element oxide in the estimated mineral resource. The scope of work undertaken in 2011 is continuing, and has been expanded to further include relevant Russian and Canadian experts.

The associated table illustrates the historical published percentages of each individual RE2O3 contained in the rock from the mined open pit published in 1959, and within the deposit estimate published in 1992.

Element	Symbol	Content, % of (sum)RE2O3	Content, % of (sum)RE2O3
		1959	1992
		CERIUM GROUP	
Lanthanum	La	9.12	14.0
Cerium	Ce	25.02	24.6
Praseodymium	Pr	3.20	2.7

Neodymium	Nd	8.49	10.0
Samarium	Sm	3.81	2.8
Total LREEs		49.64	54.1
	YTTRIUM GROUP		
Europium	Eu	2.51	0.4
Gadolinium	Gd	2.69	2.5
Terbium	Tb	1.15	0.3
Dysprosium	D*	6.26	4.3
Holmium	Ho	0.8	0.9
Erbium	Er	4.82	2.4
Thulium	Tm	0.05	0.5
Ytterbium	Yb	1.77	1.9
Lutetium	Lu	0.06	Na
Yttrium	Y	26.69	30.7
Total HREEs:		47.16	43.9
Total		96.8	98.0

Under the Soviet method of measuring the concentration, the low end of the range for each element was reported, and therefore the totals may not equal 100 per cent.

Historic Soviet mining and processing data

Below is a table summarizing the final five years of milling and processing at the Kutessay II RE mine. The historical mill operated at a capacity of 1,000 mt of ore per day, 16 hours a day.

Quantity of ore processed,	Content in ore, %		Extraction, %		Content in concentrate, %		Content in tails, %	
Year	1,000 t	(sum)RE2O3	Y2O3	(sum)RE2O3	Y2O3	(sum)RE2O3	Y2O3	(sum)RE2O3	Y2O3
1990	300.0	0.29	0.078	63.9	69.8	6.20	1.84	0.11	0.02
1989	279.5	0.30	0.080	63.5	69.0	6.35	1.84	0.11	0.03
1988	257.6	0.32	0.080	63.5	69.0	6.18	1.75	0.11	0.03
1987	253.9	0.31	0.085	63.7	69.5	6.37	1.93	0.11	0.03
1986	244.1	0.31	0.085	63.7	69.0	6.37	1.90	0.11	0.03

Under the Soviet method of producing REOs from Kutessay II, the initial concentrates from the mill were further upgraded at the Kyrgyz Chemical Metallurgical Plant (KCMP) for final processing into oxides, metals and alloys. Stans has begun creating a new mine design to process a much higher quantity than the 300,000 mt/annum previously processed. The Russian Scientific Research Institute of Chemical Technology (VNIIHT) and the Information Research Centre LLC (IRC) to assess new technologies and methods for improving the historical concentration, cracking and recovery processes have conducted metallurgical testing. The company intends to initiate a feasibility study for restarting rare earth production operations at Kutessay II, in co-operation with the same Russian institutes that originally designed and built the Kutessay II mine, mill and processing plants.

Stans Energy is currently evaluating the merits of these various mine designs and the associated infrastructure required to support production.

Recommendations:

The following updates are based on the recommendations contained in the Kutessay II JORC report:

Evaluate potential rare earth targets in the Aktyuz ore field, including the extension below Kutessay II and other know occurrences and geophysical anomalies in the district;	In 2012, Stans conducted a 2860.8m drilling program to gain a better understanding of the blind mineralized zones revealed in 2011.
Complete review and consolidate database of all pertinent historic Russian language files and information related to the operation of Kutessay II rare earth production, including mining, milling and processing operations for the recovery and production of rare earth concentrates and/or products;	Stans Energy is continuing to work on the collation of the relevant documentation. Due to the immense volume of paper-based documents this is an ongoing initiative
Conduct program to better define the relative concentration of the individual rare earth elements in the Kutessay II deposit;	IRC prepared and analyzed the 2012 drill results using atomic emission analysis (ICP) to determine the concentration of oxides of 15 rare earth elements.
Initiate a baseline environmental study to define the natural environment and the effects of historic mining and milling on the Kutessay II site;	The initial baseline study for the Aktyuz mining area and the Kashka processing area has been completed. The Kutessay II baseline study is ongoing as part of the mine and infrastructure development plans.
Conduct pilot-scale metallurgical studies and investigations to develop a flow sheet for processing ore to produce TREO concentrates;	Proposed flowsheets have been suggested by VNIIHT and IRC. Stans is awaiting final reports to implement bench scale testing on economics for the proposed technologies.
Test technologies to remove radioactivity from the Kutessay II mineralization with a reduced environmental impact.	VNIIHT has completed a test of new REE cracking technology (to replace old technology of the Plant #1). Initial results yielded 25-35% increases in efficiency. Stans is now planning for bench scale testing.
Initiate an economic prefeasibility study for the Kutessay II rare earth deposit. The prefeasibility study should include combined open pit and underground mining with milling, preparation of a concentrate and processing of the concentrate to produce final rare earth products.	Results of the bench scale testing that we will be conducting for REE milling, cracking and separation technologies will be incorporated directly into a Bankable Feasibility Study.

Feasibility study

A full industrial-scale test and feasibility study should follow the initial evaluation work.

Aktyuz ore field exploration licence

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

The following important facts relate to the Aktyuz Ore Field:

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

Exploration and Development Activities in 2012

Feasibility study. The company has engaged Ecoservice LLC to design a 14.5 thousand m3 tailings impoundment and to design a 1 million tonne per year mill. Asiarudproject CJSC has been engaged for the engineering of a new mine design that will assess the combined open-pit and underground mine options to determine feasibility.

Information Research Centre LLC (IRC) in association with the Russian Scientific Research Institute of Chemical Technology (VNIIHT) successfully developed and tested a process flow sheet for milling of Kutessay II ore, including two-stage gravity preparation with concentrate finishing employing flotation. The recommended flow sheet achieved 65% TREE recovery and a minimum 5% TREE content of concentrate.

VNIIHT has successfully tested a contained, environmentally friendly process for extracting thorium, radium and fluorine from Kutessay II RE concentrates. VNIIHT's new cracking method yielded a greater recovery of REs from historical concentrates – 95% at the impurity removal stage, and 93% at the nitrate creation stage. The final product of these tests was a 98% pure combined RE Oxide (REO) nitrate solution. VNIIHT is further conducting a study to selectively extract each of the most valuable REOs: dysprosium, terbium, neodymium, europium, and lutetium.

Stans' new milling, cracking, and separation methods will likely replace the historical process previous used at the Company's Kashka Rear Earth Processing Plants 1, and part of Plant 2. Results from this process will be incorporated into Stans' ongoing feasibility work.

Kutessay II. In 2011, Stans focused on extending the mineralization on Kutessay II to increase the size of the measured and indicated mineral resources as estimated by the JORC report completed in March 2011.

The 2012 exploratory drilling program at Kutessay II consisted of 11 drill holes with 60m spacing within the existing open pit outline, which should allow the new zone to be included in future mineral resource estimates

The exploratory drill hole objectives were:

1. Delineation of the 'blind' mineralization between +2353m and +2193m levels that were revealed in 2011 in the drilling.

2. Prospecting for new previously unknown REE mineralization.

3. On August 10, 2012, the Company commenced its 2012 drilling program. The goal of the drilling was to evaluate the vertical extension of the rare earth mineralization (to the +2213 m level, Adit No.27) revealed in 2011 drilling to the west and northwest of what was referred to during Soviet times as the Central Ore Body, as well as along survey profiles No. VIII, X, XI, XII, XIV, XV, and to search for the continuation along the Kutessay II deposit flanks - to profile No. III in the north, and No. XX in the south.

4. By October 24, 2012, eleven diamond drill holes (Nos.Y022D011, Y022D012, Y022D013, Y022D014, Y022D015, Y022D016, Y022D017, Y022D018, Y022D019, Y022D020, and Y022D021) were drilled along deposit survey profile Nos. III, VI, VIII, X, XI, XIV, XV, XVIII, and XX. The drill holes lengths are 240.6 m, 295 m, 285 m, 310 m, 250 m, 230.2 m, 450 m, 27 m, 263.0 m, 300 m, and 210 m respectively, totaling 2,860.8 m. Spacing between the survey profiles ranges from 55 m to 75 m, and between the drill holes, from 45 m to 65 m.

5. The Information Research Centre LLC (IRC) (Kara-Balta, the Kyrgyz Republic), prepared and analyzed the samples. The laboratory is accredited by the United Kingdom Accreditation Service for ISO/IEC 17025:2005 international standard and by the National System Accreditation Center of the Kyrgyz Republic.

6. Atomic-emission analysis (ICP) was used to determine the concentration of oxides of 15 rare earth elements (Ce, Dy, Er, Eu, Gd, Ho, La, Lu, Nd, Pr, Sm, Tb, Tm, Y, Yb), as well as Be oxide, Co and Sc. The total number of elements defined is 18.

Aktyuz Mine. Based on the historical records Stans Energy conducted exploratory drilling on possible rare earth mineralized zones under the historic Aktyuz mine. The 2011 exploration program was inconclusive. More detailed research of the historical documentation is required and is currently underway. No field exploration took place in 2012.

Aktyuz Ore Field. Stans completed 2011 surface exploration work, and built a computerized model using 2010 and 2011 results and historic data. Further work is pending license extension.

Kalesay. The resampling on the un-weathered sections collected in 2011 has been completed and has been sent for further independent analysis. As of April 2013 we expect to receive new standards for final analysis to be completed.

During the period ended December 31, 2012, exploration expenditures totalled $1,386,368 and were spent on exploration of the Aktyuz ($48,363), Kutessay II ($1,129,098), Kyzyluraan ($188,807) and Kalesay ($20,100) mineral properties and deferred. Management decided to write off the 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.

Mineral properties and deferred expenditures by property

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		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		220,950		(220,950)			-
Koshdube		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

Summary of material components of quarterly exploration expenditures and development

	2011				2012			
	Q1 $	Q2 $	Q3 $	Q4 $	Q1 $	Q2 $	Q3 $	Q4 $
Explorations rights/licenses	-	27,452	-	-	-	-	-	-
Mining licenses	-	-	-	-	-	-	-	-
Exploration and evaluation expenditures and overhead capitalized into exploration licenses	1,305	169,252	488,538	652,361	42,836	17,767	113,170	63,397
Development and evaluation expenditures and overhead capitalized into mining licenses	29,723	154,712	109,253	180,798	162,313	176,310	481,540	329,035
Write off (expensed)	-	-	-	(377,011)	-	-	-	(246,824)

Kashka Rare Earth Plant

In July, 2012 Stans Energy commenced operational testing at the Kashka Rare Earth Plant (KRP). As of July 12, 2012, the company has separated dysprosium from the resins remaining from past production runs, yielding 50 kg of dysprosium oxides ahead of schedule. The technical teams, lead by V. Kashtanov, Director General of KRP, have been able to separate:

15kg of Dysprosium Oxide grading 99.95% purity
15kg of Dysprosium Oxide grading 99.9% purity
20kg of Dysprosium Oxide grading 99.5% purity

In October of 2012, the Company announced the following set of further improvements for metal production at the KRP:

Rare Earth Metal	Weight (Kg)	Purity	FOB Metal Price (USD/kg)	FOB Oxide Price (USD/kg)
Dysprosium	3.3	99.9%	$1050-1100	$820-870
Terbium	0.8	99.9%	$2250-2350	$1340-1440
Gadolinium	18.7	99%	N/A	$66-68

*Rare Earth prices taken from www.asianmetal.com on November 28, 2012

Dysprosium metal was created using a select quantity of the 99.95% dysprosium oxide produced in July. Gadolinium and terbium metals were produced from intermediate products remaining from historical production.

An extensive refurbishment and upgrade program has been ongoing at KRP. Select infrastructure improvements at the Kutessay II mine site have also been completed. The following is a summary of work finished to date:

1. Repair and reconstruction of arc furnaces for rare earth metal production
2. Work in storehouse for liquid reagents as per requirements for storage of toxic substances
3. Permit approval from the Department of Drug Control and Usage for chemical reagents procurement and use in production process
4. Installation of equipment at the ferrite chloride dissolution site
5. Installation of equipment for filtration of oxalates of medium REE concentrates
6. Installation of equipment at carbonate dissolution site
7. Cleaning of 2,200 m sewage system
8. Telecommunication, IT build out, and lighting installations
9. Lifting beam crane repairs
10. Maintenance and repair of window ventilation systems
11. Repair of roofing of administrative and household building at the Kutessay II mine site

Other Developments

The Company's lawsuit against a committee in the Jogorku Kenesh (the "Committee"), of which Rep. N. Badykeeva is a member, has been resolved by the Inter-district Court of Bishkek in favor of the Company.

The Inter-district Court has ruled that the Committee's actions were illegal, and are counter to the Constitution of the Kyrgyz Republic. As a result, the following orders and decisions of the Committee were voided:

- Committee order to the State Geological Agency (SGA) to annul Licence Agreement #3
- Committee order to the State Geological Agency to put to tender Kutessay II

- Committee decision to recommend to the State Geological Agency that Licence Agreement #3 be annulled

Reasons for the decision were outlined in a judgment provided to the Company. The Court ruled that the Committee had committed a number of procedural and substantive errors and violations, including;

- failure to notify the State Geological Agency within a predetermined time period that an investigation was taking place;
- failure to follow proper inspection procedures;
- failure to keep proper records of inspections or minutes of Committee proceedings. In this case, the Committee kept no minutes and thus no minutes could be provided to the court;
- not allowing participation from representatives of Kutisay Mining LLC in relevant Committee meetings;
- acting beyond the scope of its authority by attempting to unlawfully interfere in the executive authority and activity of the Kyrgyz Government and the State Geological Agency.

On March 4, 2013 the legal representative of the Jogorku Kenesh of the Kyrgyz Republic had withdrawn their appeal relating to the action by the Committee of the Jogorku Kenesh. The Bishkek City appeals court has now dismissed the proceedings by the Committee against the Company.

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.

"We have every piece of paperwork filed since we began our business ventures in Kyrgyzstan and there is no doubt in my mind that our legal team will thwart this attempt on our licenses, just as they have successfully done in the past. Our lawyers have always been meticulous in ensuring that all of Stans Energy's business dealings within Kyrgyzstan have adhered to the laws of the country, and this commitment will never change as we work towards bringing the Kutessay II Heavy Rare Earth mine back into production" stated Robert Mackay, President and CEO of the company**.**

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.

General Financial Condition

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.

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

	For the Year ended		
	December 31, 2012	December 31, 2011	December 31, 2010
Interest and Sundry Income	**$** 152,720	$ 116,183	$ 1,997
Gain on warrant revaluation	-	-	3,200,000
Debt forgiveness	-	-	84,622
Expenses	(8,699,321)	(7,538,296)	(2,859,526)
Net income (loss) after tax attributed to common shareholders	(9,074,050)	(7,472,857)	427,093
Total Assets	28,666,811	$32,826,145	7,140,440
Cash flows used in operations	(4,544,351)	(4,129,009)	(1,883,442)
Loss (income) per share (basic and diluted)	**$** 0.06	$ 0.05	**$** 0.00

Results of Operations for the year ended December 31, 2012

The results of operations reflect the overhead costs incurred for mineral property acquisitions and exploration expenses incurred by the Company to maintain good standing with the various regulatory authorities and to provide an administrative infrastructure to manage the acquisition, exploration and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity required as property acquisitions and exploration continues.

As at December 31, 2012, the Company had not recorded any revenues from its projects.
The Company incurred a net loss (after tax) attributable to common shareholders for the year ended December 31, 2012 of $9,074,050 compared with a net loss of $7,472,857 in the prior year. Explanations for the significant increase of $1,601,193 from 2011 are explained below:

- an increase of $586,631 in salaries and benefits for the year ended December 31, 2012 due to a significant increase in personnel (63 new employees have been hired during 2012 year in Kyrgyzstan);
- an increase of $319,230 in buildings and equipment maintenance costs due to the ongoing refurbishment program at the Kashka REE Plant (costs of non-capital nature);
- an increase of $39,262 in shareholder communication expenses due to an increased number and nature of the external communications to investors and expenses related to the annual shareholders' meeting;
- an increase of $36,700 due to the Stan's social responsibility position and increased community support;
- an increase of $25,815 in consulting fees due to the extended consultants' involvement;
- an increase of $23,191 in professional fees due to an increased audit, engineering and legal fees (the Company's lawsuits against a committee in the Jogorku Kenesh and State Geological Agency);
- a decrease of $307,643 in share based compensation expense. The Company granted 4,690,000 options in the year ended December 31, 2012 vs. 4,200,000 granted in the year ended December 31, 2011; options grants that vested in 2012 were expensed in 2012. A decrease is due to a significant change in

the weighted average assumptions used in the Black-Sholes option pricing model: a decrease of $1.01 in the exercise price and 0.91% decrease in the risk-free interest rate applied.

- a decrease of $121,762 in promotion and advertising expenses;
- a decrease of $56,525 in office and general expenses due to the improved planning and effective cost management approach;
- a decrease of $56,954 in travel expenses for the year ended December 31, 2012;
- a foreign exchange loss of $213,610 ($257,249 of which is unrealized due to translation of net monetary assets denominated in foreign currencies to the CAD dollar) for the year ended December 31, 2012 compared to a $437,794 gain for the year ended December 31, 2011 due to the CAD dollar being stronger at December 31, 2012 relative to December 31, 2011 against US dollar and Russian rouble.

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

	For the Year ended	
	December 31, 2012	December 31, 2011
Investors' Relations, promotions and advertising	**$ 207,149**	$ 289,649
Office expenses	**262,806**	319,331
Rent	**155,824**	115,818
Salaries and benefits	**1,915,439**	1,328,808
Travel	**477,973**	534,927

Results of Operations for the three month period ended December 31, 2012

The Company incurred a net loss (after tax) attributable to common shareholders for the three months ended December 31, 2012 of $2,133,737 compared with a net loss of $2,087,446 in the prior year. Explanations for the increase of $46,291 from 2011 are explained below:

- an increase of $229,109 in salaries and benefits for the three months ended December 31, 2012;
- an increase of $39,451 in office and general expenses;
- an increase of $20,797 in promotion and advertising expenses (web-site re-design);
- an increase of $20,343 due to the Stan's social responsibility position and increased community support;
- an increase of $11,822 in shareholder communication expenses due to an increased number and nature of the external communications to investors;
- an increase of $8,500 in buildings and equipment maintenance costs due to the ongoing refurbishment program at the Kashka REE Plant;
- a decrease of $396,328 in share based compensation expense;
- a decrease of $48,873 in professional fees;
- a decrease of $7,000 in consulting fees and a decrease of $4,859 in travel expenses;
- a foreign exchange gain of $369,626 ($335,409 of which is unrealized due to translation of net monetary assets denominated in foreign currencies to the CAD dollar) for the three months ended December 31, 2012 compared to a $277,091 gain for the three months ended December 31, 2011 due to the CAD dollar being weaker at December 31, 2012 relative to September 30, 2012 and being stronger relative to December 31, 2011 against US dollar and Russian rouble.

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

	Three months ended	
	December 31, 2012	December 31, 2011
Investors' Relations, promotions and advertising	**$ 51,342**	$ 18,723
Office expenses	**87,578**	48,127
Rent	**45,298**	33,650
Salaries and benefits	**644,151**	415,042
Travel	**97,753**	102,612

Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the last eight quarters:

	2011, $				**2012, $**			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Interest Income	453	14,844	59,459	41,427	32,197	29,775	22,528	68,220
Expenses:								
Stock-based compensation	183,699	1,387,659	1,607,527	979,014	1,559,650	1,032,367	675,553	582,686
Mineral Property write-off	-	-	-	374,960	-	-	-	246,824
Operating Expenses	646,488	1,121,100	513,694	724,155	1,313,574	638,734	1,770,312	1,126,445
Net Loss (income) for the period attributable to common shareholders	**829,734**	**2,493,915**	**2,061,762**	**2,036,702**	**2,851,711**	**1,638,569**	**2,450,033**	**2,133,737**
Loss (income) per share (basic and diluted)	**$0.004**	**$ 0.010**	**$ 0.020**	**$ 0.020**	**$ 0.020**	**$ 0.010**	**$ 0.010**	**$ 0.010**

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

Related Party Transactions

During the year ended December 31, 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

Disclosure of Outstanding Share Data

As at December 31, 2012, and as of the date of this Discussion, the following is a description of the outstanding equity securities and exercisable securities previously issued by the Company:

(a) Issued - common shares

	Number of Shares	Amount
Balance, January 1, 2012	155,423,986	$ 42,347,789
Shares issued on exercise of options (i-ii)	1,840,000	762,244
Balance, April 23, 2013	157,263,986	$ 43,110,033

(i) In January 2012, 920,000 options to purchase the Company's shares at $0.33 issued to its officers and directors were exercised.
(ii) In February 2012, 920,000 options to purchase the Company's shares at $0.125 issued to its former officer and were exercised.

(b) Warrants

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
28-Apr-11	7,567,568	$2.25	$5,136,989	28-Apr-13
28-Apr-11	908,108	$1.85	$945,340	28-Apr-13

(c) Stock options

As of the date of this Discussion the continuity of stock options is as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2011	11,963,333	$0.84
Options exercised (expiry date Jan. 4, 2012)	(920,000)	0.33
Options exercised (expiry date Dec. 9, 2014)	(920,000)	0.125
Options granted (expiry date Jan. 10, 2017)	3,050,000	0.74
Options granted (expiry date Jan. 10, 2017)	150,000	0.74
Options granted (expiry date Jan. 24, 2017)	500,000	1.18
Options granted (expiry date Feb.27, 2017)	40,000	1.12
Options granted (expiry date March 7, 2017)	300,000	0.94
Options granted (expiry date May 11, 2017)	300,000	0.74
Options cancelled (expiry date May 26, 2016)	(45,000)	1.85
Options cancelled (expiry date Jan. 12, 2015)	(50,000)	0.37
Options granted (expiry date Aug. 2, 2017)	350,000	0.61
Options cancelled (expiry date Nov. 2, 2015)	(200,000)	0.73
Options cancelled (expiry date Apr. 29 2015)	(55,000)	0.32
Options cancelled (expiry date May 26, 2016)	(40,000)	1.85
Options granted (expiry date March 21, 2018)	100,000	0.41
Balance, Apr. 23, 2013	14,523,333	$0.90

The following table reflects the options granted in 2012 up to the date of this Discussion:

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	Mar. 7, 2017	18 months
May 11, 2012	200,000	Advisor	$0.74	May 11, 2017	18 months
May 11, 2012	100,000	Employee	$0.74	May 11, 2017	18 months
Aug. 2, 2012	350,000	Advisor	$0.61	Aug. 2, 2017	18 months
March 21, 2013	100,000	Employee	$0.41	Mar. 21, 2018	18 months

(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 $303,599 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 $ 85,125 was transferred to share capital.

Proposed Transactions

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

Off-Balance Sheet Arrangements

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

Commitments

The Company is committed to pay approximately $6,900 per month for the lease of its office. The following table lists the Company's contractual obligations.

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

Liquidity And Capital Resources

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

As at December 31, 2012, Stans had a net working capital of $13,501,755 (December 31, 2011- 20,181,436) comprised of cash, short-term investments, consumables, amounts receivable, prepaid expenses and accounts payable and accrued liabilities.

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.

Stans does not generate revenue from operations and any significant improvements in working capital would result from the issuance of share capital. During the year ended December 31, 2012 the net cash proceeds from the issue of share capital amounted to $418,599.

Financial Instruments and Financial Risk Factors

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, 2012.

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).

Outlook

Although economic conditions in the financial market appear to have made a modest recovery, it remains difficult under current economic conditions to secure debt or equity financing for same companies and in particular for junior resource companies. The Company's near-term goal continues to be to preserve its cash resources by minimizing operating costs. The Company will continue to review strategic acquisitions and/or partnership opportunities that may become available, and will carefully monitor market conditions in relation to the resumption of planned exploration programs on other key properties.

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

Critical Accounting Policies, Estimates and Accounting Changes

Stans' accounting policies are described in Note 3 to the consolidated financial statements. The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. 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. Actual results could differ from these estimates. Significant judgments, estimates and assumptions used are described in Note 5 to the consolidated financial statements.

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.

Report on Internal Control over Financial Reporting and Disclosure Controls and Procedures

In contrast to the Certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificate filed by the Company with the Annual and Interim Filings on SEDAR at www.sedar.com.

Management believes that based upon the evaluations and actions taken to date, reasonable assurance can be provided that there is no material misstatement of the financial results reported as of December 31 , 2012.

Business Risks, Uncertainties and Going Concern

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

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

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

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

Mining Industry
Mining operations generally involve a high degree of risk. Stans operations are subject to the hazards and risks normally encountered in the exploration, development and production of Uranium and Rare Earth Elements, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

The development project has no operating history upon which to base estimates of future cash operating costs. For development projects, resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and

feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the mineral body, expected recovery rates of minerals, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

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

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

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

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

Key Personnel
The Company is depending on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company has a life insurance policy in place for Robert Mackay, President and CEO, with a face value of CAD $ 500,000, beneficial owner of the insurance is Stans Energy Corp.

Industry Risk
Stans' ability to continue funding its exploration program and possible future profitability is directly related to uranium and REE market prices. Mineral prices fluctuate widely and are affected by numerous factors beyond

the control of Stans. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities, and exchange rate stability can all cause significant price fluctuation. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political development. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on Stans' business, financial condition and results of operations.

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

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

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

Country of Operation Risks

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

Political instability
There has been a high turnover in key government positions and the cabinet of Kyrgyzstan in the past years. On the one hand, this turnover is indicative of a transition to a more representative and competitive political system with a greater diversity of views and platforms. On the other hand, inconsistency of the political direction may have an adverse effect on the progress of regulatory, fiscal and other institutional reforms. Political issues and instabilities could also impact the Company's licenses, properties, and work programs. Furthermore, the timing of the Company's work progress may be adversely affected as additional efforts may be required to accommodate those regulatory changes and additional business costs may be triggered.

Approval

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

Additional Information

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