



## STANS ENERGY CORPORATION

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### FORM 51-102F1 MANAGEMENT'S DISCUSSION & ANALYSIS

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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 November 28, 2018 and is intended to supplement and complement Stans Energy Corporation's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 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 the 2017 year-end and corresponding notes to the financial statements which are available on SEDAR website at [www.sedar.com](http://www.sedar.com). The September 30, 2018 unaudited interim condensed consolidated financial statements and MD&A are presented in Canadian dollars and have been prepared in accordance with IAS 34 "Interim Financial Reporting" 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 period ended September 30, 2018, 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 and 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](http://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. Stans Energy Corporation is a resource development company focused on advancing rare and specialty metals properties and processing technologies. Stans is now transitioning into a supplier of materials and technologies that will assist in satisfying the future energy supply, storage and transmission needs of the world. Stans owns four subsidiaries, SevAmRus CJSC (“SevAmRus”), a 100 % owned subsidiary incorporated under the laws of the Russian Federation, Didym Inc. (Didym), a 100% owned subsidiary incorporated under the laws of the Russian Federation. The remaining subsidiaries which are registered with the Ministry of Justice of the Kyrgyz Republic are Kutisay Mining LLC (“Kutisay”) and Kashka REE Plant Ltd.

Stans’ common shares are listed on the TSX Venture Exchange (“TSXV”) under the symbol HRE. Stans’ common shares are also listed on the OTCQB market under the symbol HREEF.

The head office, principal address and records office of the Company are located at 1 Yonge St. East, Suite 1011, Toronto, Ontario, M5E 1E5.

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 Property

Licenses to the prospecting/exploration/mining rights in the Kyrgyz Republic and Russia as of the date of this discussion:

### *Pervomayskiy Lithium Mineralization Stockpile*

On August 25, 2016 Stans announced a Memorandum of Understanding (the “MOU”) for an option to acquire 100% of Pervomayskiy GOK LLC (“PGOK”), a Russian limited liability corporation, the owner of a stockpile of lithium mineralized material (the “Stockpile), the Zabaikalsky Mill (the “Mill) and supporting infrastructure.

Under the terms of the MOU, Stans and PGOK (together the “Parties”) have agreed on consideration for the possible development of the stockpile, re-commissioning of the mill and the addition of a lithium carbonate production facility. After preliminary evaluation of the in-house Technical Economic Assessment (the “TEA”) prepared by PGOK according to Russian standards in 2015, Stans confirmed its intention of conducting due diligence on the stockpile of lithium mineralized material, the renovation of the mill and the development of a process circuit for producing lithium carbonate, all according to NI 43-101 standards.

On March 27, 2017 Stans received a preliminary Legal Due Diligence Report from the Moscow office of Norton Rose Fulbright on the assets of PGOK that identified several key issues to be addressed by PGOK to satisfy outstanding conditions to demonstrate clear title to the assets of PGOK. On September 5, 2017 Stans and PGOK entered into a binding memorandum of understanding (BMOU) which allows Stans to proceed with project due diligence and development.

According to the BMOU once legal due diligence is completed to the Company's satisfaction, a geological and technical assessment could be undertaken in order to produce an NI 43-101 compliant preliminary economic assessment ("PEA") on the Project.

Atomredmetzoloto JSC ("ARMZ") and PGOK have also entered into a MOU on August 18, 2017 and ARMZ began its own due diligence process on the Project as required by its regulatory and compliance departments. This due diligence will be separate and parallel with the due diligence that Stans is undertaking on the Project.

Stans and ARMZ proceeded with their separate due diligence work programs to satisfy both Russian Federation subsoil requirements and NI 43-101 standards. As of today, the legal due diligence completed by the Moscow office of Norton Rose Fulbright and ARMZ proved that PGOK has no legal ownership of the Stockpile, and that new mining license has to be issued to allow for the stockpile processing. In the view of the above the MOU between Stans and ARMZ will allow Stans to work out strategy to produce lithium concentrate and related products within the Russian Federation with ARMZ as Stans' strategic partner.

### **Stockpile and Mill**

The stockpile and mill are associated with the historic mining operations of the Zavitskiy Lithium and Beryllium Mine (the "mine"), which is about 250 km from Chita City, located in the Trans-Baikal Region of Russia. A full array of infrastructure is available near the stockpile and mill including: electricity generating power station and substation, heat and water supply, tailings storage and railways terminals. The mill is directly connected with the Trans-Siberian Railway.

The mine was in production from 1942 through the mid 1990's, and was the Soviet Union's only active lithium mine. The mine and mill produced over 100,000 tonnes of lithium in concentrate form over its life span. A cut-off grade of  $\text{Li}_2\text{O}$  of 0.3% was set by the state for mining operations, as the primary use of lithium at that time in the Soviet Union was for military purposes and market economics were not a consideration. The mill produced concentrates of both beryllium and lithium while the mine was in production, and after the mine was closed the mill continued to process fluorite, gold, and antimony ore through to 2010 when it was put under care and maintenance due to a lack of feed material. The stockpile contains according to historic estimates approximately 19,000,000 tonnes of mineralized material at a grade of at or below 0.3%  $\text{Li}_2\text{O}$ . This historical estimate does not constitute a current mineral resource or mineral reserve. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources, Stans is not treating the historical estimate as current mineral resources. The New Partners (see next paragraph) will be confirming both the volume and grade as part of its' due diligence process, and will carry out a Definitive Feasibility Study ("DFS") to evaluate the new lithium carbonate production technology developed by VNIHT (The Russian Leading Institute of Chemical Technology) and to determine the re-commissioning of the mill costs and timelines.

### **Memorandum of Understanding with Atomredmetzoloto JSC.**

On July 27, 2017 Stans has entered into a memorandum of understanding (MOU) to partner with Atomredmetzoloto JSC (ARMZ). Together ARMZ and Stans (the "New Partners") will undertake a number of strategic initiatives in the specialty and energy metals industries.

ARMZ Uranium Holding Co. (JSC Atomredmetzoloto or the "Uranium Holding") is the mining arm of ROSATOM State Atomic Energy Corporation, one of the leaders of the global uranium market. The Uranium Holding controls Russian uranium mining assets situated in the Trans-Baikal Territory, Republic of Buryatia, Kurgan region and Republic of Yakutia, in addition to other global assets. ARMZ concentrates on multi-year field development and unique competencies that enable ARMZ to perform a wide range of uranium projects – from geological exploration, development and design to reclamation of production facilities.

Stans and ARMZ have identified three specific areas of opportunity:

1. Mine and process strategic metals used both in atomic and alternative energy sectors including rare, rare earth and precious metals.
2. Jointly develop new technologies to mine, process and extract metals, as well as manufacture value added products.
3. Share intelligence regarding ongoing projects and global joint business development opportunities.

Specifically Stans and ARMZ have agreed to focus on the following priority areas of cooperation:

1. Joint development of Lithium projects both in Russia and globally. Together the Parties will evaluate the production of lithium carbonate and hydroxide. Stans will provide market intelligence and present opportunities for the development of new properties, the reconstruction/modernization of existing operations, including the manufacturing of end products. The Parties will first focus on the Zavitinskoe lithium project in the Trans-Baikal region with the intent of processing spodumene concentrate at ARMZ subsidiary, Pre-Argun Mining Chemical Complex, in the City of Krasnokamensk.
2. The Parties will explore the potential for joint marketing of scandium products and scandium-reinforced alloys through ARMZ owned DALUR CJSC.
3. Joint development of gold projects. ARMZ will provide Stans with proposals and information on potential gold producing hard rock and tailings assets.

Together Stans and ARMZ will individually define functions and obligations for each individual project. The Parties will bear implementation and development costs based on their proportion of ownership.

The intent of this MOU is to work jointly and in combination with the potential partners like PGOK to jointly assemble the land package in and around the Pervomayskiy lithium stockpile, the supporting infrastructure and potentially the Zavitinskoe Lithium mine.

Subsequent to the MOUs with ARMZ and PGOK, as announced on December 11, 2017, it became evident that the best course of action for the development of a lithium production program would require the evaluation of restarting the Zavitinskoye Lithium mine operations.

Certain technical and legal issues surfaced which precluded both Stans and ARMZ from conducting the necessary geological sampling to evaluate the Pervomayskiy Lithium Stockpile. In place of that program, ARMZ has commenced an internal scoping study on the Zavitinskoye Lithium mine, which was the historic source of mineralized material for the Pervomayskiy cut-off grade lithium mineralization stockpile. ARMZ supposed to complete the Scoping Study by April 26, 2018 and has set aside an internal budget to complete this work program. This deadline was extended to the end of November 2018.

Upon the completion and evaluation of the ARMZ internal Scoping Study and project approval by Rosatom, Stans and ARMZ will enter into a joint project development program and partnership arrangement. The value of including the infrastructure assets of PGOK in Stans and ARMZ development program of the Zavitinskoye Lithium Project will be re-examined by the New Partners.

## **Kashka Rare Earth Plant (the “KRP”)**

The Kashka Rare Earth Processing Facility was acquired in 2011 and was being modernized and re-commissioned to process rare earth elements. Given the Company’s current inability to further develop its Kutessay II, Kalesay and other mineral properties and the inability to date to identify a feasible alternate source of rare earth elements that could be processed at this facility, it is expected that this Kashka will remain idle for an indefinite period. Even if we find a source of raw material we will not be able to process it without settlement ponds or tailing facility access to which has been denied by the Kyrgyz Republic.

The KRP is currently on a care and maintenance program.

### Summary of activities for the period ended September 30, 2018

During the period ended September 30, 2018, there were no significant exploration and development activities.

## **Legal Proceedings and Impairment**

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

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

In October 2013, Stans commenced arbitration against the Republic in connection with the legal proceeding initiated by the Republic in the Arbitration Court at the Moscow Chamber of Commerce and Industry (‘the MCCI Tribunal’). In June 2014, the MCCI Tribunal awarded Stans US \$118 million as a recovery of damages from the Republic. This award was subsequently challenged by the Republic in the courts of the Russian Federation, and in January 2016, the Supreme Court of the Russian Federation in its final decision upheld the ruling of the lower court to set aside the MCCI Tribunal award. Appeals in the Russian Federation have now been exhausted.

In May 2015 Stans commenced an arbitration against the Republic under the 1976 rules of the United Nations Commission on International Trade Law (‘the UNCITRAL Rules’) claiming damages arising from the Republic’s wrongful conduct toward the Company’s investments in Kyrgyzstan that culminated in the termination of the mining licenses for Kutessay II and Kalesay. Stans and the Republic subsequently agreed that this arbitration (‘the UNCITRAL Arbitration’) would be administered by the secretariat of the Permanent Court of Arbitration in the Hague with a judicial seat in London, England. After a Tribunal was appointed in the UNCITRAL Arbitration, Stans filed a statement of claim on January 29, 2016 claiming US \$219 million in damages and interest from the Republic. The Tribunal in the UNCITRAL Arbitration subsequently decided that the proceedings would be bifurcated into a jurisdictional phase and a merits phase. Consequently, after the exchange of written pleadings on these jurisdictional issues, a hearing took place on September 23, 2016.

On January 25, 2017, the UNCITRAL Tribunal unanimously rejected the Kyrgyz Republic’s preliminary jurisdictional objections and opened the way for adjudication of the merits of the UNCITRAL Arbitration. A hearing on the merits took place from April 9 to 13, 2018, and Post-hearing Briefings and Final submissions have been completed by August 17, 2018. The costs submissions have been completed at November 2, 2018. No definitive timeframe has been provided by the Tribunal for the issuance of a decision. The Company expects to receive a decision in the first half of 2019.

Subsequent to the jurisdictional ruling by the UNCITRAL Tribunal the Kyrgyz Republic has initiated a claim with the High Court of Justice, Queen's Bench Division of the Commercial Court, London, England to set aside the jurisdictional award of the Tribunal in favor of Stans.

On October 13, 2017 a judgement was issued by the High Court of Justice in the proceedings initiated by the Kyrgyz Republic to set aside the award on jurisdictional objections rendered by the Arbitral Tribunal on January 25, 2017 ("the Award") in the UNCITRAL arbitration brought by the Company and Kutisay Mining LLC against the Kyrgyz Republic. In that ruling the Commercial Court ruled in favour of Stans Energy.

On October 13, 2017 the Kyrgyz Republic was also ordered to pay US\$ 222,242. Pursuant to the order the Kyrgyz Republic is to pay Stans costs associated with the claim, with such costs being subject to a detailed assessment if not agreed upon. To date, the Kyrgyz Republic has not complied with the order and the Company has initiated Detailed Assessment proceedings in the UK Courts to enforce the payment of the award.

The Company has not recorded any potential benefit in this Financial Statements related to the UNCITRAL Arbitration and any ultimate future benefit will only be recognized when they are received.

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

### General Financial Condition

As at September 30, 2018, the Company had a cash balance of \$180,354 (2017 - \$20,974) and short term investments of \$1,000 (2017 - \$1,000) to settle current liabilities of \$14,877,737 (2017 - \$10,697,925). All of the Company's financial liabilities with the exception of the litigation funding received, have contractual maturities of less than 12 months and are subject to normal trade terms.

A summary of selected financial information for the period ended September 30 is as follows:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest and Sundry Income	\$ 3,335	\$ 25,722	\$ 10,413	\$ 32,046
Total Expenses	(813,006)	(2,147,337)	(3,362,811)	(3,613,212)
Net loss after tax attributed to common shareholders	(809,868)	(2,121,499)	(3,352,398)	(3,580,495)
Total Assets	262,983	132,067	262,983	132,067
Cash flow used in operations	(718,745)	(751,473)	(4,243,726)	(1,602,958)
Loss per share (basic and diluted)	\$0.01	\$0.01	\$0.02	\$0.02

### Results of Operations

As at September 30, 2018, the Company had not recorded any revenues from its projects.

#### *Results of Operations for the nine months ended September 30, 2018*

For the nine months ended September 30, 2018, the Company had a net loss of \$3,352,398 compared to \$3,581,166 in the prior year. The major changes to the year over year decrease in loss of \$228,768 were caused

by decrease in stock-based compensation of \$218,683 due to decrease in vested and expensed options as comparing to prior year.

The following table provides additional information on the Company's material components of the office and administration expenses:

	<b>Nine months ended</b>	
	<b>September 30, 2018</b>	September 30, 2017
Salaries, benefits and director's fees	<b>\$ 378,920</b>	\$ 433,140
Investor's relations	<b>1,343</b>	8,120
Rent	<b>30,492</b>	64,938
Travel expenses	<b>57,945</b>	47,608
Other office and administration expenses	<b>106,542</b>	103,198
	<b>\$ 575,242</b>	\$ 657,004

#### *Results of Operations for the three months ended September 30, 2018*

For the three months ended September 30, 2018, the Company had a net loss of \$809,671 compared to \$2,121,615 in the prior year. The major changes to the year over year decrease in loss of \$1,311,944 was caused by an decrease of \$1,189,399 in consulting and professional fees due to ongoing litigation in 2018, and decrease in stock-based compensation of \$82,560 due to decrease in vested and expensed options as comparing to prior year.

The following table provides additional information on the Company's material components of the office and administration expenses:

	<b>Three months ended</b>	
	<b>September 30, 2018</b>	September 30, 2017
Salaries, benefits and director's fees	<b>\$ 129,457</b>	\$ 138,800
Investor's relations	-	2,438
Rent	<b>10,925</b>	12,069
Travel expenses	<b>9,274</b>	13,666
Other office and administration expenses	<b>36,130</b>	33,850
	<b>\$ 185,786</b>	\$ 200,823

#### **Selected Quarterly Information**

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

<b>2017 - 2018</b>	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	\$	\$	\$	\$
Interest Income	503	536	575	(32)
Expenses:				
Operating expenses	801,784	1,413,853	1,071,524	927,287
Stock-based compensation	8,390	21,456	37,005	59,351
Net loss for the period	809,671	1,434,773	1,107,954	986,670
Net loss per share - basic and diluted	\$ 0.01	\$ 0.008	\$ 0.006	\$ 0.006

<b>2016 - 2017</b>	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
	\$	\$	\$	\$
Interest Income	463	2,513	1,995	1,887
Expenses:				
Operating expenses	2,031,128	582,039	687,436	663,144
Stock-based compensation	90,950	148,790	45,794	1,692
Net loss for the period	2,121,615	728,316	731,235	662,949
Net loss per share - basic and diluted	\$ 0.01	\$ 0.004	\$ 0.004	\$ 0.004

This summary of quarterly results should be read in conjunction with the Company's annual consolidated financial statements and notes as filed on SEDAR.

### Related Party Transactions

During the three and nine months ended September 30, 2018, the Company expensed \$25,000 and \$44,500 (2017 - \$19,000 and \$53,000) in consulting fees to a director and officers of the Company (included in the table below). As of September 30, 2018, accounts payable of \$101,816 (2017 - \$87,581) were due to directors and officers, and \$314,009 (2017 - \$296,125) in payroll liability due to executive officers. These transactions are in the normal course of operations and are measured at the exchange amount (the amount of consideration established and agreed to by the related party).

As at December 31, 2017 the Company held cash advances from directors of the Company for private placements that took place in February 2018 as described in Note 9 in the amount of \$63,000.

As disclosed in Note 9(a) on March 24, 2017, the Company issued 200,000 shares, for a debt settlement agreement with Mr. Aryev, Chief Operating Officer, in the amount of \$10,000. On April 2, 2018, the Company issued 400,000 shares at a price of \$0.05 per common share for debt settlement agreement with Mr. Aryev, in the amount of \$20,000. On September 5, 2018, the Company issued 400,000 shares at a price of \$0.05 per common share for debt settlement agreement with Mr. Aryev, in the amount of \$20,000.

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2018</b>	September 30, 2017	<b>September 30, 2018</b>	September 30, 2017
Salaries, officers and director's fees	<b>\$ 52,500</b>	\$ 95,000	<b>\$227,500</b>	\$281,000
Stock-based compensation	<b>6,915</b>	74,959	<b>47,751</b>	235,330
	<b>\$ 59,415</b>	\$ 169,959	<b>\$275,251</b>	\$516,330

### Disclosure of Outstanding Share Data

As at September 30, 2018, and as of the date of this MD&A, the following is a description of the outstanding equity securities and exercisable securities previously issued by the Company:

#### (a) Common shares

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



	<i>Number</i> #	<i>Amount</i> \$
Balance December 31, 2016	174,668,586	43,570,229
Shares issued for debt settlement (i)	200,000	10,000
Shares issued in private placement (ii)	2,400,000	61,480
Share issue costs	-	(1,900)
Balance December 31, 2017	177,268,586	43,639,809
Shares issued in private placement (iii)	3,300,000	86,346
Shares issued for debt settlement (iv)	400,000	20,000
Shares issued for debt settlement (v)	400,000	20,000
Share issue costs	-	(2,225)
Balance September 30, 2018	181,368,586	43,763,930

- (i) On March 24, 2017, the Company issued 200,000 shares for a debt settlement agreement with Mr. Aryev in the amount of \$10,000.
- (ii) On August 10, 2017, the Company closed a non-brokered private placement with the sale of 2,400,000 units at \$0.05 per Unit for gross proceeds of \$120,000 with a fair value allocation of \$61,480 calculated as gross proceeds less fair value of warrants of \$58,520 estimated using Black-Sholes option pricing model. Each Unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of \$0.06 per Warrant Share for the period of 60 months. All securities issued pursuant to the above referenced private placements are subject to a statutory four month hold period. Combined Insider participation by the Director and the Chief Operation Officer in the placement totaled \$102,500.
- (iii) On February 22, 2018, the Company closed a non-brokered private placement with the sale of 3,300,000 units at \$0.05 per Unit for gross proceeds of \$165,000 with a fair value allocation of \$86,346 to common stock, calculated as gross proceeds less fair value of warrants of \$78,654 estimated using Black-Scholes option pricing model. Each Unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of \$0.06 per Warrant Share for the period of 60 months. All securities issued pursuant to the private placement were subject to a statutory four month hold period. Combined Insider participation by the Director and the Chief Operation Officer in the placement totaled \$165,000.
- (iv) On April 2, 2018, the Company issued 400,000 shares at a price of \$0.05 per common share for debt settlement agreement with Mr. Aryev, Chief Operating Officer, in the amount of \$20,000.
- (v) On September 5, 2018, the Company issued 400,000 shares at a price of \$0.05 per common share for debt settlement agreement with Mr. Aryev, Chief Operating Officer, in the amount of \$20,000.

The number of common shares outstanding on November 28, 2018 was 181,368,586.

#### **(b) Warrants**

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

	<i>Number</i> #	<i>Price Range</i> \$
Balance, December 31, 2016	17,070,100	\$ 0.06-\$ 0.10
Expired on March 24, 2017	(334,800)	\$0.10
Expired on April 13, 2017	(9,635,300)	\$0.065
Expired on June 11, 2017	(1,010,000)	\$0.065
Issued (i)	2,400,000	\$0.06
Balance, December 31, 2017	8,490,000	\$ 0.06
Issued (ii)	3,300,000	\$0.06
Balance, September 30, 2018	11,790,000	\$0.06

- (i) On August 10, 2017, as a part of private placement, the Company issued 2,400,000 warrants to purchase one Company share at \$0.06 per warrant before December 11, 2022. The fair value of warrants has been estimated to be \$58,520 using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 183.25%; risk-free interest rate of 1.47% and an expected life of 5 years.
- (ii) On February 22, 2018, as a part of private placement, the Company issued 3,300,000 warrants to purchase one Company share at \$0.06 per warrant before February 22, 2023. The fair value of warrants has been estimated to be \$78,654 using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 153.87%; risk-free interest rate of 1.94% and an expected life of 5 years.

### (c) Common share purchase options

The Company has a stock option plan for the benefit of directors, officers, key employees, and consultants. The total number of shares which may be reserved and set aside for issuance to eligible persons may not exceed 10% of the issued and outstanding common shares. As at September 30, 2018, 15,600,000 common shares were reserved for the exercise of stock options granted under the Company's stock option plan (the "Plan").

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

	<b>Options</b> #	<b>Weighted-average exercise price</b> \$
Outstanding at December 31, 2016	8,250,000	0.09
Granted (i)	9,100,000	0.06
Outstanding at December 31, 2017	17,350,000	0.08
Expired (ii)	(250,000)	0.23
Expired (iii)	(1,500,000)	0.06
Outstanding at September 30, 2018	15,600,000	0.07
Options exercisable at September 30, 2018	15,600,000	0.07

- (i) On March 6, 2017 the Company granted 9,100,000 stock options to directors and officers with the vesting period of 18 months (vesting quarterly in equal proportions). Each option entitles the holder to purchase one common share at \$0.06 per share at any time on or before March 6, 2022. The fair value of these stock options of \$411,735 was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Share price	\$0.06
Expected dividend yield	Nil
Risk-free interest rate	1.16%
Expected life	5 years
Expected volatility	179.62%

- (ii) On May 2, 2018 250,000 options, exercisable at prices of \$0.23, expired unexercised.
- (iii) On September 30, 2018 500,000 options, exercisable at prices of \$0.07 and 1,000,000 options, exercisable at prices of \$0.06, cancelled unexercised.
- (iv) On October 23, 2018 1,100,000 options, exercisable at prices of \$0.15, expired unexercised.

### Proposed Transactions

The board of directors of the Company is not aware of any proposed transactions involving 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 has a lease commitment to October 31, 2022 for its principle office location which totals \$160,528, as at September 30, 2018.

	2018	2019	2020	2021	2022	Total
Operating leases	\$9,788	\$39,156	\$39,156	\$39,156	\$ 33,272	\$ 160,528

### 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, and litigation financing.

As at September 30, 2018, the Company had a working capital deficiency of \$14,614,754, compared with a working capital deficiency of \$11,501,648 as at December 31, 2017 comprised of cash, HST receivable, prepaid expenses and other assets, accounts payable, accrued liabilities and the loan financing received.

Stans does not generate revenue from operations and any significant improvements in working capital would result from the issuance of share capital. During the period ended September 30, 2018, the Company raised additional capital for total gross cash proceeds of \$165,000.

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

Under the terms of the litigation financing agreement, the Financer has agreed to assist in the financing of the Company's legal costs and to provide financing toward continuing corporate overhead costs, in relation to the international arbitration proceedings against the Kyrgyz Republic. As at September 30, 2018 the amount of \$9,890,093 (December 31, 2017 - \$9,239,826) was financed under the Agreement.

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

On April 2, 2018, the Company announced that it had entered into a new litigation finance agreement with a new funder to obtain additional incremental funding of Stans' legal costs, including related corporate overhead costs, to continue with the international arbitration proceedings against the Republic of Kyrgyzstan (the "Defendant") on a non-recourse basis. The new litigation finance agreement was signed on March 23, 2018.

Stans will continue to have complete control over the conduct of the international arbitration proceedings, insofar as the proceedings relate to the Company's claims, and continues to have the right to settle with the parties, discontinue proceedings, pursue the proceedings to a final determination and take any action Stans considers appropriate to enforce judgment.

Under the terms of the privileged litigation funding agreement, the Company has given certain warranties and covenants to the funder. In consideration for the provision of arbitration financing, Stans has agreed to pay to the funder a portion of any final settlement of the arbitration claim against the Defendant (the "Funder's Fee"). The Funder's Fee shall only become payable upon a final settlement of the arbitration claim and the value of the Funder's Fee is dependent upon a number of variables including the value of any settlement and the length of time taken to reach a settlement. The agreement also provides that the amount of the Funder's Fee shall not exceed the amount of the aggregate proceeds of the arbitration claim under any circumstances.

As at September 30, 2018 the amount of \$3,585,304 was financed under the new Agreement.

### **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.

#### Credit risk

Credit risk relates to cash and cash equivalents and HST 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 September 30, 2018, the Company's maximum exposure to credit risk was the carrying value of cash and cash equivalents, and HST 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. HST receivables consist of sales tax receivable from government authorities in Canada. Management believes that the credit risk with respect to financial instruments included in cash, short-term investments and HST 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 September 30, 2018, the Company had a cash balance of \$180,354 (2017 - \$20,974) and short term investments of \$1,000 (2017 - \$1,000) to settle current liabilities of \$14,877,737 (2017 - \$10,697,925). All of the Company's financial liabilities with the exception of the litigation funding received, have contractual maturities of less than 12 months and are subject to normal trade terms. During the period ended September 30, 2018, the Company raised additional capital for total gross cash proceeds of \$165,000 (2017 - \$nil). Refer to Note 1 of the consolidated annual financial statements for the liquidity risk related to going concern.

Market risk

## a) Interest Rate Risk

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

## b) Foreign Currency Risk

In the normal course of operations, the Company is exposed to currency risk due to business transactions in foreign countries. Transactions related to the Company's exploration and acquisition activities are mainly denominated in United States dollars ("USD") and some in SOM and Rubles. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rate. The Company has not entered into any derivative contracts to manage this risk. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars ("CAD") at the period-end exchange rates. As at September 30, 2018, the Canadian dollar equivalent of the Company's foreign financial instruments, primarily denominated in USD, is as follows:

	<b>Canadian Dollar</b>
Cash	\$ 152,604
Accounts receivable	26,238
	178,842
Accounts payable and accrued liabilities	(873,641)
Net assets (liabilities) exposure	\$ (694,799)

Based on the above net exposures at September 30, 2018, a 10% depreciation or appreciation of the above currencies against the CAD dollar would result in an increase or decrease, respectively, in net loss by \$59,088 (2017 - \$110,823).

Fair Value

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. The carrying amounts for cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities on the Statements of Financial Position approximate fair value because of the limited term of these instruments.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The book values of cash, other receivables, other financial assets, and accounts payable and accrued liabilities, approximate their respective fair values due to the short-term nature of these instruments.

### *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 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, and current legal issues are not resolved, 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**

### *Critical Accounting Policies and Estimates*

Stans' accounting policies are described in Note 3 to the consolidated 2017 annual 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.

### *Future Changes in Accounting Policies*

The following standard has been issued:

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments – to replace IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial asset and liabilities with only two classification categories: amortized cost and fair value. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The mandatory effective date is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. The Company has adopted this standard and has determined that it has no impact on reported operations.

In June 2016, the IASB issued amendments to IFRS 2, Share-based Payment (“IFRS 2”), clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018 with prospective application. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company has adopted IFRS 2 and has determined that it has no effect on the financial statements.

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) was issued in May 2014. The standard outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with

customers. It supersedes current revenue recognition guidance including IAS 18 Revenues, IAS 11 Construction Contracts and related interpretations. The new revenue model applies to all contracts with customers except those that are within the scope of other IFRSs, such as leases, insurance contracts and financial instruments. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company completed its analysis to assess the impact of the standard on the financial statements. The Company does not have operating revenue and therefore, there will be no impact on the financial statements at this time. The Company will evaluate the impact of the change to its financial statements when it has operating revenue, based on the relevant contractual terms applicable at that time.

### **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](http://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 September 30, 2018.

### **Business Risks, Uncertainties and Going Concern**

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

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. The financing required to achieve this exceeds the Company's current financial resources. 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 Stan's 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.

### *Key Personnel*

The Company relies on a limited number of key consultants and senior management and there is no assurance that Stans Energy will be able to retain such key consultants or other senior management. The loss of one or more such key consultants or members of senior management, if not replaced, could have a material adverse effect on Company's business, financial condition and prospects. Directors and management had previously accepted deferrals of remuneration in order to assist the Company through the economic turmoil; however, this potentially adds to the risk of losing experienced personnel.



### *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 Kyrgyz Republic*

Kyrgyz Republic 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 Kyrgyz Republic 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.

See also "Legal Proceedings and Impairment" above.

**Approval**

The Board of Directors of Stans Energy Corporation 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](http://www.sedar.com).