



STANS ENERGY CORP.

Interim Condensed Consolidated Financial Statements

**For the three and nine months ended September 30, 2018 and 2017
(Unaudited)**

(Expressed in Canadian Dollars)

The accompanying unaudited interim condensed consolidated financial statements of Stans Energy Corp. for the three and nine months period ended September 30, 2018 and 2017 have been prepared by management and approved by the Board of Directors of the Company. These statements have been not reviewed by the Company's external auditors.

Stans Energy Corp.
Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
Unaudited

	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 181,354	\$ 18,806
HST receivable	37,687	43,905
Prepaid expenses and other assets	43,942	42,879
Total assets	\$ 262,983	\$ 105,590
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,402,340	\$ 2,304,412
Share purchase advances received from related parties	-	63,000
Loan	13,475,397	9,239,826
Total liabilities	14,877,737	11,607,238
<i>Commitments (Note 16)</i>		
Equity		
Common shareholders' equity		
Share capital	43,763,930	43,639,809
Warrants	285,621	206,967
Contributed surplus	17,576,946	17,510,095
Accumulated other comprehensive income	277,615	328,862
Deficit	(76,518,866)	(73,166,468)
Total common shareholders' equity	(14,614,754)	(11,480,735)
Non-controlling interest	-	(20,913)
Total equity	(14,614,754)	(11,501,648)
Total liabilities and shareholders' equity	\$ 262,983	\$ 105,590

Going concern (Note 1)
Subsequent events (Note 7 and Note 17)
Segmented information (Note 6)

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

Approved by the Board of Directors on November 28th, 2018.

"Gordon Baker", DIRECTOR

"Albert Grenke", DIRECTOR

"Douglas Underhill", DIRECTOR

Stans Energy Corp.
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
For the period ended September 30, 2018 and 2017
(Expressed in Canadian dollars)
Unaudited

		Three months ended		Nine months ended	
	Note	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017
Expenses					
General and Administrative					
		\$	\$	\$	\$
Office and administration	14	185,786	200,823	575,242	657,004
Consulting fees		47,419	21,332	106,466	74,289
Professional fees		610,635	1,826,121	2,568,627	2,660,724
Stock-based compensation	9c	8,390	90,950	66,851	285,534
Unrealized foreign exchange loss/(gain)		(39,224)	8,111	45,625	(64,339)
Interest income		(503)	(463)	(1,614)	(4,971)
Gain on disposal of impaired assets		(2,832)	(25,259)	(8,799)	(27,075)
Net loss for the period		809,671	2,121,615	3,352,398	3,581,166
Attributable to:					
Non-controlling interest	10	(197)	116	-	671
Common shareholders		809,868	2,121,499	3,352,398	3,580,495
Other comprehensive (income)/loss					
Foreign currency translation of foreign operations		17,379	(40,459)	51,247	(43,960)
Comprehensive loss for the period		827,050	2,081,156	3,403,645	3,537,206
Attributable to:					
Non-controlling interest	10	(197)	116	-	671
Common shareholders		827,247	2,081,040	3,403,645	3,536,535
Basic and diluted loss per share	15	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02
Weighted average number of common shares					
Basic and diluted		178,635,253	175,106,942	180,221,645	175,108,038

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Stans Energy Corp.
Interim Condensed Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2018 and 2017
(Expressed in Canadian dollars)
Unaudited

		September 30, 2018	September 30, 2017
Share capital			
Balance beginning of period		\$ 43,639,809	\$ 43,570,229
Private placement, gross proceeds	Note 9a	165,000	120,000
Issued for debt settlement		40,000	10,000
Fair value of attached warrants on private placement	Note 9b	(78,654)	(58,520)
Cost of issue		(2,225)	(1,900)
Balance at the end of the period		43,763,930	43,639,809
Share purchase warrants			
Balance beginning of period		206,967	389,069
Fair value of attached warrants on private placement	Note 9b	78,654	58,520
Fair value of warrants expired	Note 9b	-	(240,622)
Balance at the end of the period		285,621	206,967
Contributed surplus			
Balance beginning of period		17,510,095	16,924,588
Stock-based compensation	Note 9c	66,851	285,534
Warrants expired	Note 9b	-	240,622
Balance at the end of the period		17,576,946	17,450,744
Cumulative translation adjustment			
Balance beginning of period		328,862	293,373
Foreign currency translation adjustment		(51,247)	43,960
Balance at the end of the period		277,615	337,333
Deficit			
Balance beginning of period		(73,166,468)	(68,599,353)
Net loss attributed to common shareholders		(3,352,398)	(3,580,495)
Balance at the end of the period		(76,518,866)	(72,179,848)
Total common shareholders' equity		(14,614,754)	(10,544,995)
Non-controlling interest			
Balance beginning of period		(20,913)	(20,192)
Changes in ownership interests in subsidiaries		20,913	-
Net loss attributed to non-controlling interest	Note 10	-	(671)
Balance at the end of the period		-	(20,863)
Total equity		\$ (14,614,754)	\$ (10,565,858)

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

Stans Energy Corp.
Interim Condensed Consolidated Statements of Cash Flows
For the nine months ended September 30, 2018 and 2017
(Expressed in Canadian dollars)
Unaudited

	<i>Nine months ended</i>	
	Sept. 30, 2018	Sept. 30, 2017
Operating activities		
Net loss for the period	\$ (3,352,398)	\$ (3,581,166)
Items not affecting cash:		
Stock-based compensation	66,851	285,534
Unrealized foreign exchange loss/(gain)	45,625	(64,339)
Interest income	(1,614)	(4,971)
Loss/(Gain) on disposal of impaired assets	(8,799)	(27,075)
	(3,250,335)	(3,392,017)
Net change in non-cash working capital:		
(Increase)/Decrease in HST receivable	6,218	70,809
(Increase)/Decrease in prepaid expenses and other assets	(1,063)	(14,647)
Increase/(Decrease) in accounts payable and accrued liabilities	(998,546)	1,732,897
Net cash used in operating activities	(4,243,726)	(1,602,958)
Investing activities		
Interest received	1,614	4,971
Proceeds on disposal of impaired assets	9,077	28,162
Net cash used in investing activities	10,691	33,133
Financing activities		
Loan	4,235,571	1,382,140
Private placement of common shares	165,000	120,000
Share issue expense	(2,225)	(1,900)
Share subscriptions received in advance	(63,000)	-
Net cash used in financing activities	4,335,346	1,500,240
Effect of exchange rate changes on cash	60,237	(32,830)
Change in cash and cash equivalents	162,548	(102,415)
Cash and cash equivalents, beginning of period	18,806	124,389
Cash and cash equivalents, end of period	\$ 181,354	\$ 21,974

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Stans Energy Corp.
Notes to the Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2018 and 2017
(Expressed in Canadian dollars unless otherwise stated)

1. NATURE OF OPERATIONS AND GOING CONCERN

Stans Energy Corp. (the "Company" or "Stans") was incorporated on September 26, 2005 under the laws of the Province of Ontario. Stans Energy Corp. is a resource development company focused on advancing rare and specialty metals properties and processing technologies. Stan's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol HRE and 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., Suite 1011, Toronto, ON, M5E 1E5.

These interim condensed consolidated financial statements ("Financial Statements") have been prepared on a going concern basis which assumes the Company will continue its exploration and development activities for the foreseeable future and will be able to discharge its liabilities in the normal course of business as they become due. As at September 30, 2018, the Company had an accumulated deficit of \$76,518,866 (September 30, 2017: \$72,179,848), a working capital deficiency of \$14,614,754 (2017: \$10,565,858) and cash of \$181,354 (2017: \$21,974). The Company incurred a loss for the nine months ended September 30, 2018 of \$3,352,398 (2017: \$3,581,166) and for the nine months ended September 30, 2018 used cash in operations of \$4,243,726 (2017: \$1,602,958).

The Company is currently in legal disputes with the government of the Kyrgyz Republic in relation to its mineral properties licenses (see Note 7). This has resulted in the Company significantly reducing its exploration activities and has deferred its plans to refurbish and update the Kashka Rare Earth Processing Facility. There is no assurance that the Company will be successful in its legal disputes with the government of the Kyrgyz Republic.

The Company has no sources of revenue and has experienced losses and negative cash flows for each of the prior two years. The continuation of the Company as a going concern is dependent upon a successful outcome of the legal disputes with the government of the Kyrgyz Republic and/or upon successfully finding additional sources of financing. There is no assurance that the Company will be able to obtain alternative sources of financing. These circumstances indicate the existence of a material uncertainty which casts significant doubt as to the Company's ability to continue to operate as a going concern.

If the going concern assumption was not appropriate for the Financial Statements, then adjustments may be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position, classifications used, and such adjustments could be material.

On November 28, 2018, the Board of Directors approved the Financial Statements for the nine months ended September 30, 2018.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE WITH IAS 34

These Financial Statements form part of the period covered by the Company's International Financial Reporting Standards ("IFRS") annual consolidated financial statements. These Financial Statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting* and on the basis of IFRS standards and interpretations expected to be effective as at the Company's IFRS annual reporting date, December 31, 2018.

These Financial Statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2017 prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect as of September 30, 2018.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these Financial Statements. Operating results for the nine months ended September 30, 2018 may not be indicative of the results that may be expected for the year ending December 31, 2018. Certain

Stans Energy Corp.
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comparative figures included in the statement of cash flows have been reclassified to comply with the basis of presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

Readers should refer to the December 31, 2017 annual consolidated financial statements for the accounting policies used in the preparation of these Financial Statements. The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's IFRS annual consolidated financial statements will be determined as at December 31, 2018. In the event that accounting policies adopted at December 31, 2018 differ materially from the accounting policies used in the preparation of these Financial Statements, these Financial Statements will be restated to retrospectively account for the application of those policies adopted at September 30, 2018.

(a) Principles of consolidation

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

The following companies have been consolidated within these Financial Statements:

Company Subsidiaries	Property location	% of ownership and voting rights	Principal activity	Functional currency
Stans Energy Corp.	Canada	n/a	Corporate and holding	CAD
Kutisay Mining LLC	Kyrgyz Republic	100%	Exploration	USD
Kashka REE Plant Ltd.	Kyrgyz Republic	100%	Extraction	USD
SevAmRus CJSC	Russian Federation	100%	Research	RUB
Didym Inc.	Russian Federation	100%	Research	RUB

On June 30, 2016, Stans Energy KG LLC transferred its 99.9% share and non-controlling shareholder transferred its 0.1% share in Kutisay Mining LLC to Stans Energy Corp.

On May 29, 2017 Kutisay Mining LLC and Stans Energy KG LLC, the two wholly-owned subsidiaries of Stans Energy Corp., were merged after approval by Stans Energy Corp. board of directors. The merger was an absorption-type merger between Kutisay Mining LLC which as the surviving company absorbed Stans Energy KG LLC.

On June 4, 2018, a non-controlling shareholder transferred its 1% share in SevAmRus CJSC to Stans Energy Corp. On September 30, 2018, SevAmRus CJSC transferred its 1% share in Didym Inc. to Stans Energy Corp.

4. ACCOUNTING CHANGES AND RECENT ACCOUNTING PRONOUNCEMENTS

New Standards and Interpretations issued

At the date of authorization of these Financial Statements for the nine months ended September 30, 2018, the following standards which are applicable to the Corporation were issued.

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IFRS 9, Financial instruments

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 Company has adopted this standard and has determined that it has no impact on reported operations.

IFRS 2, Share-based payment

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. 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, 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.

IFRS 16, Leases

On January 13, 2016 the IASB issued IFRS 16, Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company’s interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. The areas involving significant judgment and estimates have been set out in Note 5 of the Company’s annual audited consolidated financial statements for the year ended December 31, 2017. Certain comparative figures included in the statement of cash flows have been reclassified to comply with the basis of presentation.

6. SEGMENTED INFORMATION

As at September 30, 2018 and December 31, 2017 the Company’s assets were located in the following countries:

Stans Energy Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the three and nine months ended September 30, 2018 and 2017 (Expressed in Canadian dollars unless otherwise stated)

	September 30, 2018	December 31, 2017
Assets		
Canada	\$ 175,867	\$ 69,918
Kyrgyz Republic	65,955	32,158
Russian Federation	21,161	3,514
Total	\$ 262,983	\$ 105,590
Net Loss		
Canada	\$3,075,990	\$4,198,851
Kyrgyz Republic	189,022	296,877
Russian Federation	87,386	72,108
Total	\$3,352,398	\$4,567,836

7. 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 and in 2015 the Kyrgyz Supreme Court dismissed Stans' appeal. Consequently, Stans has no right for further appeal in the Kyrgyz Republic.

In October 2013, Stans commenced arbitration against the Kyrgyz Republic in connection with the legal proceeding initiated by the Kyrgyz 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 Kyrgyz Republic. This award was subsequently challenged by the Kyrgyz 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 May 2015 ruling of the lower court to set aside the MCCI Tribunal award.

In May 2015 Stans commenced an arbitration against the Kyrgyz Republic under the 1976 rules of the United Nations Commission on International Trade Law ('the UNCITRAL Rules') claiming damages arising from the Kyrgyz 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 Kyrgyz 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 Kyrgyz 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 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 was scheduled for April 9 to 13, 2018.

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 ("the English Court") to set aside the jurisdictional award of the Tribunal in favor of Stans. The timetable was set in the London proceedings and a hearing was held on July 24 to 25, 2017.

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On October 13, 2017 a judgement was issued by the English Court 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 Kutasay Mining LLC against the Kyrgyz Republic. In that ruling the English Court ruled in favour of Stans Energy.

On October 13, 2017 the Kyrgyz Republic was also ordered to pay USD\$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 started Detailed Assessment proceedings in UK Courts to enforce the award.

A Hearing on the merits was held by the Tribunal on April 9 to 13, 2018. Following the Hearing the Tribunal issued the Request for two Post-hearing Briefings which have been concluded by the Parties by August 17, 2018. The costs submissions have been completed by the Parties by November 2, 2018. The Company has not recorded any potential benefit in these Financial Statements related to the UNCITRAL Arbitration and any ultimate future benefit will only be recognized when it is 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.

8. LOAN

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”).

The advances received under the Litigation Financing Agreement have been accounted for as a non-monetary liability within the consolidated financial statements. In connection with the terms of the advances the Company does not have a present obligation to repay the amounts until such time as the litigation has been settled or an event of default has occurred. Any non-reciprocal benefits received by the Company will be recognized by the Company when the terms of the Litigation Financing Agreement are satisfied. As the amounts represent income received in advance, the Company is accounting for the advances in a manner similar to deferred revenue whereby the amounts recognized on the statement of financial position are converted to the functional currency of the Company on the date of receipt of the advance and are not re-measured at the period end exchange rates.

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 (as at December 31, 2017 - \$9,239,826) was financed under the Agreement.

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, which includes amounts advanced, 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 Kyrgyz Republic on a non-recourse basis. The new litigation finance agreement was signed on March 23, 2018.

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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 new litigation finance 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, which includes amounts advanced, shall not exceed the amount of the aggregate proceeds of the arbitration claim under any circumstances. Entitlement to returns on amounts advanced is on a priority basis that is *pari passu* with the rights of the pre-existing source of litigation financing to receive payment and/or distribution.

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

9. SHARE CAPITAL

(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.

	Number	Amount
	#	\$
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 at a price of \$0.05 per common share, 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 to common stock, calculated as gross proceeds less fair value of warrants of \$58,520 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 \$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

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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.

(b) Warrants

On certain issuances of common shares, the Company grants warrants entitling the holder to acquire additional common shares of the Company, and the Company also grants warrants as consideration for services associated with the placement of such common share issues.

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

	<i>Number</i> #	<i>Value</i> \$
Balance, December 31, 2016	17,070,100	\$389,069
Expired on March 24, 2017	(334,800)	(10,325)
Expired on April 13, 2017	(9,419,800)	(195,276)
Expired on April 13, 2017 (finder's warrants)	(215,500)	(10,309)
Expired on June 11, 2017	(1,000,000)	(24,232)
Expired on June 11, 2017 (finder's warrants)	(10,000)	(480)
Issued (i)	2,400,000	58,520
Balance, December 31, 2017	8,490,000	\$ 206,967
Issued (ii)	3,300,000	78,654
Balance, September 30, 2018	11,790,000	285,621

Number of warrants	Remaining contractual life	Exercise price per warrant	Expiry date
6,050,000	3.11 years	\$0.06	November 10, 2021
40,000	3.11 years	\$0.06	November 10, 2021
2,400,000	4.20 years	\$0.06	December 11, 2022
3,300,000	4.39 years	\$0.06	February 22, 2023
11,790,000			

- (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

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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:

	Options #	Weighted-average exercise price \$
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

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
1,100,000	1,100,000	0.07 years	\$0.15	October 23, 2018
2,400,000	2,400,000	0.43 years	\$0.07	March 3, 2019
300,000	300,000	0.68 years	\$0.13	June 3, 2019
300,000	300,000	0.78 years	\$0.18	July 8, 2019
3,400,000	3,400,000	1.62 years	\$0.07	May 11, 2020
8,100,000	8,100,000	3.43 years	\$0.06	March 6, 2022
15,600,000	15,600,000			

- (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.

10. NON-CONTROLLING INTEREST

	SevAmRus(*)
Total as of December 31, 2016	\$ (20,192)
Share of loss	(721)
Total as of December 31, 2017	\$(20,913)
Changes in ownership interests in subsidiaries	20,913
Total as of September 30, 2018	\$-

* Non-controlling interest includes Didym Inc.

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On May 29, 2017, Stans Energy KG LLC transferred its 99.9% share and the non-controlling shareholder transferred its 0.1% share in Kutisay Mining LLC to Stans Energy Corp. The transfer of the non-controlling shareholders interest of 0.1% to Stans Energy Corp. did not result in any change in control and was accounted for as a transfer within equity, between the non-controlling interest and the deficit. The transaction with the non-controlling shareholder occurred at a nominal consideration amount.

On May 29, 2017 Kutisay Mining LLC and Stans Energy KG LLC, the two wholly-owned subsidiaries of Stans Energy Corp., were merged. The merger was an absorption-type merger between Kutisay Mining LLC., which as the surviving company absorbed Stans Energy KG LLC.

On June 4, 2018, a non-controlling shareholder transferred its 1% share in SevAmRus CJSC to Stans Energy Corp. The transfer of the non-controlling shareholders interest of 0.1% to Stans Energy Corp. did not result in any change in control and was accounted for as a transfer within equity, between the non-controlling interest and the deficit. The transaction with the non-controlling shareholder occurred at a nominal consideration amount.

On September 30, 2018, SevAmRus CJSC transferred its 1% share in Didym Inc. to Stans Energy Corp.

11. CAPITAL MANAGEMENT

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

As at September 30, 2018, managed capital was negative \$14,614,754 (September 30, 2017 – (\$10,565,858)). The Company raised litigation financing in June 2015, which was increased during the period ended September 30, 2018. There were no other changes to the Company's approach to capital management during the nine months ended September 30, 2018.

12. FINANCIAL RISK MANAGEMENT

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.

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

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\$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. Refer to Note 1 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 CAD equivalent of the Company's foreign financial instruments, primarily denominated in USD, is as follows:

	Canadian Dollar September 30, 2018	Canadian Dollar December 31, 2017
Cash	\$ 152,604	\$ 1,475
Other receivables	26,238	34,743
	178,842	36,218
Accounts payable and accrued liabilities	(873,641)	(1,484,340)
Net assets (liabilities) exposure	\$ (694,799)	\$ (1,448,122)

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 (December 31, 2017 - \$110,823).

13. 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:

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

14. OFFICE AND ADMINISTRATION EXPENSES

	Three months ended		Nine months ended	
	Sep. 30, 2018	Sep. 30, 2017	Sep. 30, 2018	Sep. 30, 2017
Salaries, benefits and director's fees	\$ 129,457	\$ 138,800	\$ 378,920	\$ 433,140
Investor's relations	-	2,438	1,343	8,120
Rent	10,925	12,069	30,492	64,938
Travel expenses	9,274	13,666	57,945	47,608
Other office and administration expenses	36,130	33,850	106,542	103,198
	\$ 185,786	\$ 200,823	\$ 575,242	\$ 657,004

15. EARNINGS PER SHARE

Earnings per share ("EPS") has been calculated using the weighted average number of common shares and common share equivalents issued and outstanding during the year. Stock options are reflected in diluted earnings per share by application of the treasury method.

As at September 30, 2018 and 2017, all potentially dilutive securities are anti-dilutive. The following table details the weighted average number of outstanding common shares for the purpose of computing basic and diluted earnings per common share for the following periods:

	Three months ended		Nine months ended	
	Sep. 30, 2018	Sep. 30, 2017	Sep. 30, 2018	Sep. 30, 2017
Net loss attributable to common shareholders	\$ 809,868	\$ 2,121,499	\$ 3,352,398	\$ 3,580,495
Basic weighted average shares outstanding	178,635,253	175,106,942	180,221,645	175,108,038
Diluted weighted average shares outstanding	178,635,253	175,106,942	180,221,645	175,108,038
Basic and diluted loss per share	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02

16. COMMITMENTS

The Company has a lease commitment to October 31, 2022 for its principle office location which estimated 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

17. SUBSEQUENT EVENTS

On October 23, 2018 1,100,000 options, exercisable at prices of \$0.15, expired unexercised.