Orsu Metals Corporation

Consolidated Financial Statements (Unaudited)

March 31, 2014 and 2013

(In thousands of US dollars)

Orsu Metals Corporation

Consolidated Balance Sheets (Unaudited)

(in thousands of US dollars)

	March 31, 2014 $	December 31, 2013 $
Assets		
Current assets		
Cash and cash equivalents	10,176	11,342
Prepaid and receivables	1,282	807
Assets of Akdjol-Tokhtazan Project held for sale (note 5)	4,572	4,578
	16,030	16,727
Non-current assets		
Deferred finance costs (note 4)	1,052	1,052
Property, plant and equipment (note 8)	8,428	8,414
Other assets	1,019	1,212
	10,499	10,678
Total assets	26,529	27,405
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	812	622
Liabilities of Akdjol-Tokhtazan Project held for sale (note 5)	68	99
	880	721
Non-current liabilities		
Share warrant liability (note 9)	135	160
Other liabilities	120	120
	1,135	1,001
Equity		
Share capital (note 10a)	382,576	382,576
Share purchase options (note 10b)	5,687	5,687
Contributed surplus	28,474	28,474
Non-controlling interest	(416)	(401)
Deficit	(390,927)	(389,932)
	25,394	26,404
Total equity and liabilities	26,529	27,405

Commitments (note 12)

Subsequent events (note 14)

Approved by the Board of Directors

(signed) Sergey Kurzin Executive Chairman (signed) Alexander Yakubchuk Director

Orsu Metals Corporation

Consolidated Statement of Net Loss and Comprehensive Loss (Unaudited)

(in thousands of US dollars)

	Three months ended March 31, 2014	2013
	$	$
Operating expenses		
Administration	(701)	(929)
Legal and professional	(26)	(216)
Exploration (note 7)	(132)	(163)
Stock based compensation - non employees (note 10b)	-	(3)
Foreign exchange losses	(198)	(26)
Net gain/ (loss) from disposal group asset held for sale (note 5)	23	(20)
	(1,034)	(1,357)
Unrealized gain on share warrant liability (note 9)	25	-
Gain on derivative receivable (note 6)	-	174
Finance (expense) less finance income	(1)	6
	24	180
Net loss and comprehensive loss	**(1,010)**	**(1,177)**
Net loss attributable to:		
Owners of the parent	(995)	(1,160)
Non-controlling interest	(15)	(17)
	(1,010)	(1,177)
Loss per share		
Basic	$(0.01)	$(0.01)
Diluted	$(0.01)	$(0.01)
Weighted average number of common shares (in thousands)	182,696	157,696

Orsu Metals Corporation

Consolidated Statement of Cash Flows (Unaudited)

(in thousands of US dollars)

	Three months ended March 31, 2014 $	2013 $
Cash flows used by operating activities		
Net loss and comprehensive loss for the period	(1,010)	(1,177)
Items not affecting cash:		
Depreciation (note 8)	28	34
Unrealized derivative gain on share warrant liability (note 9)	(25)	-
Gain on derivative receivable (note 6)	-	(174)
Share-based payments (note 10b)	-	3
Foreign exchange losses	201	52
	(806)	(1,262)
Changes in non-cash working capital:		
Increase in accounts receivable and other assets	(471)	(390)
Increase/ (decrease) in accounts payable and accrued liabilities	159	(628)
Net cash used by operating activities	**(1,118)**	**(2,280)**
Cash flows used by investing activities		
Expenditures on property, plant and equipment (note 8)	(41)	(353)
Net cash used by investing activities	**(41)**	**(353)**
Net decrease in cash and cash equivalents in the period	**(1,159)**	**(2,633)**
Cash and cash equivalents - Beginning of period	11,343	9,771
Exchange losses on cash and cash equivalents during period	(7)	(40)
Cash and cash equivalents - End of period	10,177	7,098
Cash and cash equivalents per the consolidated balance sheets	**10,176**	**7,098**
Included in the Akdjol-Tokhtazan Project classified held for sale (note 5)	1	-

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

Orsu Metals Corporation

Consolidated Statements of Changes in Equity (Unaudited)

(in thousands of US dollars)

Consolidated statements of changes to equity as at March 31, 2014 and March 31, 2013:

	Share capital						
	Number of shares (000s')	**Share capital $**	**Share purchase options $**	**Contributed surplus $**	**Non-controlling interest $**	**Deficit $**	**Total equity $**
Balance as at January 1, 2013	157,696	380,145	5,887	28,268	(348)	(384,199)	29,753
Share-based payments (notes10b)	-	-	3	-	-	-	3
Net loss and comprehensive loss for the period	-	-	-	-	(17)	(1,160)	(1,177)
Balance as at March 31, 2013	157,696	380,145	5,890	28,268	(365)	(385,359)	28,579
Balance as at January 1, 2014	182,696	382,576	5,687	28,474	(401)	(389,932)	26,404
Net loss and comprehensive loss for the period	-	-	-	-	(15)	(995)	(1,010)
Balance as at March 31, 2014	182,696	**382,576**	**5,687**	**28,474**	**(416)**	**(390,927)**	**25,394**

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

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

1. General information

Orsu Metals Corporation ("Orsu" or the "Company") is a dual listed (TSX: OSU; AIM: OSU) base and precious metals exploration and development company focusing on the acquisition and development of exploration licenses in countries of the Former Soviet Union (the "FSU"). The Company currently holds exploration licenses in the Republic of Kazakhstan (or "Kazakhstan") and within the Kyrgyz Republic (or "Kyrgyzstan") and is currently seeking to acquire and develop new exploration licenses in the Kazakhstan.

The Company's principal and most advanced project is the property, within Kazakhstan, comprising a license area in eastern Kazakhstan containing the Karchiga volcanogenic massive sulphide ("VMS") deposit which is part of the Rudny Altai polymetallic belt (the "Karchiga Project"). The Company is currently seeking to secure finance, primarily in the form of secured debt but also from other sources, for the construction of mine and processing facilities at the Karchiga Project. At the same time in order to develop new opportunities the Company continues to seek to acquire new exploration license areas within Kazakhstan.

As part of the objective to acquire new exploration licenses in Kazakhstan, the Company has undertaken joint exploration work, including geophysical works and verification drilling of exploration targets, under an exclusivity agreement with Asem Tas-N LLC ("Asem Tas"), a privately owned Kazakh registered company and holder of a license area in Eastern Kazakhstan, which is host to a 30km long Dzharyk-Taisogan cluster of copper-polymetallic occurrences (the "Balkhash Project") (see note 7 for details).

The Company's exploration interest in Kyrgyzstan is the Akdjol-Tokhtazan exploration license (or the "Akdjol-Tokhtazan Project") via its 100% interest in Tournon Finance Limited ("Tournon"), the parent of Oriel in Kyrgyzstan LLC ("OIK") the holder of the exploration license for the Akdjol-Tokhtazan Project. The Company considers the Akdjol-Tokhtazan Project a non core asset which is available for sale (see note 5 for details).

The Company is incorporated in the British Virgin Islands and domiciled in the United Kingdom. Its principal place of business is at 1 Red Place, London, W1K 6PL, United Kingdom.

These interim consolidated financial statements were authorized by the Board of Directors on May 13, 2014.

2. Basis of preparation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") which requires publicly accountable enterprises to apply International Financial Reporting Standards, ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") IAS 34 "*Interim Financial Reporting*". The accounting policies applied in these interim consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements as at December 31, 2013.

3. Critical accounting estimates and significant judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these interim consolidated financial statements, the Company makes estimates and assumptions that affect the amounts reported. Significant estimates and areas where judgement is applied include mineral reserve quantities, the assumptions used in the measurement of the fair value of derivative liabilities, property plant and equipment lives, the treatment of disposal group assets as held for sale and fair value of

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such disposal group assets held for sale, the capitalisation of development expenditure, the capitalisation of finance costs associated with the raising of debt finance, tax provisions, deferred tax balances and timing of their reversals and equity instruments. Actual results could differ from the Company's estimates. In accordance with the Company's accounting policy the Company reviews and evaluates the carrying value of its assets when events or circumstances indicate that the carrying amounts may not be recoverable. The identification of such events or changes and the performance of the assessment require significant judgement. If any such indication exists an estimate of recoverable amount is performed and an impairment loss is recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at fair value less costs to sell.

Specifically, the Company has applied significant judgements in these interim consolidated financial statements which are the same as those applied in the Company's audited consolidated financial statements as at December 31, 2013 for following:

Disposal group asset held for sale

In relation to the disposal group asset held for sale the Company followed guidance under IFRS 5, *"Non-current assets held for sale and discontinued operations"*, and applied significant judgement to determine the classification of asset held for sale and whether impairment was required. In concluding its judgement, the Company evaluated the duration of time for which the disposal group has been classified as an asset held for sale, the good standing of the exploration licenses held by the Akdjol-Tokhtazan Project, the continued commitment of the Company to actively sell the asset, the expected realisable fair value of the Akdjol-Tokhtazan Project in the event of a sale and the continued interest to acquire the Akdjol-Tokhtazan Project from interested parties (see note 5).

Development expenditure in relation to the Karchiga Project

In relation to the property, plant and equipment the Company followed guidance under IAS 36, *"Impairment of assets"*, and applied significant judgement to determine if impairment was required. In concluding its judgement, the Company evaluated the market capitalisation of the Company, future copper price, estimates of the future net present value of the project, the potential access to both debt and equity financing to fund the future development of the project and the Company ability to continue to fund the project until such financing for the project is achieved (see note 8).

Deferred finance costs in relation to the Karchiga Project

In relation to the deferred finance costs the Company followed guidance under IAS 39, *"Financial instruments: Recognition and measurement"*, and applied significant judgement to determine if impairment was required. In concluding its judgement, the Company evaluated the share price of the Company, the potential availability of debt finance to the Company to fund the Karchiga project, the future economic factors which may affect the Company's ability to raise the remaining equity finance required for the Karchiga Project, whether the deferred finance costs incurred to date as at March 31, 2014 will remain attributable to completing debt finance and the Company's ability to continue to fund the project until such financing is achieved (see note 4).

Estimated mineral reserves and resources

Estimates of mineral reserves and resources are prepared by appropriately qualified persons, but will be affected by the assumptions applied in relation to commodity prices, inflation and exchange rates, capital and production costs and recoveries, among a number of other factors.

4. Deferred Finance Costs

In relation to the Karchiga Project, following the successful completion of a feasibility study in March 2012 the Company is in the process of seeking to secure debt financing for the construction of a mining and

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processing facility. As a result under IFRS, IAS 39 *Financial Instruments: Recognition and Measurement*, the legal and professional fees incurred in the process of securing the debt finance have been capitalised. These capitalised costs along with future financing costs capitalised, in relation to the Karchiga Project, will be amortised over the term of any proposed debt. As at March 31, 2014 the Company had capitalised in total $1.1 million ($1.1 million for the year ended December 31, 2013) of costs incurred in the process of securing debt finance for the Karchiga Project. In the event that the costs no longer meet the criteria for deferral, then the capitalised amount as at the relevant time will be written off.

5. Assets Held for Sale

The exploration license area for the Akdjol-Tokhtazan Project is located in the Jelal-Abad Oblast, western Kyrgyzstan and comprises the Akdjol license and Tokhtazan license. During 2010, the Company identified the Akdjol license area as a gold-silver epithermal prospect and the Tokhtazan license area as a gold prospect. The Akdjol and Tokhtazan licenses will expire on December 31, 2015.

In 2011, the Company determined the Akdjol-Tokhtazan Project to be a non core asset which was made available for sale. Subsequently, in November 2012 the Company entered into an exclusivity agreement with David-Invest LLP ("David-Invest"), a Kyrgyz registered company, for the potential sale of the Akdjol-Tokhtazan Project for a consideration of $4.5 million which expired on September 1, 2013 and a successor exclusivity agreement which expired on December 31, 2013. Thereafter, in January 2014 the Company entered into a new exclusivity agreement with David-Invest and David Way Limited, a Hong Kong registered company, (together the "Potential Buyers") for the potential sale of the Akdjol-Tokhtazan Project on the same terms as the previous exclusivity agreements between the Company and David-Invest, but required the Potential Buyers to pay to the Company a non refundable deposit in the amount of $0.5 million by January 31, 2014. The Company did not receive the deposit and hence this exclusivity agreement with the Potential Buyers expired.

Subsequently, the Company entered into a new exclusivity agreement, dated March 28, 2014, expiring on July 1, 2014 with the Potential Buyers for the potential sale of the Akdjol-Tokhtazan Project on the same terms as the previous exclusivity agreement after the Company received on April 1, 2014 a non refundable deposit in the amount of $300,000 from the Potential Buyers (deductible from the consideration for any eventual sale to the Potential Buyers). As at March 31, 2014, the Company accrued a receivable of $300,000 as well as an accrued deferred income liability of $300,000.

As at March 31, 2014 the Company considers that this asset continued to meet the criteria to be classified as "held for sale" and under IFRS 5, "Non-current Assets Held For Sale and Discontinued Operations", has continued to classify the assets and liabilities related to the Akdjol-Tokhtazan Project (the disposal group) as held for sale. At December 31, 2013 the Company re-measured the assets at the estimated fair value, less cost to sell, at $4.5 million based on the lower end of a range of prospective sale prices discussed with the Potential Buyers and other interested parties, taking into account current and future forecast gold prices and the good standing of the license . As at March 31, 2014 the Company continues to consider the fair value to be $4.5 million. The Directors are confident that a sale of the asset within the year is probable, but not certain.

The net gains/ (losses) pertaining to the disposal group included in the consolidated statement of net loss and comprehensive loss for the three months ended March 31, 2014 and 2013 are shown below:

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

	2014 $	2013 $
Administration expenses	(17)	(27)
Other income	59	-
Foreign exchange (loss)/ gain	(19)	7
Net gain/ (loss) from disposal group held for sale	23	(20)

The net assets of the disposal group as at March 31, 2014 and December 31, 2013 are shown below:

	2014 $	2013 $
Cash and cash equivalents	1	1
Prepayments	150	155
Mineral properties	4,392	4,392
Property, plant and equipment	29	30
Total Assets	4,572	4,578
Accounts payable and accrued liabilities	(68)	(99)
Net assets of disposal group held for sale	4,504	4,479

6. Derivative receivable

In July 2012 the Company sold its 40% interest in a property in northwest Kyrgyzstan (the "Talas Project") to a wholly owned subsidiary of Gold Fields Limited ("Gold Fields" or collectively with certain of its subsidiaries, the "Gold Fields Group") for cash consideration of $10 million.

At the same time the Gold Fields Group also agreed to subscribe for 25 million units of the Company (each a "Unit") at a price of CAD$0.40 per Unit for gross proceeds of CAD$10 million (the "Subscription"), with each Unit consisting of one common share of the Company (a "Common Share") and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant being exercisable for a period of three years from the date of issue to acquire one Common Share at a price of CAD$0.50. Completion of the Subscription was conditional on the Company obtaining a formal waiver of the Kazakh Government's pre-emptive right and requirement for consent for the issuance of Common Shares pursuant to the Subscription (the "Kazakh Formal Waiver"), the application for which was submitted in September 2012. Until the completion of the Subscription the Company accounted for this to be a derivative receivable. For the three months ended March 31, 2013 the Company measured the fair value of the then outstanding Subscription recognising a gain of $174,000.

The Company successfully obtained the Kazakh Formal Waiver in July 2013 and subsequently accounted for the Warrants issued to Gold Fields as a derivative instrument (see note 9).

7. Exploration

The table below shows the exploration expenditures for the three months ended March 31, 2014 and 2013:

	Three months ended March 31,	
	2014 $	2013 $
Balkhash Project	127	163
Karchiga Project	5	-
	132	163

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Although the Company has taken steps to verify its title to mineral properties in which it has an interest, according to industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

Balkhash Project, Kazakhstan
In March 2014, the Company entered into a new exclusivity agreement with Asem Tas (the "Balkhash Agreement") which replaced previous exclusivity agreements which the Company had previously announced in November 2012, April 2013 and September 2013 (together all of the exclusivity agreements of November, 2012, April 2013 and September 2013 being the "Predecessor Agreements").

The Balkhash Agreement has similar terms to the Predecessor Agreements the key terms of which are:

1) The Company was granted the exclusive right for a period of 120 days ending in July 2014 (the "2014 Exclusivity Period"), to explore and participate in the Balkhash Project, and agreed a new work programme for 2014.

   During the 2014 Exclusivity Period:

   a. The Company and Asem Tas will continue to jointly explore the Balkhash Project, including geophysical works and verification drilling of exploration targets;

   b. The Company will provide funding for exploration works at the Balkhash Project in the amount of up to $0.5 million under an initial 2014 work programme ("Initial 2014 Working Programme") the Company funded the sums disclosed in the above table during the financial three months ended March 31, 2014, and

   c. Subject to the Company exercising its right to participate in the project, Asem Tas will apply to transfer the exploration license for the Balkhash Project to a newly formed Kazakh legal entity jointly owned by Orsu and Asem Tas (the "Joint Venture Company"), which will be a subsidiary of Orsu, with Orsu holding an effective interest of 55%. A transfer of the exploration license to the Joint Venture Company will be conditional upon obtaining a formal waiver of the Kazakh Government's pre-emptive right.

2) The Company has agreed to pay Asem Tas:

   a. up to $1.5 million to compensate Asem Tas for historical exploration costs incurred prior to 2012 (excluding any costs funded by the Company) on effective transfer of the license,
   b. $20 per tonne of economically extractable copper equivalent, up to a maximum of $10 million, less any amount paid under item 5) a. above, on completion of a positive preliminary economic assessment study, and
   c. $20 per additional tonne of economically extractable copper equivalent, up to a maximum of $15 million, less any amounts paid under 5) a. and 5) b. above, on completion of a positive definitive feasibility study.

3) Orsu may terminate its funding at any point before the earlier of the effective transfer of the exploration license or the end of the 2014 Exclusivity Period. Where the approval of the relevant authorities for the transfer of the license is not received due to a breach by Asem Tas, or the Kazakh Government exercises its pre-emptive right to acquire the license during the transfer process, Asem Tas is required to refund Orsu for its expenditure in connection with all the Predecessor Agreements.

4) Should Orsu decide to continue to its participation in the joint exploration of the Balkhash Project, the minimum expenditure required under the overall 2014 contract work programme is $2.165 million (including the amounts expended in the Initial 2014 Work Programme).

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5) Subject to any early termination, following the effective transfer of the exploration license, Orsu will finance the works until completion of the definitive feasibility study and will be responsible for arranging project finance for any future development of the Balkhash Project.

6) Under the terms of the 2014 Balkhash Agreement, Orsu will have the right to buy-out all or part of the interest of Asem Tas in the Joint Venture Company, for cash or shares, at a price determined by an independent expert.

8. Property, plant and equipment

Property, plant and equipment as at March 31, 2014 were:

	Karchiga Project development costs	Leasehold improvements	Vehicles	Other assets	Total
Cost	$	$	$	$	$
Cost brought forward - as at January 1, 2014	8,127	391	163	446	9,127
Additions (note i and ii)	41	-	-	-	41
Retirements	-	-	-	(3)	(3)
Cost carried forward - as at March 31, 2014	8,168	391	163	443	9,165
Depreciation					
Accumulated depreciation - as at January 1, 2014	-	(282)	(98)	(333)	(713)
Depreciation for the period (note ii)	-	(14)	(4)	(9)	(27)
Retirements	-	-	-	3	3
Accumulated depreciation - as at March 31, 2014	-	(296)	(102)	(339)	(737)
Net book value as at December 31, 2013	8,127	109	65	113	8,414
Net book value as at March 31, 2014	8,168	95	61	104	8,428

Notes:

i) Karchiga Project

The Karchiga exploration license area contains the Karchiga VMS copper deposit and is located in the northeast of Kazakhstan. The Company indirectly holds a 94.75% interest in the Karchiga Project via its 100% interest in Eildon Enterprises Limited (“Eildon”), the parent of GRK MLD LLC (“MLD”) and the holder of the exploration license for the Karchiga exploration property. The Company’s interest in the Karchiga Project, via MLD, is governed by an exploration and production contract until February 28, 2024. In April 2011, the Company received approval to commence mineral extraction within the Karchiga exploration license area for copper and is taking the initial step in obtaining all the necessary approvals and permits to commence mining operations. Subsequently in August 2012 the Company obtained the approval from the Ministry of Industry and New Technologies of Kazakhstan in relation to the construction of a mining and processing complex for the Karchiga license area.

In March 2012, the Company successfully completed a technical feasibility and economic study for the Karchiga Project. At the same time and subsequently the Company incurred costs directly related to the construction of a mining and processing facility at the Karchiga Project. Under IAS 16 costs are capitalized during the development phase, defined as being from the date that an economic study is completed and the date the asset is deemed to be available for use and are those that can be directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by the Company. Under IAS 16 IAS 16 “*Property, Plant and Equipment*”, these development costs are capitalized, as they

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meet the criteria for the capitalization for a qualifying asset. As at March 31, 2014 the Company had capitalised total development costs of $8.2 million ($8.1 million as at December 31, 2013, see table below).

ii) Depreciation
A depreciation charge of $1,000 in relation to the Akdjol-Tokhtazan Project classified as held for sale (note 5) are excluded from the table above for the three months ended March 31, 2014 ($1,000 for the three months ended March 31, 2013).

Property, plant and equipment for the year ended December 31, 2013 were:

	Karchiga Project development costs	Leasehold improvements	Vehicles	Other assets	Total
Cost	$	$	$	$	$
Cost brought forward - as at January 1, 2013	6,673	388	163	462	7,686
Additions (note i)	1,454	3	-	15	1,472
Retirements	-	-	-	(31)	(31)
Cost carried forward - as at December 31, 2013	8,127	391	163	446	9,127
Depreciation					
Accumulated depreciation - as at January 1, 2013	-	(224)	(70)	(316)	(610)
Depreciation for the year (note i)	-	(58)	(28)	(47)	(133)
Retirements	-	-	-	30	30
Accumulated depreciation - as at December 31, 2013	-	(282)	(98)	(333)	(713)
Net book value as at December 31, 2012	6,673	164	93	146	7,076
Net book value as at December 31, 2013	8,127	109	65	113	8,414

i) Depreciation
Fixed asset additions of $1,000 and depreciation charge of $1,000 in relation to the Akdjol-Tokhtazan Project classified as held for sale (note 5) are excluded from the table above as at December 31, 2013.

9. Share warrant liability

The Company's derivative share warrant liability consists of 12.5 million Warrants issued to Gold Fields, after Company successfully obtained the Kazak Formal Waiver in July 2013, as part of the Subscription (see note 6). Prior to the Warrants being issued to Gold Fields the fair value of the Warrant was measured and netted off against the derivative receivable (note 6). The Warrants are exercisable over a period of three years from the date of issue to acquire one Common Share of the Company at a price of CAD$0.50.

A summary of the Warrants outstanding as at March 31, 2014 is set out below:

Exercise Price CAD$	Expiry date	Number 000's	Value $000's
0.50	July 25, 2016	12,500	135

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

The Company measured the fair value of the Warrants issued to Gold Fields based on the Black-Scholes option-pricing model using the following assumptions as at March 31, 2014 and as at December 31, 2013:

	March 31, 2014	December 31, 2013
Stock price	CAD$0.04	CAD$0.05
Exchange rate CAD$/ US$	1.1038	1.063
Risk free interest rate	1.16%	1.30%
Expected warrant life	2.32 years	2.57 years
Volatility (assuming a dividend yield of nil)	138.97%	122.19%

A summary of the changes in the Company's share purchase warrants as at March 31, 2014 and December 31, 2013 are set out below:

	2014			2013		
	Warrants Outstanding 000s'	Value Assigned $	Average exercise price CAD$	Warrants Outstanding 000s'	Value Assigned $	Average exercise price CAD$
Balance – Beginning of period	12,500	160	0.50	-	-	-
Warrants granted to Gold Fields	-	-		12,500	440	
Fair value re-measurement	-	(25)		-	(280)	
Balance – End of period	12,500	135	0.50	12,500	160	0.50

10. Shareholders' equity

a) Authorized Share capital

The Company is authorized to issue 100,000,000,000 common shares of no par value. As at March 31, 2014 the total issued share capital of the Company were 182,696,049 common shares. A summary of the Company's issued share capital as at March 31, 2014 and December 31, 2013 are set out below:

	2014		2013	
	Number of shares 000's	Value $	Number of shares 000's	Value $
Balance – Beginning of period	182,696	382,576	157,696	380,145
Common Shares issued to Gold Fields	-	-	25,000	2,431
Balance – End of period	182,696	382,576	182,696	382,576

Note:

In July 2013 the Company issued 25 million Common Shares to Gold Fields at a price of C$0.40 per Common Share. The Company measured the fair value of these Common Shares as at July 25, 2013 based on a closing stock price of C$0.10 per Common Share of the Company and an exchange rate of C$1.028/

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US$. Following the issue of the Common Shares, the Gold Fields Group holds in total, 26,134,919 Common Shares representing a 14.31% interest in the issued and outstanding Common Shares of the Company on an undiluted basis. The new Common Shares rank pari passu with existing Common Shares of the Company.

b) Share Purchase Options

The Company maintains an incentive stock option plan (the "Plan") covering directors, officers, employees and consultants of the Company and its subsidiary companies. The exercise price of an option is determined by the Board of Directors on the basis of the closing market price of the Company's shares on the trading day prior to the date of issue of the option. The Plan provides that options may be granted for a maximum period of ten years and the aggregate number of shares which may be issued and sold under the Plan may not exceed 10% of the issued and outstanding common shares from time to time, less options exercised since shareholder approval was last granted in respect of the Plan.

A summary of the changes in the Company's share purchase options as at March 31, 2014 and December 31, 2013 are set out below:

	2014			2013		
	Options 000's	Value assigned $	Average exercise price $	Options 000's	Value assigned $	Average exercise price $
Balance – Beginning of period	13,410	5,687	0.41	14,910	5,887	0.40
Options granted September 2011 (note i)	-	-		-	6	
Options lapsed	-	-		(500)	(40)	
Options forfeited	-	-		(1,000)	(166)	
Balance – End of period	13,410	5,687	0.41	13,410	5,687	0.41

Notes:

i/ On September 21, 2011 the Company granted 500,000 options to an employee of the Company for a period of 5 years at an exercise price of CAD$0.25 and vesting between March 21, 2012 and September 21, 2013.

Information relating to share options outstanding at March 31, 2014 is as follows:

Range of prices CAD$	**Number of options**	**Weighted average years to expire**	**Average exercise price CAD$**	**Number of exercisable options**	**Average exercise price CAD$**
0.25 – 2.39	13,125,000	1.10	0.25	13,125,000	0.25
2.40 – 4.99	30,000	1.48	2.40	30,000	2.40
5.00 – 9.99	255,000	1.28	8.30	255,000	8.30
	13,410,000	1.11	0.41	13,410,000	0.41

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

The fair values of the share options granted are based on the Black-Scholes option-pricing model using the following assumptions as at March 31, 2014 and December 31, 2013 are shown below:

	2014	2013
Average exercise price	C$0.41	C$0.41
Dividend yield	Nil	Nil
Risk free interest rate	1.03%-2.37%	1.03%-2.37%
Expected options life	2.8 – 3.0 years	2.8 – 3.0 years
Expected stock price volatility	89% – 140%	89% - 140%

The expected stock price volatility is measured using the daily closing stock price, in CAD$, over a period equivalent to the vesting period of the stock options from the date of grant.

11. Related party transactions

(a) *Key management compensation*

Key management includes directors and officers. The salaries and other short term employee benefit compensation paid or payable to key management for employee services is shown below.

	Three months ended March 31,	
	2014	2013
	$	$
Directors		
Dr Sergey V Kurzin	66	62
Dr Alexander Yakubchuk	64	58
Mr Mark Corra	8	7
Mr Timothy Hanford	8	7
Mr Massimo Carello	8	7
Mr David Rhodes	8	7
	162	148
Other senior officers		
Mr Kevin Denham	54	49
Mr Christopher Power (appointed February 28, 2013)	56	46
Mr Raymond Oates (resigned January 16, 2013)	-	30
	110	125
Other key management personnel	41	47
Total	313	320

(b) *Directors loan*

As at March 31, 2013 the Company had a non-interest bearing, un-secured loan outstanding of $51,000 to Mr Bolat Kabaziev, a director of a subsidiary of the Company, which was due for repayment by December 31, 2013. The loan was to assist in financing medical treatment and was subsequently waived in December 2013 in view of Mr Kabaziev's long standing service to the Company.

(c) *Equus Petroleum plc*

The Company and Equus Petroleum plc ("Equus") have Executive Chairman, Dr Sergey Kurzin, in common who is considered to be a member of key management for both companies as defined under IFRS, IAS24 *"Related Party Disclosures"*.

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

During the three months ended March 31, 2014 the Company charged Equus $152,926 ($166,305 for the three months ended March 31, 2013) for services relating to administration support and office service charges. As at March 31, 2014 the total receivable was $577,488 ($223,055 as at March 31, 2013). The amounts receivable from Equus accrue interest of 4% per annum, above the Barclays Base Rate, from the due date of payment until the date of payment. The charges for all the services provided to Equus, as well as the interest charged on overdue payments from Equus, are considered to be on normal commercial terms. During the three months ended March 31, 2014 the Company received $104,000 from Equus in partial settlement towards the amount outstanding as at December 31, 2013 of $525,332. Subsequent to the period end in April 2014, the Company received £89,000 from Equus towards the outstanding receivable.

(d) *Endeavour Financial Limited*

The Company and Endeavour Financial Limited ("Endeavour") share a director, David Rhodes, in common who is considered to be a member of key management for both companies as defined under IFRS, IAS24 *"Related Party Disclosures"*.

During the three months ended March 31, 2014 the Company did not incur any charges from Endeavour ($60,000 for the three months ended March 31, 2013) for financial advisory services in relation to project debt finance for the Karchiga Project. The Company terminated its financial advisory agreement with Endeavour effective May 31, 2013 and there have been no other transactions with Endeavour following the termination. However under the terms of the agreement Endeavour will remain entitled to a success fee, equivalent to 1.5% of the total debt finance less a $100,000 milestone fee paid in 2012, for any transactions concluded, in relation to debt finance for the Karchiga Project, within 12 months of the termination where the financing parties were introduced by Endeavour under the advisory agreement. This entitlement expires in June 2014. The fees paid to Endeavour, along with any future success fee, are considered to be on normal commercial terms.

12. Commitments

The following table summarizes the commitments of the Company as at March 31, 2014:

	2014	2015	2016	2017	2018+	Total
	$	$	$	$	$	$
Lease obligations	273	364	61	-	-	698

The Company's lease obligations are for its London head office property rents, payable under a lease agreement expiring in February 2016.

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

13. Segment information

Operating segments are based on the reports reviewed by the board of directors that are used to make strategic decisions.

The segment information provided to the board for the reportable segments for the three months ended March 31, 2014 is as follows:

	Mineral exploration and development (Kazakhstan) $	Mineral exploration and development (Kyrgyzstan) $	Corporate (UK) $	Total $
Administrative	(148)	-	(553)	(701)
Legal and professional	(3)	-	(23)	(26)
Exploration	(132)	-	-	(132)
Net foreign exchange (losses)/ gains	(211)	-	13	(198)
Unrealized gain on share warrant liability	-	-	25	25
Net gain from disposal group asset held for sale	-	23	-	23
Net finance expense	-	-	(1)	(1)
Net loss for the period	(494)	23	(539)	(1,010)
Property, plant and equipment	8,320	-	108	8,428
Total assets	11,020	4,572	10,937	26,529
Capital expenditure	41	-	-	41

(all tabular amounts are expressed in thousands of US dollars unless otherwise stated)

The segment information for the year ended March 31, 2013 is as follows:

	Mineral exploration and development (Kazakhstan) $	Mineral exploration and development (Kyrgyzstan) $	Corporate (UK) $	Total $
Administrative	(400)	-	(529)	(929)
Legal and professional	(34)	-	(182)	(216)
Exploration	(163)	-	-	(163)
Stock-based compensation	-	-	(3)	(3)
Net foreign exchange gains/ (losses)	71	-	(97)	(26)
Net loss from disposal group asset held for sale	-	(20)	-	(20)
Net finance income	-	-	6	6
Gain on derivative receivable	-	174	-	174
Net loss for the period	(526)	154	(805)	(1,177)
Property, plant and equipment	7,218	-	178	7,396
Total assets	10,295	4,481	14,746	29,522
Capital expenditure	350	-	3	353

The amounts provided to the board with respect to total assets are measured in a manner consistent with that of the financial statements.

14. Subsequent events

In April 2014, the Company announced that it entered into a new exclusivity agreement dated March 28, 2014, expiring on July 1, 2014, with the Potential Buyers for the sale of the Akdjol-Tokhtazan Project (see note 5) following the receipt of a non-refundable deposit from the Potential Buyers of $300,000 on April 1, 2014. As at March 31, 2014, the Company accrued a receivable of $300,000 as well as an accrued deferred income liability of $300,000.